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COMMODITIES

STSA – 2021

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Back to Fundamentals

SOCAR Trading enjoys the unique advantage of being a state-owned entity with an independent global presence. By attracting the best talent in the industry and investing in sophisticated IT systems, we are building a reputation as one of the most successful global energy trading companies in the world.

Editorial
A new cycle

Frédéric Lelièvre
CEO and Editor-in-Chief,
Agefi

Jan Schwalbe
Editor-in-Chief,
Finanz und Wirtschaft

2020 has been a year of unusual shocks for the commodity traders, forcing them to embark on a frightening roller-coaster. At first, the Covid-19 pandemic hit them hard. Health restrictions around the globe triggered a sharp recession in most countries, advanced or developed ones. Highly correlated to global activity, commodities like oil and metals saw their prices fall accordingly. At the same time, the pandemic created production shortfalls on some soft commodity markets, edible oils for instance, pushing some food prices up.

External shocks were not the only ones to affect the commodity traders.

However, unlike previous global recessions which had long lasting effects, most commodity markets swiftly recovered from the price shock. The combination of supply cuts by OPEC+ and a faster-than-expected rebound of the Chinese economy have sent most commodity prices up again, many of them reaching their pre-pandemic level.

External shocks were not the only ones to affect the commodity traders. Last year was also the year of fraud cases. They mainly took place in Southeast Asia and the Middle East, but Switzerland was not isolated. Swiss banks specialised in trade finance suffered at least half a billion Swiss francs of losses. As a result, some players left the business. Nevertheless, 2020 should also be remembered for some positive developments. In particular, Swiss people voted against the Responsible Business Initiative and instead favoured a so-called "counter-proposal" designed by the government who took account of the international competitiveness of the Swiss commodity hub. These future legal provisions will help the commodity industry move forward and become more sustainable. The vote was a sign of trust, not only in the industry, but also beyond and emphasised the important role that multinationals play in the local economy.

What's to expect in 2021? The industry is back to fundamentals as this special issue reports. And it is not just about providing the global economy with the key ingredients it needs. The industry is also starting a new cycle for at least two reasons.

One. The world is entering a post - health crisis growth as the pandemic is more or less under control. Vaccines will also boost the global economy and help it recover. That will benefit the commodity industry because it is at the core of the production activity.

Two. Many countries take the pandemic as an opportunity to make their economy greener. Commodity traders will play a key role when it comes to building infrastructure and electric vehicles, or achieve the targets set by the Paris agreement on climate change. Let's not forget there is also the need to feed the world in a more sustainable way.

This is a secular trend pushing commodity prices up beyond the recent rebound.

Combined, those two reasons may well lead to a new "super cycle", which is a secular trend pushing commodity prices up beyond the recent rebound. This would happen because the increase in demand is only slowly met by a lagging supply. Four such super cycles have happened since 1900. The first two occurred after World War One and Two, with the reconstructions. The third one took place during the oil price shock of the seventies. The last one came with the rapid industrialisation of China in the early 2000s. In that potential new super cycle, oil prices may well reach USD 100 a barrel, experts say, before plateauing as the world will switch to alternative, less CO_2-intensive energy sources. All this means that there are plenty of opportunities ahead for the Swiss commodity hub.

One last transformation would still be needed though. Gender inequality remains an issue, but there might be light at the end of the tunnel. Some companies start to appoint women to top positions. They could in turn become role models and inspire other women to consider a career in the commodity world. ■

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Back to fundamentals

Ramon Esteve
President of STSA

Last year, our theme was disruption. I don't think anyone anticipated what the world has gone through in the last 15 months. So far, it seems that we have adapted, particularly in the commodity industry where our trade channels have continued to operate with few problems in terms of supply or logistics. It is surprising that despite the various lockdowns, there is a resilience of demand in some sectors of our economies.

There were maybe two major disruptions to our industry and these were only remotely COVID-related. I would mention the new trade barriers certain countries have put in place to protect their weakened economies with most often a detrimental effect on their consumers. Then there are the major losses incurred by the financial sector in Asia. Large trading houses seem to be weathering this storm but it has not always been smooth sailing for the smaller market participants. It is ironic that even though regulators fear institutions that "are too big to fail", their actions often lead to further consolidation creating precisely that risk. I doubt losses of such magnitude could happen in the Swiss trading hub. We are privileged to be in a micro-cosmos with well-established trading houses and shipping companies, experienced auditors, seasoned bankers and underwriters, knowledgeable sector consultants and of course, controlling companies; information circulates freely and problems are usually rapidly anticipated and mitigated.

Climate change and environmental concerns are clearly on our agendas. The world needs to decarbonize and today's consumer seems to be putting increasing pressure on financial institutions and what they finance. These are very valid concerns that will accelerate change. Several brands have made bold environmental commitments and traders, as part of their supply chains, will make them a reality. Sustainability has gradually made its way into the purpose definition and mission statements of most trading companies, not to mention the credit analysis of most banks. Trading companies are doing their share to protect the planet but the campaign for the Responsible Business Initiative reminded us that our actions are not yet recognized, our industry has to multiply efforts in communication.

Among the adaptations brought about by COVID-19 is working from home. This was made possible by today's technology, which, even ten years ago, might have been proven difficult. The situation has also greatly pushed forward the dream of the "paperless office". The pandemic will have a long-lasting impact on the way

We are privileged to be a micro-cosmos with well-established trading houses.

we work. There are many technology-related initiatives in which our industry participates that are aimed at streamlining trade flows, such as Blockchain and cryptocurrencies. We hope to shed some light on these developments in this edition. I also take this opportunity to congratulate our teaching staff and our students for completing our courses on-line. I have always wanted an on-line offering so companies abroad can benefit from the Swiss excellence in education; COVID has forced it upon us. I hope that we can continue with an on-line selection after things get back to normal. ■

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One on One with Florence Schurch

Florence Schurch, Secretary General of the Swiss Trading and Shipping Association.

Starting her career working against organised crime, Florence Schurch was the first Swiss female special agent posted overseas with the federal police. Six months after 9/11, she was posted in the Swiss embassy in the US and later in Germany to work with the BKA. As a diplomat, Florence supported the ambassador on homeland security policies and diplomatic duties. In 2009, the Conseil d'Etat nominated her as the federal attaché to defend Geneva's interests at the national level. One year after her nomination as the head of STSA, Florence has set up her team, successfully digested the campaign against the Responsible Business Initiative and sees the focus of the year 2021 on the fundamentals - for STSA's 200 members but also for the industry as a whole.

After the Great Reset announced by the World Economic Forum, the return to fundamentals, proposed by the STSA. Can you explain this choice?
In 2020, significant frauds have shocked the trading industry and left banks and SMEs in difficulties. The impact on the industry's image is huge. Our role is to support the traders to restore their image. We believe this can be achieved by going "Back to the Fundamentals": it is time to learn from the past and work on the future.

Ok, let's talk about the future, what are your priorities for 2021?
Communication, communication, communication... and transparency – our keywords to go forward. The industry's reputation has suffered for too long due to a lack of public awareness. It is mostly our fault for not communicating enough. My goal – as Ramon Esteve, STSA President said – is "to make Switzerland as proud of its traders as it is of its cheesemakers."

The role of transport is also key to our economy. Do you have some examples in shipping in this whole value chain?
Without maritime transportation moving 95% of goods, distribution wouldn't be as efficient. This is thanks to the sailors and crew members continuing to deliver goods and commodities around the world, sometimes without returning home for months.

It is time now to learn from the mistakes made, get rid of the past and work on the future of the trading hub in Switzerland.

2020 has been a successful year for the big trading houses. Can it explain why the trading sector is demonised?
Traders are working in complex countries, where the law and governance are not always comparable to Switzerland. Switzerland doesn't cultivate cocoa, coffee, rice or cotton. Thanks to traders, commodities from resource-rich countries, often marked by instability, are moved to resource-scarce countries. Trading companies are actively promoting responsibility through various projects. Some are now financed by the World Bank or developing banks that see traders as having an important role to play in local community development. There are many existing labels and standards which remain ignored by the public.

Does the expression "Back to Fundamentals" mean that you want to place the trader in the middle, via information-sharing among others?
This is exactly our aim. As you can see below, traders play a fundamental role in everyone's life. Mistakes were made, but trading companies' governance models changed to increase transparency and accountability. ■

Elsa Floret, Journalist at L'Agefi

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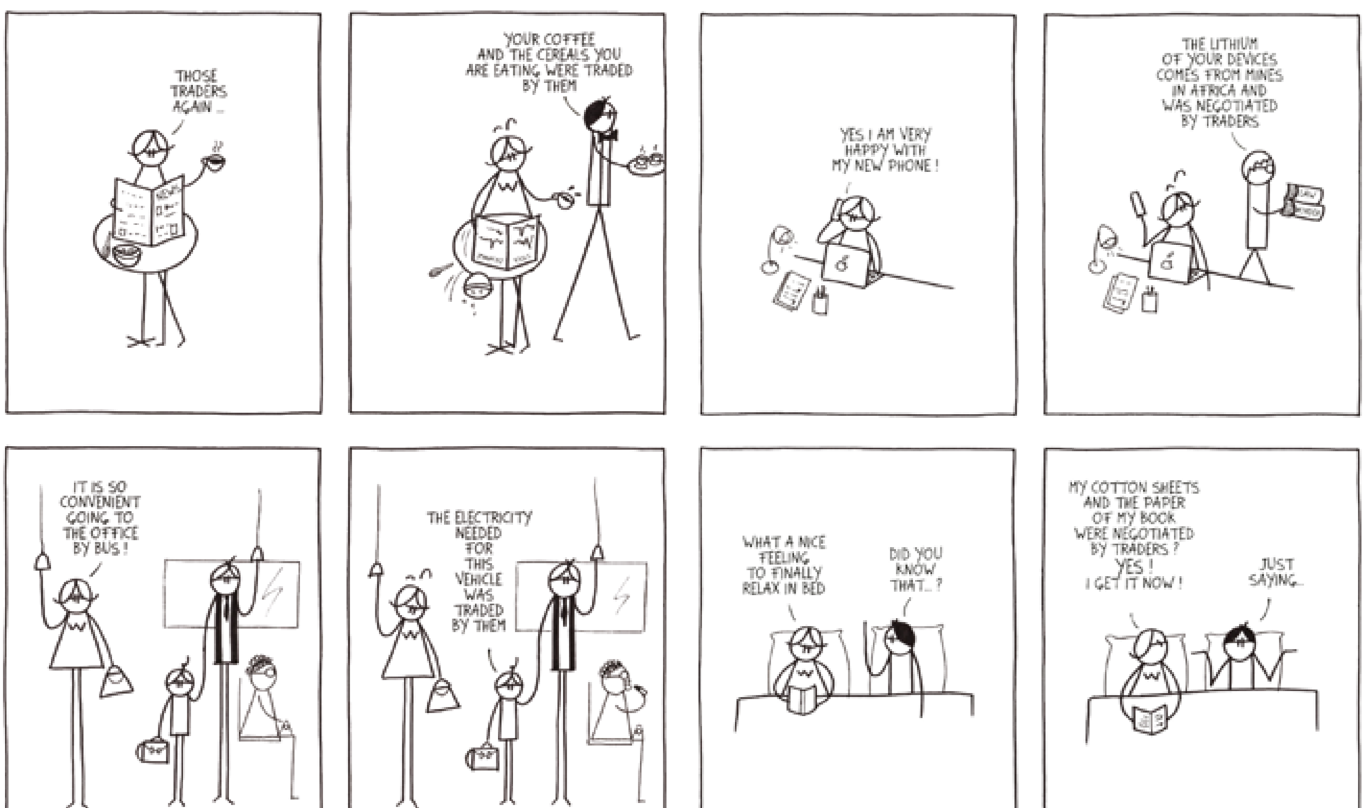

Illustration par Florence Schlegel insta@floschandfam

A success to be maintained in Switzerland

Fabio Regazzi
President of the Swiss Union of Arts and Crafts, National Councillor, Chairman of the Board of Directors, Regazzi Holding

If there is a great paradox in Switzerland, it is the trade in raw materials. Indeed, Switzerland is a small country very poor in commodities. Switzerland doesn't even have a maritime outlet that would allow it to enter the international maritime trade. However, Switzerland is one of the most important commodities trading centres in the world. It's an economic fact that high-growth countries are often the poorest in raw materials, but it's another to be able to climb to the top of the world's commodity trading rankings. Especially since it is mainly SMEs in the Lake Geneva and Ticino regions that have succeeded in establishing a solid reputation and developing cutting-edge know-how in the transactions that are indispensable for trading. How is it possible to achieve this without the necessary resources and maritime access? Critics will write that Switzerland's aggressive tax system is the reason, or that the financing provided by the big banks has made it possible to set up this dynamic trading hub.

The reality is more straightforward. Switzerland's economic policy is characterised by relatively low regulatory costs in comparison with other countries, especially for commodity trading. In fact, every regulation leads to costs for SMEs. Generally, the more regulations there are in number and detail, the fewer opportunities companies have to develop their potential. Of course, some regulations are necessary, such as for road traffic. It is therefore important to be able to differentiate between regulations that are necessary and those that stifle entrepreneurship. The basic rule is to apply an objective cost-benefit ratio.

> **Switzerland's economic policy (...) is characterized by low regulatory costs.**

Ultimately, unnecessary regulatory costs weaken the competitiveness of SMEs in the market. Where does Switzerland stand in relation to these regulatory costs? According to a study by the USAM published in 2019, the regulatory costs would amount to more than CHF 60 billion or about 10% of Switzerland's GDP. The study estimated this cost on the basis of 4,000 legislative texts, from all the different areas of regulation and the federal, cantonal and municipal levels. Countries comparable to Switzerland often have regulatory costs between 10 and 15% of GDP. Switzerland is therefore doing well for the time being.

The USAM notes, however, that since its first study developed with KPMG in 2010, regulatory costs have increased by more than CHF 10 billion in just 9 years. Fortunately, the situation is not yet at our disadvantage compared to other European countries. This is why the USAM is fighting to introduce a constitutional regulatory brake, similar to the well-known debt brake. With this instrument, a vote would have to be taken each time to introduce a new regulation. This is the only way to keep the costs of regulation low and to maintain a high level of competitiveness for the success of SMEs in Switzerland.

The USAM represents and defends the interests of more than 500'000 SMEs in our country. The members of the USAM are the cantonal unions of arts and crafts, the Swiss professional and industry associations as well as other organisations and institutions for the promotion of SMEs, which include 230 associations. ■

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2021: Back to fundamentals

Emmanuel Lemoigne
General Manager
BIC-BRED (Suisse)

With change increasing both in speed and complexity, the commodity trading leaders of the 2020s will be the organisations able to take informed decision faster than their peers.

While 2020 will be remembered, obviously marked by the health crisis, it will also leave the world of commodity trading with a bitter taste. Indeed, the cases of fraud revealed have very concrete consequences that could have a lasting impact on the future of this essential link in world trade. So, it seems that a return to reason is called for.

According to various sources, the trader defaults cost in the order of USD 9 billion to USD 10 billion globally. Mainly linked to players in Southeast Asia and the Middle East, the claims ended up affecting banks based in Switzerland, specialising in trade finance. Thus, according to several estimates, the gross losses resulting from these failures could reach nearly a billion dollars for Swiss banks. These losses accelerated the disengagement of some players and precipitated others in a drastic review of their portfolio, extended if necessary, by decisions to reduce the allocation of capital dedicated to this business.

If the fall is sudden, it is only the consequence of practices that have slowly drifted over the course of many good years. If we summarise them, they are generally characterised by a reduction in the requirements in the transactional financing of operations approach, leaving room for rather classic scams. In addition, this abandonment of good practices only amplified the movement of suspicion on the transparency of the sector and ended up constituting a societal concern opportunely relayed by various NGOs and politicians from all sides. The latter, not always well-intentioned and, to say the least, often guided by ideological postures, saw it as a dream opportunity to want to put a stop to the development of the sector. But this is only the catalyst for the crisis, and in the end, by dint of wanting to disintermediate everything, all the players in the sector have helped to gain flexibility and speed while pressurising financial costs. The reasons for these choices can be explained by the weakness and decline in the economic profitability of these businesses. In other words, when your business model no longer generates a sufficient level of margin, there is a strong temptation to compensate for this relative weakness by increasing the volumes handled. This headlong rush is necessarily accompanied by a more intense recourse to debt, accepted by the largesse of the banks. The resulting increase in financial leverage has often mechanically improved financial profitability but obviously increased the level of risk. Only, we always find less expensive than less expensive and by forgetting to pay at the right price, its own risk premium, we end up leading to the scalding of bankers who cannot afford to leave on the table and all at once, the equivalent of several years of profit. This inconsistency has resulted in a significant human cost and has fuelled a legitimate concern among traders about the abandonment of these activities by banking establishments.

A return to the fundamentals of the business is therefore essential: structured and transactional financing.

The basis of transactional financing is recourse to the financed assets and the self-liquidating nature of the credit. The bank finances the acquisition of an asset, which the company pledges to it and is reimbursed

This abandonment of good practices only amplified the movement of suspicion on the transparency of the sector and ended up constituting a societal concern opportunely relayed by various NGOs and politicians from all sides.

by the proceeds from the resale of this same raw material after several stages that have marked the operating cycle (prepayment to the producer, storage, transport, resale) and which requires this structuring of financing. We come back, more broadly, to the basics of the banking profession which is, above all, knowing what you finance, to whom you lend and how you will be reimbursed.

By developing RCF-type financing methods, normally reserved for large corporates with significantly less leveraged financial structures, banks have participated in the disguise of the profession. Indeed, the balance sheets of large traders are marked by a greater level of encumbered current assets than a more traditional company. De facto, creditors who have subscribed to this type of RCF financing find themselves in a form of subordination which leaves them with very limited recourse in the event of default. This type of financing should not find a taker under these conditions since its repayment should normally be ensured by the profitability of the company and not by new debt. This shift towards the facility explains the level of losses, reinforced by the pricing of these credits at abnormally low margins.

The correct answer must therefore be based on what the financing teams specialising in Commodity Trade Finance know by heart by going back to initial practices and applying them scrupulously. The working groups set up by STSA, made up of specialists from Swiss banks, are, in this regard, illustrative of the know-how to which reference should be made (see pages 12 and 13).

Reasons to be optimistic about the Commodity trading ecosystem in Switzerland.

The ecosystem that exists in Switzerland around the commodities sector is a real opportunity for all players. Recognised worldwide for its competence, Switzerland must capitalise on this environment conducive to business in conditions of security and transparency where everyone can find their account:

- Traders, based in Switzerland but also those who operate from abroad and find expertise in structured finance in Switzerland. No financial centre has developed this skill so assertively.
- Trade finance banks and their teams who have accumulated years of experience and have, despite the setbacks, adapted to the new situation of globalisation.
- Regulators through their continuous monitoring of establishments.
- Lawyers and advisers whose support to stakeholders is essential.
- FinTech's whose innovations will accelerate the digitalisation of the sector by bringing reliability and fluidity.
- Finally, NGOs and politicians whose approach cannot be limited to a general criticism of the activity but to a pragmatic and constructive approach to the changes to be made to respond to societal concerns, the legitimacy of which is indisputable.

Faced with competing financial centres which have just paid a high price for the denaturing of the business, but which will remain vivid competitors in the future, Switzerland has all the assets in hand and benefits from a historic window of opportunity to strengthen its predominance on these trades.

Let everyone take the full measure of this to bring the world of commodities into a new era which, far from being a step backwards, will herald new practices associated with an increasing use of new information technologies. ■

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What role market insurance plays

Philippine de Villèle
Director, BPL Global, Geneva branch

When one company buys or trades goods or commodities, there are resulting risks that arise and need to be considered:

- The performance risk of the seller which is borne by the buyer: e.g. if the seller does not deliver on time or the agreed quality / quantity described within the sales contract is not as it should be;
- The credit risk on the buyer which is borne by the seller: e.g. if the buyer defaults on its contractual payment obligation(s);
- The political risk which can arise in the country where the goods / commodities can be in transit or stored.

These risks can be mitigated by insuring them with the specialist Credit and Political Risk Insurance ("CPRI") market. The CPRI market is mainly based in London and consists of circa 60 individual insurers consisting of both insurance companies and Lloyd's of London. The support and protection the CPRI market provides trade, export and commodity finance activity is often welcome by buyers or sellers when the value of contracts is large or when the number of contracts is significant. It is a useful mitigation tool for corporate risk managers but also for banks who finance the underlying trade who see such insurance protection as a security, thereby enhancing the credit profile of their borrower.

These risks can be mitigated by insuring with the Credit and Political Risk Insurance market.

Today, with an estimated total of around USD 350 billion in live exposure, CPRI insurers play a central role in facilitating trade and economic development across all five continents and in practically every country in the world. Currently, banks represent 55% of the CPRI market client mix, while corporates (e.g. exporters and commodity traders) represent 30% and other financial institutions making up the remaining 15%.

The CPRI market has a long history with trade and commodities activity with a deep level of understanding of its clients' business. Whilst the market's coverage offering has broadened significantly in the past five to ten years, trade and commodity related business remains a core part of its activity. In 2020, enquiries related to risks in extractive industries (Oil, mining and metals) represented a healthy percentage of all transactions submitted to CPRI insurers. 2020 has seen a fair number of challenges for the market from the impact of the COVID-19 pandemic to the well-publicised frauds involving businesses in both Singapore and Dubai. The latter resulted in significant claims volume for the insurers involved which could in turn lead to insurers' offering in the space becoming more selective in terms of the risks they are willing to insure, however overall, the CPRI market should still be viewed as an informed, strong and reliable option for risk managers and banks to consider when seeking to manage and mitigate their country and credit risk around the world. ■

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After the storm, a promising renaissance

Pierre Galtié
Head of Commodity Trade Finance
Banque de Commerce
et de Placements, Switzerland

After the turmoil that shook the commodity trade finance universe in 2020, a period of introspection has gradually given way to the fundamentals which are laying the foundations for a new era with greater robustness.

In addition to the disrupted trade dynamics due to COVID, the crisis revealed instances of fraud and embedded bad practices deviating from the basics of trade financing. If the crisis revealed weaknesses, in its wake has also come the desire to refocus on what lies at the very heart of the commodity trade finance industry.

Hence, while some lenders are still healing their wounds, banks are taking a proactive approach overall to adapt the pre-existing model. What is at stake is accommodating the USD 12 trillion market in commodities exchanged and consumed annually around the world. Between the necessity to cut risk exposure and the need to continue to finance commodity trading, trade finance banks have taken a whole series of steps, in a "back to basics" stance. Rather than a mere broad-based sector de-risking, lenders have further reinforced their risk assessments and securities over borrowers, and are putting increasing emphasis on the transition towards greater sustainability.

This means, first and foremost, a more rigorous approach to the transactional self-liquidating financing principles that have always constituted the foundations of modern trade finance, including: strict Know Your Customer and Know Your Deal due diligence, enhanced collateral monitoring practices, the detection of potentially duplicate trades, stronger guarantees, and privileging borrowers with fully transparent accounts, regulation and corporate governance. At the same time, the two main commodity trade finance hubs, Geneva and Singapore, have worked on codes of best conduct aimed at enhancing transparency as well as promoting sustainable credit flows. These standards are not new, but restating them was needed to align market players with the principles that must guide the industry and world trade as a whole. This has come with a higher level of standardisation in a sector characterised by the atomisation of its supply chain. It explains the recent acceleration in blockchain investments made by banks, which have, for instance, increased their use of digital platforms to help managing operational risks. Another cornerstone of this 'new era' is simply to prioritise experience. If bankers need to be generalists in terms of their wider technical knowhow, they also need to be specialists in their knowledge of the industry. Continuous training and connectivity to the market are essential. A trade finance banker is financing the real economy with complex risk elements and needs to be "there on the ground".

A trade finance banker is financing the real economy.

The description of this new framework which has emerged from the ashes of the recent crisis would not be complete without highlighting the evolution that most trade finance banks and commodities players are conducting towards more sustainability. This transition started well ahead of the crisis, but has been further amplified since. Integrating more environmental, social, and governance criteria in the credit analysis process is becoming an important part of financing decisions.

Looking ahead, the crisis was a necessary wake-up call for an industry which will continue to adapt and stand by its customers. While the dead wood has been trimmed, the roots of the tree remain strong. ■

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Crises: a catalyst for change in trade finance

Jean-François Lambert
Founding Partner,
Lambert Commodities

Relationships between traders and bankers were severely challenged during 2020. Amid the economic crisis triggered by the COVID-19 pandemic, supply chains have been disrupted, whether on the demand or the supply side, or by affecting the logistics supporting the trades. Compounded with the violent volatility of prices sparked by the pandemic-induced disruptions, the world drifted in a perfect storm. Most traders survived, fortunately but some did not, and a few high-profile bankruptcies caused painful losses for the banking industry. It was no surprise therefore that many banks reassessed their lending strategies. Many choose to shrink their risk appetite, but some took sterner actions and shut down commodity lending businesses, some regionally, a handful even totally.

Where does this leave the industry at the dawn of 2021? It is not in a bad place at the outset of the year. Demand has improved in various markets and whilst supply chain disruptions are still occurring, trading is proving quite profitable, whether in agri, metals or energy, in some cases, extremely profitable thanks to auspicious market structures. Traders, notwithstanding isolated situations, did not face a major liquidity squeeze after the banks' strategic reviews, and this despite generally elevated commodity prices leading to additional financing requirements. Finally, the economic outlook is rather positive as if the world had learned to live in a lingering COVID-19 uncertainty.

> **History shows that major crises are always a catalyst for major changes, for better or worse.**

Are we back to normal, then? Not quite. There is no longer such thing as normal. History shows that major crises are always a catalyst for major changes, for better or worse. This one will certainly not differ. Amongst the new priorities of a post-COVID-19 world, as urban populations have rediscovered a much less polluted environment whilst economies were under lockdown, the energy transition will most certainly prevail and be significantly accelerated. This will affect all businesses, and notably trading, of commodities but also other goods. Traders and supply chain managers will not only have to show a more thorough management of their own resources and carbon footprints, but they will soon be under the cosh to demonstrate the same conduct across the whole supply chains they manage. Banks, under an ever-stronger reputational pressure from society at large, will be asked to put their customers' Environment, Sustainability and Governance (ESG) policies on top of their agenda and of their own credit decision process. The (very few) traders – both small and big, still in denial are strongly advised to start drawing their ESG plans and revisit their strategies to address the structural changes underway.

As the world polarizes and redefines globalisation, supply chains will get shorter and increasingly prioritise local content as do consumers. Food and strategic supply management will certainly fare also high on top of the governments' agenda. Relying on – potentially easily disrupted – long and complex supply chains is now increasingly seen as a weakness that needs to be corrected. This will create both opportunities and difficulties. Opportunities for traders able to take advantage of such new strategic imperative, either as suppliers or hoarders, able to answer growing supply security concerns, shortening or diversifying their supply chains. Difficulties, insofar banks, as part of their own strategic imperative shift, are refocussing their scarcer resources on fewer markets.

They will therefore be less prone to support overstretched supply chains unless this is deemed strategic (such as in Japan or China). Commodity traders will find it increasingly difficult to attract banks in pre-financing their suppliers if located in geographies perceived as high risk. They will have to either commit more of their own resources to provide this essential support or partner with alternative financiers such as credit funds attracted by higher yields.

> **Are we back to normal? Not quite. There is no longer such thing as normal.**

So are we really back to fundamentals? Should not the question rather be "what are the new fundamentals in the making?" We are living through extraordinary times and should heed the changes that are taking place. With an overarching challenge. Market places have become increasingly transparent. Secrets do not last long in a social media environment and recent events show that collective uproar can put strategies or even companies down, with little ability to rebuild a shattered reputation. A whole sector can be very quickly harmed by individual behaviour. The only valid response is to strive towards the best standards and to communicate with the key stakeholders and primarily banks in the most open and transparent manner. Never have we lived through such a powerful looking glass. In an industry so long shrouded in secrecy, this is probably the most difficult challenge, but there is no alternative. ■

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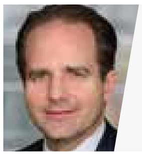
Reinforcing common practice in commodity finance in Switzerland

Alastair Houlding
Global Project Lead,
Trade and Commodity Finance, ING



Patrick Cotasson
Head Commodity Trade Finance,
Switzerland, UniCredit

Michael Jackisch
Head of Soft Desk, BIC-BRED

Newton's Third Law of Motion dictates that every action shall have an equal and opposite reaction. As mentioned in other articles here, while the number of traders involved in recent events was not that numerous, the scale of the potential losses was very significant and impacted nearly all the active trade finance banks.

A large number of trade finance banks and their clients have their trade finance teams, or at least a presence, in Geneva. Under the auspices of the Swiss Trading & Shipping Association (STSA), leading industry banks have been meeting to discuss financing practices in an initiative that attempts to enhance the control mechanisms against fraud and adopt a "back to basics" approach that unifies standards of transactional administration. If not a "USD 10 billion reaction", it reflects a pressing need to restore confidence and avoid repetition.

An initiative that attempts to enhance the control mechanisms against fraud and adopt a "back to basics" approach that unifies standards of transactional administration.

The size of the 'Bezzle'

Trust is an important feature in all economies and an essential lubricant to create low transaction costs. Fraud is the hidden cost of trust (sometimes not so hidden: the fact that the EU has a significant trade surplus with itself can only be a proxy indicator for the scale of VAT fraud). In his seminal work on the 1929 market crash, JK Galbraith coined the term "Bezzle", being the inventory of undiscovered fraud in an economic system. Frauds typically grow to the point at which they are uncovered and in general they are brought to light by significant periods of volatility and retractions of liquidity (often with a domino impact as confidence reverses with events); frauds typically require growing liquidity to avoid discovery.

With the benefit of hindsight, 2020 brought just these conditions to the commodity trading sector, particularly in the field of hydrocarbons, which experienced historic price volatility and demand fluctuation as the world stayed home due to the COVID-19 pandemic. If the epicentre of these events was in other regions, the impact did not avoid Switzerland – international banks incurred losses in their Singapore branches, impacting appetite for commodity finance globally, while many Swiss offices maintained responsibility for the coverage of UAE-incorporated clients, some of them being involved in fraud as well.

Commonalities

Whatever the specific background to these cases they each had a commonality in as much as banks financing these entities believed themselves to be well-protected from financing loss through their transactional (or borrowing base) financing of liquid commodity inventory and receivables from end consumers. Typically, when clients get into financial difficulty, banks financing on this basis find themselves well-protected against loss. However when fraud is involved (the assets are not there or not of the expected quality, or pledged twice over), very significant losses can and do arise – far in excess of banks' modelled expectations, thereby leading to valid questions as to whether these models and practice are fit for purpose. Given that commodity finance is meant to be a relatively low margin industry (the movement (trade) of essential commodities from producer to end buyers is an inherently high volume low margin business and the low margins of the trading community can only support a certain financing cost), but relatively costly to participate in (following transactions from inception to repayment is work intensive and involves material compliance costs), low loss expectation and experience is fundamental to bank participation. A loss of bank participation in this real-world métier can impede the efficient flow of international trade with attendant cost to the world economy.

It is worth outlining that the vast majority of the commodity traders have behaved impeccably in 2020 and despite extreme market turbulences, are showing positive (for some record) financial results. They have demonstrated that their business model and price protection (hedging) have been as robust as one should have expected. A minority of bad apples have triggered unprecedented turmoil in the industry in 2020.

Angst

Coming at a time of several other pressures (the continued push on universal bank margins through low interest rates – amplified by monetary responses to COVID-19, rising compliancy costs, reputational risks coming from trader activity in developing markets and the beginnings of a tectonic shift away from hydrocarbons), banks have thought long and hard about their participation in and exposure to commodity finance.

Failings

As in most disasters, the failings leading to any major financial loss are typically many and sequential. Appropriate client selection is a fundamental criteria and the need to pick clients with good integrity and standards of governance is a key lesson. Sensitivity to potential red flags and adequate due diligence prior to on-boarding is important given that a very human phenomenon, confirmation bias, may suppress sensitivity to (and socialisation of) potential red flags once on-boarded.

A loss of bank participation in this real-world métier can impede the efficient flow of international trade with attendant cost to the world economy.

Questions should also be asked about potential shortcomings by third parties, be it collusion by staff at long standing warehouse keepers or the inadvertent failings of auditors in not picking up on balance sheet inflation, hidden risks and losses. Both in and outside the commodity sector, we have seen that an audit assurance may measure aggregate assets according to established conventions but not assure as to their real value; it is more a quantitative than qualitative discipline.

A number of weaknesses in the overall assessment were more psychological in nature. Herd behaviour, for example – the notion that a course of action must be permissible because everyone else has been doing it for decades. Other factors include being too complacent with historical, well-established trading houses and, last but not least, an increasingly competitive banking landscape, especially in Singapore (e.g. if an extra step is requested, the fear that someone else may take the business).

Finally, the industry participants may have been describing financing as "transactional" (commonly meaning loans being secured by the goods used as collateral, including the proceeds of the financed goods to repay the loan in a self-liquidating manner), while not always administering the financing to these exacting standards. Under these circumstances, we may have been to some extent confusing the good behaviour of the vast majority of our clients with the impact of our transactional administration.

Reactions

Except for two important European commodity finance banks, the vast majority have confirmed the continuation of their commodity activity. Nevertheless, most banks undertook a deep dive portfolio and modus operandi review with some retrenching on client type.

Simultaneously to Singapore's Code of Practice, banks involved in commodity finance in Switzerland met under the auspices of the STSA to share lessons learned and discuss best practice moving forward. The objective was to produce a set of specific recommendations to ensure common standards for all industry participants.

> **Banks involved in commodity finance in Switzerland met under the auspices of the STSA to share lessons learned and discuss best practice moving forward.**

Recognising that convention and practice can be different between the sub-sectors of oil, metals and soft commodity finance, three separate working groups were established for each sub-sector. These groups (chaired by the authors) are populated by leading banks in the commodity finance sector in Switzerland; Arab Bank, BCGE, BCP, BCV, BIC-BRED, CAI, Credit Suisse, ING, Sberbank, Societe Generale, UniCredit and UBS.

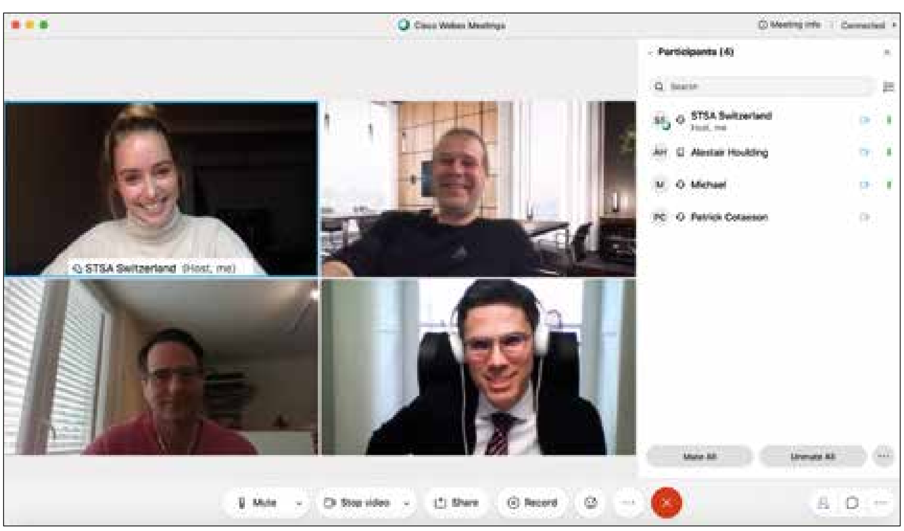
The aim has been to bring relatively detailed statements of best-practice, covering each element of transactional and borrowing base secured commodity finance, with the intent that common adoption by banks will both make the industry safer but also lead ultimately to savings on costs of administration. The premise is that standard practice will lead to less negotiation with individual clients and their counterparts and ultimately facilitate systemisation due to commonality of process requirements. At the time of writing, after numerous interactive sessions, the three work streams have been completed and the Banks involved are in process of finalising a consolidated communication.

The recommendations are numerous but some key conclusions are obvious: for a contract to be transactionally-financed, it should be freely assignable to a financing bank and end payment shall be clearly established without set-off or counterclaim. In consequence, if underlying commercial contracts are appropriately structured, financing can follow smoothly. Others involve greater interaction with end-buyers, noting that some of the industry events were predicated on double-financing of open account receivables. Here the industry has moved to notification of assignment to end buyers and increasingly looks for assurance from those buyers that proceeds will be remitted in line with the assignment. This can be burdensome to administer, but again, once an agreed way of working is established with clients and major counterparts (involving separate negotiation with these buyers), administration becomes smoother and can potentially be systemised. The working groups recognised that the common characteristics in last year's fraud cases were a combination of weak corporate governance, speculative (but hidden) behaviour and poor business ethics. Each of those factors will incline banks to enhance their due diligence by spending more time and resources conducting extensive operational audits. There is also the possibility of traders requiring banks to act together in order to optimise the resources spent on such exercise.

Back to Basics, Back to the Future

In the short run, higher standards of manual administration are being imposed to keep the industry safe. The long run objective is to create more uniform ways of working that lead the way to greater systemisation, digitisation and the use of nascent technology in trade confirmation, contractual confirmations, inventory tracking and assurance, to ultimately drive down the prospect for loss and the important costs of running a transactional trade finance business.

Old-fashioned maxims remain valid – creating third party proof points in a transaction's lifecycle. The exciting element is the degree to which technologies are rapidly evolving to facilitate this and it is the intention of the Swiss commodity finance industry to be at the vanguard of their adoption. ■



Who does what

Commodity traders play an essential role in the value chain (transportation, finance, hedging, transformation) to deliver goods to the consumer.

Within this context, trade finance banks are essential in financing the real economy and providing the liquidity for world trade flow.

After last year's negative news flow, joint efforts are required to restore banks' confidence in the sustainability of commodity trade finance.

The Swiss hub

The Swiss financial centre has developed a niche expertise to become the main commodity hub in Europe by far for trade finance.

Not only traders and banks, but other service providers linked to it (surveyors, lawyers, consultants) often have their main offices in switzerland to be nearer their clients.

Overtime, academic qualifications (Masters in commodity trading at the University of Geneva, for instance) have lent credibility to Switzerland's claim as the place to be for the commodity business.

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There are two types of companies: Those who know they've been hacked, and those who don't. Firms are scrambling to mitigate risk.

A riskier landscape demands a trusted system

Souleïma Baddi
Chief Executive Officer, Komgo

Komgo SA is a software development and IT services company incorporated in Geneva since 2018. Founded by leading Swiss and international companies in the trade and commodity finance industry to drive digitalisation of the sector, Geneva was a natural choice in its capacity as a world-leading commodity hub, its access to highly skilled human resources, and its respected role in driving best practices for the industry.

Three years later, there is no doubt that Komgo will transform the trade finance industry over the next decade. Indeed, the environment post-COVID-19 is mainly about mitigating fraud risk, as fraud is more prevalent in times of financial stress. Regulators are pressuring banks to add fraud mitigation tools to

Digitalisation is no longer a discussion topic; it is an absolute "must have", which will play a major role in the future of the trade finance industry.

all their products. This is even more true in the commodity space, where transactions are generally not yet conducted via digital channels and trusted counterparties; both banks and trading houses need an easy and simple way to enhance their trade execution. Komgo powers a secure network of verified actors generating instantaneous trust between parties, and offers a smart solution, Trakk, to increase the security of trade documents exchanged between multiple parties via email (invoices, contracts, BLs, etc.). Trakk allows users to register the proof of any document to create an immutable, digital version, whose genuineness and authenticity can be easily verified by anyone, thus guarding against fraud and falsification. Banks, traders and inspection companies can track the usage of the documents and add the activity they have performed with it (financed for a bank, for example). This creates a digital audit trail against a document that will strongly mitigate the risk of it being reused for fraudulent purposes.

Digitalisation is the first step toward efficient fraud management as it strengthens organisational processes, decreases dependency on emails where information is siloed, and limits manual checks by enabling automation. It frees time for a company's teams to focus on what matters. Komgo has seen a surge in demand in the past months, especially for Trakk, as it can be deployed quickly, requires very little change management, and brings new visibility to the status of trade documents. Leading corporates are now registering all of their invoices on Trakk, which has brought significant comfort to their lenders and trading partners.
COVID-19 has also compelled many teams to shift to remote work, and most managers acknowledge that we might never return to business as usual, which has increased demand for cloud-based software applications and remote login infrastructure, a key added-value provided by Komgo.

The pandemic is also disrupting supply chains. Reliance on the movement and processing of physical paper has proven too slow, and has delayed the time between order and cash collection. Companies have to hold more inventory, as delays in shipments of one component can derail the entire manufacturing process; the industry has moved from "just-in-time" to "just-in-case". This is more expensive and requires more financing, and emphasises the need to go digital to execute safer, more efficient transactions. Komgo's network is underpinned by permissioned, authenticated messaging removing the need for signature verification and call-backs, while structured data from Komgo messages can be easily mapped and integrated with any internal system, generating huge efficiency gains and reducing manual errors.

Digitalisation is no longer a discussion topic; it is an absolute "must have", which will play a major role in the future of the trade finance industry. No organisation can afford to be left behind, and those that move too slowly will lose a competitive edge to others who are already working together to build a trusted and more secure financing environment. ■


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The new blueprint for commodity finance

Guido Bühler
Founder and CEO, SEBA Bank

Switzerland has the world's most advanced DLT framework

Switzerland is in an excellent position to drive the new digital economy. On the 1st of February 2021, the new DLT (Distributed Ledger Technology) legislation came into force, providing the world's most advanced framework to allow blockchain-based FinTech innovation.

SEBA Bank, the first smart bank in the world to receive a banking and securities dealer licence from the Swiss Financial Market Authority (FINMA) in 2018, represents the symbiosis of technology, blockchain and banking to redefine the future of finance.

Blockchain opens up opportunities with superior features and lower costs within a secure and fully regulated banking environment. The power and elegance of the blockchain are now delivering innovation, driven by 3 key attributes:
- Faster Settlement: Blockchain allow fast settlement (T+0) compared to standard banking settlement systems (T+2 to T+5);
- Security: superior protection of the data held on the blockchain against cyber and other attacks as well as blockchain's defence against double-spending;
- Decentralisation: creating redundancy in the network that ensures a small number of overly-powerful entities do not unduly control the network.

Innovation in blockchain-based client investment products

One of these innovations is the Gold Token, the blueprint for the tokenisation of all other precious metals, metals and commodities, and for commodity finance in general. The Gold Token boasts 1st-priority physical delivery in investor-specified quantities direct from the refinery, virtually eliminating the massive carbon footprint generated by virtually all other physically stored gold investment products for Swiss physical delivery and significantly reducing it for international delivery.

Switzerland is home to the biggest refineries in the world, and we work with the most reputable players who adhere to the highest global Environmental, Social & Governance (ESG) and traceability standards. One gram of gold is equal to one token, with selectable and verifiable provenance and use – a world first. This token is transferred to a wallet, stored in a fully secured environment. A holder can use it as a means of payment, just like crypto or fiat currencies. Holders of Gold Tokens are not charged holding fees typically linked to gold investment, making it not only a means of payment but also the most advantageous way to hold gold.

The Gold Token uniquely combines three key use cases in one:
- A payment token (gold-backed stable coin);
- A store of value; and
- A contract for physical delivery.

All three qualities of blockchain technology – speed, security and decentralisation - are combined in the Gold Token. This advantage is only possible because the tokenisation service is both regulated and integrated into a smart banking platform. ■

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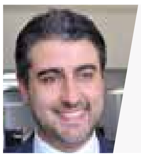
Shaping the future of trading through tokenisation



Marco Grossi
CEO, Tokentrust

Tokenisation and its use of Distributed Ledger Technology ("DLT") will bring a fundamental change to the commodity market and its supply chain management. It is not simply about digitising the existing value chain, but about profoundly disrupting it. The optimised processes will result in winners and losers, particularly through transparency and related decreased margins – both for direct industry participants as well as affiliates, such as banks and exchanges.

The deployment of tokenisation coupled with a marketplace for the tokens will solve various problems of the commodity industry and create significant advantages, particularly in four areas:

Access

Not only do we see a gap between the industrial and investor commodity market today, but also that of smaller investors not having access to various commodities and industrial scale storage facilities. A digital ecosystem can address this problem through interoperability and fractionalisation.

Liquidity

Trading of traditionally illiquid commodities is limited due to the lack of standardised marketplaces, infrastructure, and products. Facilitating a standardised marketplace can increase liquidity, ultimately leading to lower spreads, better prices, lower entry barriers and more efficient supply and demand balancing.

Efficiency

The commodities market is burdened with high frictional costs due to many intermediaries. Counterparty and operational risks decrease efficiency even further. A digital ecosystem can also address these issues by allowing disintermediation, the use of digital trust (immutable storage of information) and atomic swaps (token-token transaction allowing for instant settlement or booking logic via smart contracts).

Transparency

The final price to a buyer is often opaque due to the long chain of intermediaries, but also because of limited price discovery due to limited standardisation and liquidity. Furthermore, the commodities industry is often associated with environmental and social concerns. Making use of DLT (Distributed Ledger Technology) can enrich the entire product lifecycle with additional and immutable information around fee breakdowns, Environmental and Social Governance (ESG) and fair pricing – bringing unparalleled transparency to all participants.

Needless to say, that these fundamental changes also come along with challenges. It remains to be seen how quickly incumbent industry participants can adjust their skillset to the new environment, how regulation will adjust accordingly and the further developments and interplay of DLT and other emerging technologies such as Artificial Intelligence, Nano Technology and Quantum Computing. ■

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The commodity trading industry and the UN Guiding Principles on Business and Human Rights

Raphael Jenny
Legal and Political Affairs Officer, STSA

Respecting human rights is essential to achieve sustainable development. In 2015, 170 world leaders met at the United Nations (UN) Summit on Sustainable Development in New York to adopt the 2030 Agenda. The Agenda covers a broad set of 17 sustainable development goals (SDGs) and 167 targets that serve as a broad framework to guide global and national development over the next 15 years. One of the reasons the SDGs and the 2030 Agenda are a transformative development framework is that they are based on human rights, meaning that human rights principles and standards are thus strongly reflected in an ambitious global development agenda.

In 2008 already, UN Special Representative John Ruggie proposed a framework to the UN Human Rights Council (UNHRC) to address the fundamental relationship between business activities and human rights. The framework translated into the UN Guiding Principles on Business and Human Rights (UNGPs) and adopted by the UNHRC in June 2011 defines what governments and companies should do to prevent and mitigate companies' adverse impacts on human rights. They encompass all internationally recognized rights, and apply to all states and business enterprises.

The UNGPs, meanwhile broadly reflected in the SDGs, emerged as a consequence of and based on the experience of two decades of globalisation marked by increased fragmentation of business production processes across multiple sectors and countries, the development of complex and lengthy global supply chains and an increasing number of people employed in, and communities affected by such trade. The increase in global trade has raised the standard of living for many around the world and reduced poverty levels. At the same time, many were cut off from the benefits of development and suffered human rights harm, among others due to impacts from the growing, harvesting, or extraction of commodities.

First ever sector guidance implementing the UNGPs has been developed specifically for the commodity trading industry in Switzerland.

In Switzerland, this commitment was translated into the so called National Action Plan (NAP) (launched in 2017 and updated in 2020) aiming at giving the necessary guidance on how to implement the UNGPs at a domestic level. The NAP thus clarifies the position and expectations of the Federal Council with regard to business enterprises and aims to improve the protection of human rights in the context of economic activities. Within the framework of the NAP and its objective to promote guidance for businesses, in 2018, the first ever sector guidance on implementing the UNGPs has been developed specifically for the commodity trading industry in Switzerland. The Guidance, which was jointly developed by the Swiss Trading and Shipping Association (STSA), commodity trading companies, representatives of the civil society, and Federal and cantonal authorities, is an important milestone underlining the importance of respecting human rights in commodity trading. It provides analysis and examples relevant to applying the UNGPs to the specific context of commodity trading.

Mindful of the continuing challenges in the implementation of the UNGPs, STSA and its members are fully committed to further improve and strengthen human rights due diligence processes with a particular focus on the characteristics of and challenges associated with risks in commodity trading. While continuing the discourse with civil society, academia, and the Federal administration, the industry under the auspices of STSA, has formed dedicated working groups concentrating on peer learning and establishing best practices in human rights due diligence processes. This work also includes the thorough implementation of the upcoming indirect counter-proposal as a result of the rejection of the "Responsible Business Initiative" by Swiss voters in November 2020, which introduces mandatory non-financial information disclosure and specific due diligence requirements in the use and trade of conflict minerals and child labour. ■

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Towards more equality: the Swiss "Comply or Explain" approach

Daniel Rüfenacht
Vice-President Corporate Communications, SGS Group

Since 1 January 2021, the amended Swiss Code of Obligations (CO) includes new guidelines for a minimum quota for representation by women on the board of directors and executive management. Article 734f of the CO calls for larger listed companies to have at least 30% more women on their board of directors and at least 20% women in management positions. In an ongoing drive for transparency, this amendment will also encourage compliance with the constitutional obligation to ensure equality between women and men contained in article 8 of the Swiss Constitution. In the event of non-compliance with these quota criteria, companies will have to explain in their compensation reports why these have not been met and show what they are going to do to correct it.

The gender benchmarks apply to publicly listed companies domiciled in Switzerland which, over two consecutive financial years, can meet at least two of the following three criteria: total assets of 20 million Swiss francs (balance sheet total); sales revenue of 40 million Swiss francs and who employ more than 250 full-time equivalent employees (FTE) (art. 727 para. 1(2) CO).

It is important to mention, however, that there will be no legal sanctions for companies who do not comply with these quota requirements. Instead, the Swiss authorities decided

30% more women on their board of directors and at least 20% women in management positions.

to follow a "comply or explain" approach. This means that the law sets benchmarks. If these are not met, companies must justify their non-compliance in their compensation report and show how they intend to meet the quota.

On a practical level, this new measure raises several questions as to how companies can meet these new requirements. Will this be achieved through a bottom-up approach by promoting more women through succession planning or by attracting more outside female talent or will it be a combination of the two? If companies seek to attract more talent from the outside, how can more female talent be attracted to join the commodities trading industry? The benefits are clear: an increase in gender diversity will directly translate into a broader representation of opinions and a more balanced approach to risk. One thing is certain, there will need to be a cultural change in recruiting practices. Working practices will need to evolve to accommodate flexible working hours for family priorities for example. Companies will have to adapt to tap into the pool of potential talent available. As well as building more awareness of career opportunities with business and management schools for example, they will have to make their hiring communications more inclusive and create more women ambassador networks to attract new talent. ■

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WISTA Switzerland and promoting equality

Maryana Stober
President of WISTA Switzerland Women's International Shipping and Trading Association

This year of 2021, as we celebrate the 50 years anniversary of voting rights of women in Switzerland, let's look where we are in terms of women representation in business and in particular in the trading and shipping industry in Switzerland and internationally.

WISTA stands for Women's International Shipping & Trading Association, a global association for women in the trading and maritime industry. It was established in 1974 by several female brokers from Germany, the Netherlands and the UK. Today, WISTA has more than 3,000 female professionals with national chapters in 53 countries. Since 2018, WISTA International has a consultative status at the International Maritime Organization (IMO).

The key mission of the association is to connect senior professional women around the world, as well as encourage diversity, inclusion and women empowerment in the industry. We are focusing on both promoting networking and educational opportunities, and at the same time providing a platform of discussion for sharing thoughts on key trends in the industry. We thrive to support women in their careers and to pave the way for long-term success.

WISTA's chapter in Switzerland dates back to 2009 and today we have over 100 active members in Geneva, Zug, Zurich

These numbers indicate that some progress has been made since 2018, but we are still far away from a balanced representation at the highest echelons of the industry.

and Lugano. Mindful of the important place that trading and shipping takes in the Swiss economy, it is our role to be a voice for women. One predominant challenge still facing the industry to this day is the lack of female representation at the highest level of management. Bloomberg 2018 data showed that top commodity trading houses had less than 5% of women in leadership roles.

Based on WISTA's actual analysis of 15 companies active in the trade of agricultural commodities, oil and gas as well as shipping, we found that in 2021 women represent approximately 25% on the Boards and only around 14% in senior leadership positions. These numbers indicate that some progress has been made since 2018, but we are still far away from a balanced representation at the highest echelons of the industry.

While businesses tend to increasingly recognise the importance of diversity in the workplace as a driver of success, and numerous companies have committed themselves to gender balance and equal pay, a lot of work remains to be done to promote the representation of women in leadership positions.

As a new generation of young professionals – both women and man – join the workplace, WISTA is ready to play its part, as a force for positive change, making sure that everyone has an equal world of opportunities. ■

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One on One with Muriel Schwab

Muriel Schwab has 20 years' experience in the commodities industry, and serves as CFO, at Gunvor. She first joined Gunvor in 2007. Prior to her current position, she was the Regional Head of Trade and Commodity Finance at Rabobank in New York. She has also previously held positions with Taurus Petroleum, Credit Suisse and ING in Geneva. Ms. Schwab holds a Master of Advanced Management from Yale School of Management, a Master of Business Administration from INSEAD, and a Bachelor of Arts in International Relations from the Graduate Institute of International and Development Studies, Geneva.

Why did you choose the trading industry?

I have always been interested in working in a fast-paced environment with strong international exposure, and that first led me to finance and then to the commodities sector. What keeps me in trading is the appeal of working in an industry that is always evolving, always responding to market changes very quickly. How companies in the sector are striving to respond to the Energy Transition is a good example of that.

Tell us about your career path following graduation from university right up until your current CFO position.

There doesn't seem to be any single path for anyone into commodities trading. My own has been: education, finance and trading.
I worked for banks, Credit Suisse and ING after college. From there, I took on an in-house finance role at Taurus Petroleum in Geneva. Then I joined Gunvor for the first time. The company offered the chance to work in Singapore, which I did for 6 years while attending INSEAD. I left Gunvor's CFO Asia-Pacific to relocate to the US and attend a Master of Advance Management at Yale. I moved back into commodity finance at Rabobank in New York, and Gunvor called again.

There doesn't seem to be any single path for anyone into commodities trading.

You mention opportunities, but you must have faced challenges as well. What were they?

A good job is comprised of interesting challenges, and the commodities sector has its fair share. In finance, especially, we're constantly striving to find creative solutions to reduce costs and improve profitability–critical for an industry that has razor-thin margins. We can look into the increasing use of blockchain and digitalisation as a good example of that.

Two years ago, when I joined Gunvor, the company had commenced an overhaul, which in many ways remains ongoing. For example, we're meeting compliance risk head-on through investments in our control processes, promoting transparency, and taking clear-cut steps, like ceasing the use of "agents". This comes alongside our efforts to strengthen corporate governance and broaden leadership. The company today isn't the company of yesterday, and tomorrow we will continue to evolve. To be able to contribute to these changes has been important for my role.

The commodities sector can respond rapidly to change, but it is also known to be very conservative, isn't it?

Historically, yes, in terms of culture. But this is starting to evolve as everyone is looking for an edge, and that clearly comes from diversity and inclusivity. Many studies have demonstrated that companies with a more diverse decision-making base achieve higher performance. Overall, though, I see that society is changing in a positive way. There is still more work to do.

How is the industry now promoting greater diversity?

We have to be more creative about recruiting people, developing and retaining a new diverse generation of leaders. The trading of today and tomorrow is more dependent on analytic skills, including such things as machine learning and AI. Ten years ago, it mattered if you could speak English and Chinese. Today, the languages that matter are Python, C-Sharp, and SQL. Concurrently, we have to promote diversity at Board level to set the tone from the top. ■

Interview by Elsa Floret, Journalist at l'Agefi

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One on One with Céline Coimbra

Celine Coimbra is the CEO of LafargeHolcim Trading. LH Trading is a subsidiary of LafargeHolcim Group. Céline joined LafargeHolcim in 2012 as Project Manager for RMX Sales & Business Development in the corporate organization. In 2015, she became Strategy & Executive Assistant for the Region Head North America and later on for the Region Head Latin America. She moved to her previous role at Holcim Switzerland & Italy in April 2018, where she successfully built up the new market organization in the French-speaking part of Switzerland. Céline has significantly contributed to the Group Strategy 2022 – "Building for Growth" with the successful bolt-on acquisition and smooth integration of BHL Béton SA in 2019, as well as with the de-

velopment of a new concrete product portfolio. Before joining LafargeHolcim Group, Celine managed a cluster of the RMX concrete business for the largest Portuguese Cement company, Cimpor. Céline is a civil engineer and holds a master's degree in Structural Mechanics from the University of Coimbra.

Why did you choose a career in the building materials industry?
Because my father was a construction worker who later built his own landscaping company. He would bring me along to his job sites and I was fascinated by the result of the job he was doing and how it materialised as lasting structures but also as people's happiness. This is why I chose to study Civil Engineering which then opened the doors to opportunities in the industry.

Can you tell us about your professional background, how you arrived at your current CEO position?
As a risk taker by nature, I would seize opportunities that came along which could impact growth, both mine and the company's. I've never spent more than three years in any position. Not because I wanted to leave a position, but thanks to the myriad of new opportunities.

How did you manage to succeed in a predominantly masculine work environment?
My parents taught me to fight in life. Their key messages were: «Go ahead. Don't be afraid. Take risks. If you make a mistake, learn from it, move forward.» My parents were Portuguese immigrants who arrived in the late seventies. The imposter syndrome in me was, and still is at times, strong, but I always push on and trust in myself.

Do you see yourself as a source of inspiration for other young women?
I find that we women don't network enough, contrary to men who accumulate memberships in various business networks. I would like to engage more with women. But I'm not a rock star, I'm a normal person. I don't hold an MBA or a PhD.

I've never spent more than three years in any position. Not because I wanted to leave a position, but thanks to the myriad of new opportunities.

Would you say that it is easier to work in a male-dominated environment than a predominantly female environment?
It is not easier, but for me personally, more comfortable at times. Men speak out. They are more straightforward and don't beat around the bush. I personally try to be clear and straightforward when I speak.

What are you most passionate about in your work?
I find it fascinating to see how different working environments affect people. How they can grow and perform when they are not afraid.

What part of your resumé demonstrates best how you were able to move up the career ladder?
The company as a team gets the job done, not the boss. I learned this right away, at my very first job managing 57 people. My experience as chief of staff during the Lafarge Holcim merger was a better learning experience than doing an MBA. It took me nine months to feel confident in my job.

How would you describe the cultural environment of your company?
After its merger of two formerly "enemy" companies, the new group's culture has evolved positively. We are much more focused on what is happening outside the company, focusing on the net zero climate pledge and sustainable development.

How can you describe your mission in a way that could motivate young women to follow your example and what advice would you give to a young woman who is about to graduate?
My entire career has been composed of either sink or swim moments. What I would recommend is: "Don't get hung up on titles. Whatever your job may be, just do it properly. And be indulgent with yourself." ■

Interview by Elsa Floret, Journalist at l'Agefi

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One on One with Deia Markova

Deia Markova started her career in 2001 at Societe Generale in Paris in the Corporate Finance Advisory department and later joined the Structured Commodity Finance team with a focus on Metals & Mining customers in Russia and the CIS region. From 2014 to 2017, Deia headed the corporate lending business of Sberbank (Switzerland), with a focus on commodity producers and traders. In 2018, she joined SG Zurich, in charge of impact-based financing solutions aimed at the achievement of the Sustainable Development Goals. In January 2020, Deia was appointed Head of Trade Commodity Finance in Switzerland and joined the Executive Committee of SG Zurich. Deia Markova holds a Master of Science in Finance from Panthéon-Assas University Paris and a Certificate of Advanced Studies in International Business Law from University of St. Gallen.

What led you to work in the field of trade finance?
Working in trade commodity finance has given me the opportunity to work in one of the most dynamic sectors in the world, travel around the globe, meet with people from different nationalities and cultures whilst providing for my family. Trade commodity finance is also an area deeply rooted in the real economy. Each customer satisfied, each transaction financed means jobs created, goods produced and delivered and often in emerging markets. And today, economic development is no longer possible without environmental and social progress.

I never know what I will be doing tomorrow, if I will be at home or travelling.

Tell us about how you developed your career, climbing the professional ladder until you reached your current position as Head of Trade Commodity Finance?
I reached my current position by seizing opportunities, not being afraid of challenges and unknown territories and continuously focus on delivering the best service to clients.

I have been lucky to have had a very diversified career: accompanying business development, discussing funding strategies and constraints, imagining new impact-based models. I have always aimed to expand my understanding of the strategic issues of my clients and co-construct with them the adapted solutions.

How have you, as a woman, managed to succeed in a predominantly male environment?

Throughout my banking career, I have had the good fortune to be surrounded by managers, and especially a few male managers, who always supported me during difficult moments, and taught me how to make bold decisions. I must say that at Societe Generale Trade Commodity Finance we are very well positioned in terms of gender equality as all regional heads, in France, Switzerland, Asia and US are women.

What interests you most about your work in commodity trade?

I never know what I will be doing tomorrow or whether I will be at home or travelling. What I do know, however, is that I am likely to speak and share ideas with different people and every decision made has an impact. Today, we witness a willingness from our clients to change the way in which they trade, source and produce, in our ambition to contribute efficiently to the net-zero carbon world. Knowing that I am an active contributor to this real-world change fills me with pride every day.

What advice would you give to working women to reorient themselves towards trade finance?

Trade Commodity Finance is undergoing a profound change: we are seeing the acceleration of digitisation, with more transparency and better ways to verify data in a trusted way. Trade Finance is an area with a real mission. Over the years, global trade has lifted millions out of poverty and has accelerated innovation. Now, thanks to technology and innovation, we see a re-shaping of trade activity, which will allow it to contribute to the global ambition of attaining a net zero-carbon world. ■

I am an active contributor to this real-world change.

Interview by Elsa Floret, Journalist at l'Agefi

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FRENCH VERSION →

One on One with Mariam Almaszade

Mariam Almaszade is CEO of SOCAR Trading S.A. and member of the board of directors since 2018. Ms. Almaszade began her career in the legal domain, working with UN organisations and NGOs in Geneva, Switzerland and Baku, Azerbaijan. Prior to becoming a Relationship Manager and Member of the Management at De Ceriat, Prensilevich and Blasi law firm in Geneva in 2006, Ms. Almaszade worked at several law firms specialising in the Energy sector. She led teams on the creation of holding and trading structures for Eastern European commodity trading companies.

Why did you choose the trading industry?

I was always very interested in pursuing an international career. I started working with international NGOs in Baku in my native Azerbaijan, and then I moved to Geneva to realise my dream. I was hired by a law firm and was responsible for their international trading clients. Over the course of 15 years, my career evolved naturally from the consulting side to the client side.

Tell us about how you developed your career, climbing the professional ladder until you reached your current position as CEO?

Perhaps it is not a journey that everyone can take, but I have worked very hard to get to my current position as CEO. Over the years, I have also learned the importance of being organised, and of being patient. We must not expect things to happen straight away, nor to succeed from the start. Of course, like most people's, my career journey was not perfectly smooth. But I learned to be calm, to keep going, stay open to ideas, listen carefully to others, and continually analyse the situation before me - and, where necessary, to change my mind. Such flexibility and openness is very important because the pressure in this industry is huge. And if you can't learn to make crucial decisions for the benefit of your company while under such intense pressure, then you will not succeed.

If you can't learn to make crucial decisions for the benefit of your company while under such intense pressure, then you will not succeed.

How have you, as a woman, managed to succeed in a predominantly male environment?

For me, the most important things required to succeed in any job are common to men and women alike. Primarily, you must work hard to acquire the skills needed to do the job. And you must take every opportunity that comes your way. Of course, the success of women in the workplace can depend greatly on the society in which they live, and how progressive education and workplace regulations are. And we have a great debt to Simone Veil and women like her who significantly advanced women's legal rights and removed many glass ceilings. We must all continue their battles and strive to raise standards and close the unacceptable salary gap between men and women. However, at the end of the day, I do believe that skill set rather than gender is the main determinant of success in this industry.

What interests you most about your work in commodity trade?

I love the challenge facing me and my colleagues at the beginning of each year. Every trading house starts the beginning of the year from scratch, with fresh targets, new opportunities and perhaps unforeseen challenges.

I love the challenge facing me and my colleagues at the beginning of each year.

As a professional, what advice would you give to a young woman about to graduate/finishing her studies?

My advice to everyone - young women and young men - is to work hard, study as much as you can, push yourself beyond your comfort zone, and take every opportunity you can. This industry is demanding and does not suit everyone. And so find a mentor and learn from their experiences, good and bad. ■

Interview by Elsa Floret, Journalist at l'Agefi

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Carbon capture is critical to achieve the net zero goal, but it is very expensive

Head of sustainable development at Glencore, Anna Krutikov calls for a globally supportive policy environment that would help the industry on CCUS (Carbon Capture Utilisation and Storage) and direct air capture.

All big mining companies have set reduction targets of their CO_2 emissions to support the Paris agreement. Those commitments make great headlines, but who is auditing the industry's effort, how is it monitored?
Internally we have very strict governance. Our climate change working group is chaired by the board chairman and includes our CEO and CFO. It oversees the target setting process and then monitors the compliance with the target. We also annually report our progress in our annual report and in our sustainability report.

And externally?
Our data are externally assured by our auditors Deloitte. By and at large, I believe this is how a large part of the industry is operating.

To be specific, Anglo American intends to reach net zero emissions by 2040, BHP and Rio Tinto by 2050. Glencore aims at an absolute 40% reduction of its total emissions (scope 1, 2 and 3) by 2035, and net zero emissions by 2050. What are the main drivers, the key innovations to achieve those goals?
Our scope 3 emissions that occur with the use of our products are the most significant in terms of size. They account for about 90% of our total emissions. Our portfolio is diverse, with metals and minerals that enable the transition to a low-carbon economy. So for us the primary driver to cut emissions is through a net depletion of our coal portfolio over time.

In terms of our industrial footprint (scope 1 and 2), the big bucket of our emissions arises from the trucks that we use and from the electricity we consume. For the energy, we are looking at opportunities to switch to renewables and working in partnerships particularly in developing countries to strengthen the renewable energy infrastructure. For example in the DRC the source of the energy for our copper and cobalt operations is hydro. But historically, it has been highly inefficient, resulting in frequent power cuts which we had to supplement with diesel. So we invested to upgrade the power infrastructure.

Late 2019, the International Council on Mining and Metals (ICMM, of which Glencore is member) said it wants all underground equipment to switch to battery power by 2025. Are you on track?
This is a partnership that ICMM has with the manufacturers which build that equipment. Their aim is to develop a technology which at one point enables that switch. Today, a technology that would work in 100% of the cases doesn't exist yet. Geology for example, is a variable that poses some challenges. Look at open pits. Electric vehicles tend to be better suited where meteorology is stable and dry, like in the middle of a desert in Australia. Those are great conditions for electric vehicles. In a place where rain is less predictable or even where it is very cold it affects the longevity of the battery, the recharging plan and the efficiency of the vehicles.

> **What is going to be really important is […] a globally harmonized approach to carbon taxation. I hope that we are going to see this being addressed at the COP (UN Climate Change Conference) meeting in Glasgow.**

As for underground, there have been some technologies that looked very promising, but when tested caused some challenges, e.g. fire.

The intermittency of the power supply is another challenge. In some countries, solar panels are great, like in Australia. In others, where solar radiation is less abundant, it can be more challenging. But there's a lot of work in progress to find solutions.

Coming back to scope 3 emissions, beyond adjusting your portfolio to less carbon intensive products, are you looking at any specific technology? In Zurich, for instance, the company Climeworks captures CO_2 from the atmosphere and just partnered with Microsoft to help them reduce their carbon footprint. Would this kind of innovation be of any interest?
Direct air capture looks interesting (even if I don't know that company specifically). But we do not rely on this to achieve our target by 2035. For our 2050 ambition however, we do expect to rely on carbon capture utilisation and storage (CCUS), and direct air capture. It is generally recognised that carbon capture is critical to achieving the net zero goal. But today, we don't see a globally supportive policy environment that would enable it. Carbon capture is very expensive.

Can you be more specific when you ask for policy support?
Incentives, tax breaks, carbon price, technology subsidies… There are also a lot of concerns from the general public regarding where this carbon may go, for example underground. There has been a lot of discomfort with that, in particular among the population in Europe. We need to find ways to sequester this carbon.

In a report last year, the UK based research firm Wood Mackenzie wrote that «carbon pricing can bring parity between hitting emissions targets and the economics». Carbon price has been up 15% since January, close to 40 euros per ton of carbon emissions. Hedge fund Andurand Capital Management expects it to reach 100 euros by the end of the year. How big of a push may that be for mining groups to cut their emissions?
Very significantly! One hundred euros per ton in 2021 would be extraordinary. But yes, under different scenarios we do expect to see carbon prices globally going up to a range between 52 and 115 euros per ton by 2040. A number of jurisdictions where we operate have carbon prices, like Europe but also South Africa and Australia. As the carbon price increases, it is going to make a greater number of GHG (Greenhouse Gas) reduction opportunities more economic.

What is going to be really important is some kind of consideration of a globally harmonised approach to carbon taxation. I hope that we are going to see this being addressed at the UN Climate Change Conference COP meeting in Glasgow [in November]. Probably from any large industrial company perspective, it's important because at present we have a tax that affects our operation base in those jurisdictions. But if we start to see import taxes linked to carbon, as in Europe for example with carbon border adjustment mechanism, or as in South Korea and China who are also talking about it that affects the whole supply chain. It's important to have a harmonised approach, otherwise there may be a risk of inadvertent ripple effects that may result in, for example, the EU becoming less competitive.

You're basically hoping for the creation of just one carbon market…
Honestly, I don't think we will get there in the foreseeable future… But even a global conversation about the different frameworks and the risk of what we call «carbon leakage», that the carbon footprint simply shifts somewhere else in the world but doesn't actually disappear, is important. ■

Interview by Frédéric Lelièvre

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Achieving net zero: the role of carbon markets

Gérard Delsad
Managing Director, Vitol

Our society is built on CO_2 emissions. Almost everything we touch, from a light switch to the clothes we wear has been created by generating CO_2. This cannot continue, but to stop and even reverse the trend of centuries, requires significant behavioural change and a lot of investment. The last 20 years have shown that good intentions are not enough and that other tools are needed.

The scale of the challenge is huge. Every year we emit 51 billion tonnes of CO_2, but to limit global warming to 1.5 degrees by 2050, we need to achieve Net Zero, a formidable task. At Vitol we believe that this can only be achieved by leveraging the power of markets and private finance, and combining them with other legislative and regulatory initiatives. Carbon markets had a rocky start. The first EU Emissions Trading System collapsed in 2012 due to the oversupply of credits and a focus on other government priorities. However, renewed recognition of the need to address climate change has led to a resurgence of more robust government-backed emissions trading systems. To be successful, government-sponsored compliance markets have to interact effectively with the voluntary market.

Voluntary initiatives are beginning to evolve. As recognised by the Taskforce on Scaling Voluntary Carbon Markets, led by UN Special Envoy on Climate Action and Finance, Mark Carney and of which Vitol is a member, a successful market is a liquid market. Liquidity requires the creation of standardised contracts built on high quality specifications within a respected and robust governance framework. Some voluntary initiatives are based on projects of questionable quality, which risks undermining the asset class, but the right framework and controls with real integrity will attract market participants and promote investment in carbon abating projects. In the last few months, positive steps have been made in this direction with the launch of financial products based on UN standard offset criteria. Getting this right could result in a market worth an estimated USD 50 billion by 2030.

Some argue that carbon offsets detract from the more important issue of reducing emissions. Emissions reduction must be the goal, but meaningful reductions in emissions will require careful planning, reengineering and investment in all aspects of a developed economy. This will take time and, in the interim, investments in offsets can contribute to Net Zero. A second challenge is that many of these projects are in the developing world and that developed companies or economies are just trying to 'buy' green credentials. We believe that if an effective market drives investment into quality carbon abatement projects, it is a good thing. Furthermore, in many developing countries, it can generate local employment and enable the preservation of forests and the biodiversity they support, arguably benefiting local communities more.

In short, this is a huge opportunity to ensure that, in addition to traditional offsetting projects, this market spurs innovation and incentivises investments into CO_2 abatement, reduction, avoidance and sequestration, all of which will be essential if we are to achieve Net Zero by 2050. ■

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Vitol's rooftop and parking canopy system at Ramapo College, NJ, USA is capable of generating 5.1MW of solar energy.

Climate: in Africa, problems can turn into opportunities

Isabelle Chevalley
Specialist for the environment and a circular economy

Green waste accounts for between 60 and 80% of household waste in Africa, whereas in Switzerland, it accounts for 40%. This explains why these large landfills emit a lot of methane. Methane heats the atmosphere 25 times more than CO_2, therefore, it is a very important climate issue. At the same time, the African population is mainly active in agriculture. A sector that is sorely lacking

Methane heats the atmosphere 25 times more than CO_2, therefore, it is a very important climate issue.

in fertilizer, which is why it must too often be imported from abroad. The win-win solution would thus be to transform this green waste into compost. To do so, it is essential to focus on collecting organic waste separately from others. Without this effort, any sorting or recycling project will be doomed to failure or produce poor quality compost that contains too many plastic particles. It requires imagination and, above all, adaptation to Africa's cultural diversity. But nothing is impossible.

The other aspect is the refrigerant gases. Again, this problem can be an opportunity for job creation. To achieve this, all that is needed is to create centres for dismantling and recycling electronic waste. Such centres already exist in some countries, but the process is not always well formalised and not all dismantled elements are properly treated to avoid significant pollution. Such is especially the case with these types of gases.

The problem also lies in the large financial institutions that prefer to finance large holes to hide waste rather than building waste recovery centres that create jobs.

There has to be real economic development if we want to fight poverty in Africa. Ecology is a source of employment and waste management is one of its good examples. These large landfills are important sources of raw materials, even referred to as urban mines.

Sorting organic waste at the source will reduce the volume of large landfills by 60 to 80% and, as a result, the associated GHG emissions will also decrease. The remaining waste can either be sorted for waste recovery such as glass, aluminium, iron, paper, cardboard and even some plastics. For the other wastes, it is easy to convert them into SRF (Solid Recovered Fuel) to replace the fossil fuels used by the cement industry. It therefore has a great need for fuel to heat its kilns and is feeling a lot of international pressure to greatly reduce the use of fossil fuels (coal, heavy oil, gas).

Zero waste in the landfill is not only possible, it also creates jobs and is good for the climate. ■

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How coffee growing is coping with climate change

Nicolas Tamari
CEO, Sucafina

Impact of climate change on coffee

Coffee grows in intertropical regions, with the right climatic conditions, namely high humidity and temperatures between 20 and 25 degrees Celsius. But due to global warming and rising temperatures, research models suggest that 50% of current arabica zones could become unsuitable by 2050 – either directly due to heat and moisture loss, or indirectly through an increase in pests and diseases associated with climatic variations.

Due to global warming and rising temperatures, research models suggest that 50% of current arabica zones could become unsuitable by 2050.

At the farm level, a decline in coffee quality and yield puts added pressure on the most vulnerable who make up a significant proportion of the estimated 25 million smallholder farmers who cultivate coffee around the world. These risks, and the need to adapt and mitigate further change, are now much better understood within the coffee fraternity. Many stakeholders are exploring solutions to tackle climate change, both by helping farmers build resilience and by reducing the contribution of coffee growing to global warming.

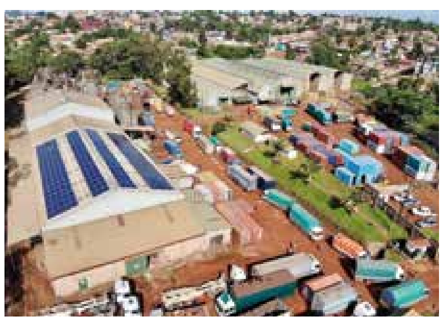
Regenerative Agriculture

Training farmers in climate-smart practices, such as shading, mulching or cover cropping, helps to conserve soil moisture and retain crop residues for soil fertility, while creating additional income for farmers.

From adaptation to mitigation

Mulching, tree crops and cover crops also allow more carbon sequestration above and below ground. But improvements in wastewater management (used in coffee processing), the optimization of fertiliser applications and improvements in logistics can also significantly reduce the overall carbon emissions of the coffee supply chain.

Demonstration Garden in West Uganda to determine the suitability of cover crops (lucerne, green grams...) and tree crops (bamboo) to improve soil carbon and retain moisture and nutrients



"Sucafina's dry mill in Uganda recently installed 304 solar panels to reduce energy consumption"

Time to act

With multiple brands making ambitious pledges to reduce carbon emissions in the near future, the time is right for all companies to measure their supply chain's carbon footprint and take action to reduce emissions. In the case of coffee traders this means working at farm level with suppliers, as well as improving the efficiency of internal operations. Extensive opportunities to collaborate on emissions reduction projects exist already and it is important to supply chain data in order to understand how best to act.

Responsibility starts at home

To tackle climate change, coffee traders have to address not only their responsibilities as supply chain partners but also as individual actors. Wherever possible, they should reduce waste emissions and energy consumption in our operations. To reduce energy consumption, coffee mills could for example commission solar energy installations.

Beyers Koffie is one of the largest private label coffee roasters in Europe. As part of the Sucafina group, the Company has been completely offsetting CO_2 emissions from its roasting activities for several years now, and has voluntarily been opting for carbon-neutral coffee since 2015. ■

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COFFEE SUPPLY CHAIN

Sucafina has almost completed an end-to-end mapping of its entire supply chain footprint in Rwanda.

Driving sustainability in cotton farming

Alan Mclay
CEO, Better Cotton Initiative (BCI)

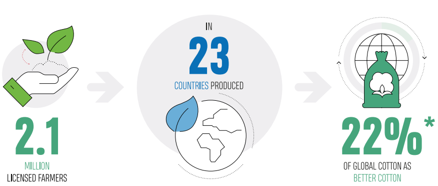
Cotton is used by nearly everyone across the world on a daily basis. Cotton production alone supports the livelihoods of more than 250 million people. Cotton is a natural and versatile fibre; it grows well in difficult environments and it is fully renewable.

Yet the future of cotton is vulnerable to challenges that include climate change, gender inequality, labour shortages, water scarcity and pest pressure. Today, less than 25% of cotton is grown in a way that actively works towards protecting people and the environment.

Cotton production alone supports the livelihoods of more than 250 million people.

The Better Cotton Initiative (BCI) is striving to transform cotton production from the ground up. BCI is a global not-for-profit organisation and the largest cotton sustainability programme in the world. BCI focuses on promoting the livelihoods of cotton farming communities through the adoption of more sustainable agricultural practices. We want cotton farmers and farm workers to become more resilient to unpredictable climate conditions and be able to make a decent living from farming.

2018 – 2019 COTTON SEASON



NB: This figure is subject to change based on the finalisation of 2018-19 ICAC world production figures. Source of ICAC World Production Figures: https://icac.gen10.net/statistics/index14.18

To achieve our mission, we work with expert on-the-ground partners to deliver training and support to more than two million cotton farms in 23 countries. Farmers and farm workers in the BCI programme receive training on how to use water efficiently, care for the health of the soil and natural habitats, minimise the impact of harmful crop protection practices, preserve fibre quality and apply decent work principles. The cotton grown by BCI Farmers ¬– known as Better Cotton – accounts for 22% of global cotton production.

We want cotton farmers and farm workers to become more resilient to unpredictable climate conditions and be able to make a decent living from farming.

Sourcing Better Cotton

BCI also works with more than 2,000 member organisations across the cotton supply chain – from farm to civil society to retail – to ensure there is continuous demand and supply of Better Cotton. In 2020, BCI's Retailer and Brand Members sourced 1.7 million tonnes of cotton as Better Cotton, a 13% increase on 2019. It is noteworthy to mention that some of BCI's retailers and brand members are well-known names, such as Hennes & Mauritz AB (H&M), Levi Strauss & Co., C&A AG, Ikea Supply AG but also several home-grown Swiss brands such as Migros and Coop as well as many traders members of STSA like Louis Dreyfus Company, Ecom Agroindustrial Corp. Ltd. and Paul Reinhart AG among others.

BCI's demand-driven funding model means that when BCI Retailer and Brand Members source cotton as Better Cotton it directly translates into increased investment in training for cotton farmers on more sustainable practices. In this unique model, the merchants and traders, some of which are members of STSA, play a unique role in facilitating the sourcing of cotton from more responsible sources and enabling it to reach the markets of the world's consumer brands and retailers.

Developing Traceability

Since BCI's inception more than a decade ago, we have used a Mass Balance Chain of Custody model, which has enabled the rapid growth of the amount of cotton sourced as Better Cotton while at the same time facilitating farmers to implement better practices to produce more sustainably (Mass Balance is a widely used volume tracking system that allows Better Cotton to be substituted or mixed with conventional cotton provided equivalent volumes are sourced as Better Cotton.) But as the world progresses, BCI recognises that it is time to explore going beyond this model to offer full traceability of Better Cotton and deliver more value to more farmers and members. We are currently working on a new, traceable chain of custody model to complement our existing Mass Balance system.

BCI's retailers and brand members are well-known names, such as Hennes & Mauritz AB (H&M), Levi Strauss & Co., C&A AG, Ikea Supply AG but also several home-grown Swiss brands such as Migros and Coop as well as many traders members of STSA like Louis Dreyfus Company, Ecom Agroindustrial Corp. Ltd. and Paul Reinhart AG.

The Future

BCI will continue to collaborate with other sustainable cotton standards and initiatives, while conducting and commissioning research to assess the effectiveness and impact of the BCI programme around the world. BCI is a learning organisation, and we look to continually strengthen our Better Cotton Standard System to ensure it continues to address cotton production challenges, contributes to improved farmer and farm worker livelihoods, and meets the sourcing needs of members. ■

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What do chicken nuggets and cotton have in common?

Jürg Reinhart
CEO, Paul Reinhart

Brazil is amongst the top producers worldwide for a range of agricultural commodities, including soy and cotton. Probably less known is the fact that both crops are grown on the same fields in one season, an agricultural technique known as “safrinha”. This technique is applied in the northern and western regions of the state of Mato Grosso, where rainfall is sufficiently high to boost productivity. The season starts with planting soy and after harvest, the time is right to plant cotton. The seeds and planting cycles for soy and cotton are carefully optimis ed to

> **Brazil is amongst the top producers worldwide for a range of agricultural commodities, including soy and cotton...**

ensure high productivity at local environmental conditions to allow such a double crop system within one harvesting season. The crop rotation has a positive effect on the long-term fertility of the soil and the widespread use of rainfall (green water) instead of artificial irrigation (blue water) results in limited soil salinisation.

Brazilian farmers optimize agriculture for productivity and soil fertility.

Brazil, as a leader in agro-technology, has sustainability and traceability standards in place to ensure that it meets the regulations

> **... and as a leader in agro-technology, has sustainability and traceability standards in place to ensure that it meets the regulations to produce the food that feeds the world.**

to produce the food that feeds the world. This goes all the way to the chicken nuggets that we buy as end consumers. As cotton is grown in the same fields as the soy that feeds the poultry, one can benefit from the existing monitoring systems and processes in place.

Our food and clothes grow in the same field.

For cotton, the ecological and social criteria are specified in the Responsible Brazilian Cotton (ABR) standard. Thanks to this standard, Brazil is authorised to sell its cotton under the Better Cotton Initiative (BCI), the world’s leading initiative for better cotton. Today, Swiss-based companies can offer cotton that is traceable back to the gin, where the lint is separated from the cotton seed.

Brazil is the world's largest Better Cotton producing country.

It is important to maintain regular contact with Brazilian suppliers to discuss how traceability can be moved to the next level, thereby ensuring better transparency to the end consumer about where the products come from. Ideally, the system should allow tracing cotton down to the field where it grows and from there to the retailer who sells the product to the end consumer (from field to shirt). There are still some hurdles, but the current efforts of Brazilian suppliers are very promising. ■

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The role of Swiss-based commodity traders in shipping decarbonisation

Sebastien Landerretche
Global Head, Ocean Freight,
Louis Dreyfus Company

The shipping industry is entering a critical decade of tectonic shifts for decarbonised technologies, logistic chains and market structure. While the world contends with the COVID-19 pandemic, climate change continues to pose increasing threats that we must address equally vigorously. And just as the pandemic requires enhanced public/private cooperation at a global level, so too does the effort to drive decarbonisation in shipping, in order to yield concrete results.

According to the latest International Maritime Organization's (IMO) greenhouse gas (GHG) study published in 2020, GHG emissions from shipping (expressed in CO2-equivalent) have increased from 977 million tons in 2012 to 1076 million tons in 2018, and are expected to further increase by 50% (over 2018 levels) by 2050 despite efficiency gains, which are completely offset by the continuous growth in seaborne transportation activity[1]. In this context, emission reduction targets set by the IMO (to reduce carbon intensity by at least 40% by 2030 compared to 2018, and total annual GHG emissions by at least 50% by 2050 compared to 2008[2]) might seem unattainable, unless drastic actions are taken now. Although it has legitimately been acclaimed as the least environmentally damaging means of transportation, shipping has heeded the call for more radical change and made positive strides through collaborative emission-reduction initiatives, and some private operators are now even calling for a more ambitious horizon of zero-carbon-shipping. And yet, today the sector is struggling to identify a clear way forward.

Made positive strides through collaborative emission-reduction initiatives, and some private operators are now even calling for a more ambitious horizon of zero-carbon-shipping.

Start with low hanging fruits

The theory of change teaches us to observe and act first upon our sphere of control and influence. With this in mind, ship operators have the opportunity to reduce the fuel consumption and emissions of the ships they charter from ship-owners, by maximising technical and operational efficiencies during voyages. Technical efficiency mainly stems from a ship's hydrodynamic design: hull shape, propeller, anti-fouling paints, energy saving devices (wind propulsion rotors or sails and air lubrication systems under the hull to reduce friction). Some of these devices and appendages can be retrofitted during a vessel's lifetime and can constitute a transition to 2030 targets for ageing conventional ships. Other fuel efficiency gains relate to the day-to-day operations of a ship: optimal weather routing, adjusting speed to sea conditions and navigating based on a better understanding of currents. What do these endeavours have in common? Cooperation between operators and ship-owners and greater use of digitalisation through sensor-based measurements and computer modelling.

Collaboration is key

Today's green transition calls for a holistic, cross-industry effort, admittedly with a strong impulse from cargo-owners, shippers, charterers and operators, whose full value chain emissions footprint is under scrutiny and whose strong balance sheets attract green bonds and other sources of financing. Why? Because ships are already an asset class that requires cross-ownership between stakeholders through the asset lifecycle. The need for cooperation must also engage seafarers, whose well-being and training are conditions for safe and sustainable shipping operations - even more so with the crew change crisis in the context of the ongoing pandemic, as alerted in the industry-wide Neptune Declaration (www.globalmaritimeforum.org/neptune-declaration).

If you can't measure it, you can't improve it.

The harmonised global emissions reporting called for under the Sea Cargo Charter (www.seacargocharter.org) encourages transparency and accountability for decarbonisation. It is also an opportunity for each charterer to work on causes, determine ship consumption patterns and improve its emissions footprint through iterative engine performance enhancements. However, while short-term efficiency gains are necessary, they cannot improve emissions profiles by more than 15-20% combined, and are therefore insufficient to tackle the real transition from fossil-fuels to decarbonisation. Every transition has costs and requires visibility, which are considerations that an equitable carbon-pricing mechanism and globally enforceable regulations must address.

Close the low-carbon competitiveness gap

Studies (ETC)[3] suggest that achieving full shipping decarbonisation by 2050 would require an estimated USD 1.4 to 1.9 trillion. For years, the shipping industry has witnessed low returns on capital invested and yet is expected to fully transform its fuel, designs and land-based infrastructures: a challenge to say the least! Industry fragmentation also complicates the articulation of an industry-wide action plan for the move toward zero carbon fuels. With this in mind, closing the competitive gap of non-fossil fuels requires a concerted global carbon levy scheme to fund research and development (R&D), raise the entry barrier to a higher playing field and support the communities most impacted by climate change.

To reduce carbon intensity by at least 40% by 2030 compared to 2018, and total annual GHG emissions by at least 50% by 2050 compared to 2008.

Price carbon globally

IMO reforms are being challenged by a swifter European Parliament, which already approved the inclusion of emissions from ships in the EU Emissions Trading System from January 2022[4]. Regionalisation of carbon levies will not create optimal conditions for the harmonisation of good practices according to global standards, and raises risks of loopholes and a two-tier market structure. In 2019, the International Chamber of Shipping proposed[5] a carbon levy scheme based on the contribution by shipping companies worldwide of USD 2 per ton of marine fuel consumed (estimated at around 300 to 350 million tons per year for all ships combined). This levy would fund an R&D programme overseen by IMO Member States. Although the idea of a globally mandatory carbon levy is pertinent, a more significant levy on carbon-intensive fuels should be considered to drive the radical change needed to achieve decarbonisation. The recent proposal put forward for a self-financing "feebate" programme is particularly noteworthy. "Feebates" are generally considered the best system to shift the cost of negative externalities, in this case by charging a fee to carbon-intensive fuel users while subsidizing vessels with CO2e emissions below an agreed benchmark level, which should reflect (if not exceed) the IMO's required CO_2 trajectory. According to the study by Texas A&M University sponsored by Trafigura[6], a carbon levy in the range of USD 250-300 per ton of CO_2e would be required to ensure a scalable and cost-competitive decarbonisation transition throughout the entire marine fuel supply chain, from well (extraction/production) to propeller (combustion).

IMO's central role

Ensuring that the feebate funds R&D efforts while supporting communities vulnerable to climate change is a task for the IMO, which is in a position to organise and enforce a truly global approach. A year ago, the successful transition into sulphur cap fuel oil regulations demonstrated the importance of collective efforts and underlined the IMO's central role for alignment and enforceability of solutions in tackling global climate challenges – and all the more so with today's manifold and increasingly urgent challenges.

Switzerland: the new influential impulse at IMO?

"Home" to some of the world's largest private operators and charterers, Switzerland has grown into a hub and force for innovation in shipping. Several Switzerland-based companies, often members of the STSA, instigated, drove or supported a number of recent global sustainable shipping initiatives, such as the Sea Cargo Charter, the

> **"Home" to some of the world's largest private operators and charterers, Switzerland has grown into a hub and force for innovation in shipping.**

Poseidon Principles, the Neptune Declaration, the ISC's carbon levy proposal, the partial feebate proposal and the Sustainable Shipping Initiative's Ship Recycling Transparency Initiative. The Swiss shipping community could further spearhead a global decarbonisation coalition with the support of the STSA and Swiss Maritime Navigation Office, urging the IMO to turn it into a global legal obligation. With growing scrutiny over climate issues from the public, financiers and governments themselves, who are setting bold new targets (notably 2060 carbon neutral China, itself the leading maritime powerhouse), aligning on a concrete carbon levy program and obtaining decisive diplomatic support at the IMO remains an urgent priority for the coming months.

History is accelerating. We must embrace collective transformation before we are compelled to change. Along the path toward a sustainable future, business opportunities will exist on the condition that we create an ordered, fair and ambitious global framework for the decarbonisation of shipping. ■

1. imoarcticsummit.org/wp-content/uploads/2020/09/MEPC-75-7-15-Fourth-IMO-GHG-Study-2020-Final-report-Secretariat.pdf.
2 www.imo.org/en/MediaCentre/PressBriefings/Pages/06GHGinitialstrategy.aspx
3 www.globalmaritimeforum.org/content/2020/01/Getting-to-Zero-Coalition_Insight-brief_Scale-of-investment.pdf
4 www.europarl.europa.eu/news/en/press-room/20200910IPR86825/parliament-says-shipping-industry-must-contribute-to-climate-neutrality
5 www.ics-shipping.org/press-release/shipping-sector-proposes-usd-5-billion-rd-board-to-cut-emissions/
6 www.trafigura.com/brochure/a-proposal-for-an-imo-led-global-shipping-industry-decarbonisation-programme

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Regulations in shipping's energy transition

Chris Hughes
Global Lead, Shipping Markets, Lloyd's Register

The latest IMO Regulations related to climate change will impact shipping markets, and whilst there is much more to come, they can't do it alone.

The IMO 2020 Sulphur transition is now largely behind us: compliance levels for bunker sulphur content have been above 99% since April 2020. Now, shipping enters its third propulsion revolution. Sails were replaced by steam, which in turn was replaced by diesel; now we need to transition to new zero carbon emission fuels. Diesel engines will still play a role in consuming the new zero carbon fuels, and in a twist of symmetry, we will see the return of sails to augment the mechanical propulsion systems. However, whilst the first two revolutions were catalysed by technological developments that unlocked new economic opportunities; this time regulation will drive the change by addressing the market failure, and providing the economic impetus required for the development of the new technologies and energy sources.

More work, less fuel

At their recent Marine Environmental Protection Committee meeting (MEPC75), IMO agreed on short term-measures to reduce the carbon intensity of shipping, comprising of a requirement for existing ships to be essentially meet the same technical efficiency requirements as applied to new ships (EEXI Energy Efficiency Existing Ship Index), and a requirement for operational Carbon Intensity Indicator reduction (CII). Both regulations have commercial and operational implications for commodity traders and charterers. EEXI comes first in late 2022/2023, and whilst its aggregate impact on markets is expected to be limited, it may have more significant implications for individual (less efficient) ships. After EEXI comes CII: this will put increasing pressure on fleets between 2023 and 2030 as the requirements will progressively tighten each year, putting ultimately a use-by-date on each ship. The impact on less efficient ships will be greater; the commercial performance of a ship will be more sensitive to its technical attributes than in the past; and compliance will no longer be black or white - it will be shades of green.

More evidence, less talk

Recent IMO meetings included debates on the level of ambition of future regulations, and the need to accelerate work on market-based measures to incentivise the transition to alternative, low and zero carbon fuels. However, currently the IMO has very little information about the availability and costs of these new fuels; the technology to store and consume them onboard; and the ultimate impacts on markets. The Lloyd's Register Maritime Decarbonisation Hub, established for this purpose, aims to accelerate decarbonisation by undertaking collaborative projects that produce the evidence and data needed by IMO, and the wider industry, to move from talk, to action.

IMO 2020 Sulphur highlighted the importance of involving all stakeholders in the shipping value chain within the development of regulations. All eyes may be on the regulators, waiting to see what comes next: however, unless we provide them with the right information, and impetus, it will be difficult for the IMO to make the bold, timely decisions that are needed to decarbonise shipping, or to guarantee the certainty that markets need. ■

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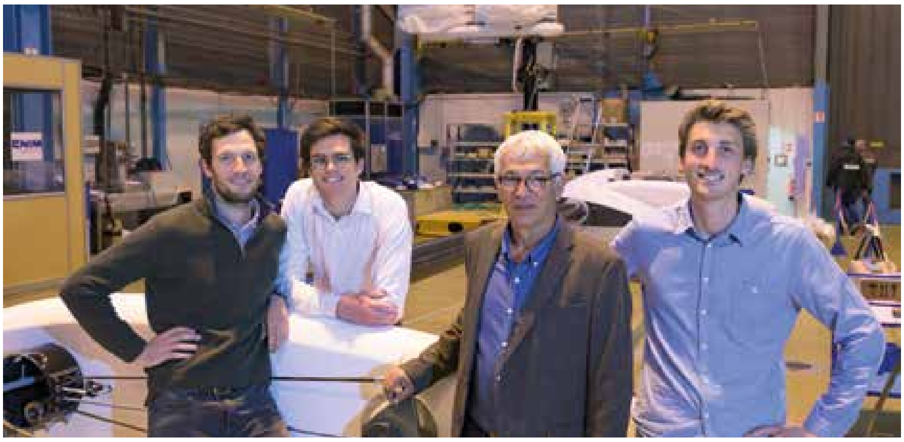
Shipping: new technologies in practice

The ecological transition of shipping is being driven both by growing customer demand for low-carbon transport services and by the tightening of international regulations on pollutant emissions. To meet this demand, shipowners are for the most part moving towards the use of alternative fuels: the gradual abandonment of heavy fuel oil for marine diesel, followed by LNG, and then tomorrow towards biofuels and hydrogen. These last two fuels certainly represent part of the solution, but two other levers are largely under-evaluated and under-used: speed reduction and the use of wind propulsion.



Nils Joyeux, Amaury Bolvin, Bernard Peignon and Victor Depoers, Zéphyr et Borée.

Price, speed, punctuality, and carbon footprint are the four key parameters of a transportation service. And the integration of wind propulsion in the energy mix of ships must generally take into account a trade-off between these parameters in the following order:

1. Punctuality: no trade-off possible

Generally speaking, no compromise is possible with punctuality. Sea transport is just one link among others in a logistics chain (truck + train + sea + truck again). If one wishes to enter the conventional transport market it is not possible to arrive 3 days late under the pretext of a lack of wind. The economic consequences, such as outdated goods, are too important. If the ship arrives late at its destination, the entire post-delivery logistics chain is penalised. This implies that wind can never be the main means of propulsion. It will have to be accompanied by other means, such as mechanical propulsion.

2. Speed

The speed often depends on the sea route the cargo ship is following. If the freighter is on a round trip or if it is travelling from one destination to another. In other words, speed is not necessarily negotiable as such, it is dependent on the journey. And yet it is from speed that the rest derives: the price and the percentage at which the sails are used.

3. Fuel economy

It is directly related to the desired speed. If a customer agrees to give no speed and time requirements, the sails can be used 100%. If, on the contrary, the client wishes to go fast at 20 knots due to the nature of goods being transported, the boat will run permanently on the engine, and the sails will only slightly reduce fuel consumption.

Between these two extremes, the speed parameter should be seen as a cursor that is positioned according to the CO_2 savings that we wish to achieve:

8 knots = very low speed = 90% sail / 10% engine

12 knots = low speed = 60% sail / 40% engine

15 knots = average speed = 35% sail / 65% engine

4. The price

Generally speaking: the market was not ready to pay any extra costs 4 years ago. Today it seems to accept an extra cost of 20-30% for a low carbon service.

The magic balance

Today, for average transport speeds of 15 knots, a saving of around 30% can be achieved. The construction of a sail freighter costs about 15% more than a conventional freighter. This results in higher CAPEX (capital expenditure), which in turn leads to fuel savings. The advantage is to be more resilient: if the price of fossil fuels rises, our transport price is less impacted than that of conventional ships.

There are several sailing transport projects in Europe. Each one adopts quite distinct commercial choices. Some favour a radical and zero CO_2 approach, which implies low-speed transport and a high price, which is only possible for products with high added value. Others address the conventional market with a less radical approach, but one that allows them to address larger markets and therefore greater savings in absolute terms.

The world fleet is made up of about 50,000 cargo ships. The average life expectancy of ships is 30 years. If the IMO (International Maritime Organisation) wants to respect the limits it has set for itself, namely a 40% reduction in CO_2 emissions per transport work by 2030, pursuing efforts towards 70% by 2050, compared to 2008, it is important that maritime transport should begin a rapid energy transition. It is not conceivable to wait for the gradual renewal of this fleet by sail freighters, it will be necessary to equip existing vessels with sails. It should be borne in mind that wind propulsion is not suitable for all types of ships, nor for all shipping lines in the world.

Weather routing

Thanks to wind statistics from the last 10 years, it is possible to simulate a large number of trips using powerful routing software. Based on the average fuel savings achieved on these simulations, it is possible to estimate the savings that can be achieved on a given shipping line, with a given vessel, depending on the seasons and the weather regime. Furthermore, once the ship has been built and commissioned, this same routing tool can then be used to plot the most suitable route for the ship according to the weather forecast for the coming days in order to make the most of the wind on the planned crossing.

The first modern sail freighter over 100 metres long

In 2018, Zéphy et Borée with the joint venture of the maritime company Jifmar Offshore Services - won a major call for tenders to transport the Ariane 6 rocket. The ship will be commissioned in 2022 and construction began in February 2021 in Poland. The different elements of the rocket are built in different European countries, they will be collected by our boat in the ports of Bremen, Rotterdam, Le Havre, Bordeaux, Livorno, and transported to Kourou in French Guiana, from where the Ariane rocket is scheduled to leave.

Designed by the Bureau VPLP Design, this ship will mark a turning point for modern sailing transport, taking it from a marginal solution to a real future solution for the world fleet. The ship is 121 metres long and 21 metres wide and is equipped with four wings with a surface area of 363 m² each. ■

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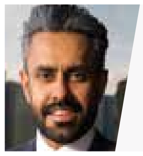
The future of trade finance in Switzerland and Singapore

Marc Gilliéron
Partner, Chabrier Avocats, Switzerland



Baldev Bhinder
Managing Director,
BlackStone & Gold, Singapore

Modern day trade finance has morphed from the business of financing trades into a business of creating trades for finance as certain back-to-back physical trades evolved into more synthetic structures more akin to financial products, in a pursuit of liquidity. But liquidity, whether to plug an internal loss or as a form of credit to make a trader relevant to counterparts, can be addictive. Receivables financing further compounded the problem as traders without any assets could sell their invoices and the lure of creating invoices unrelated to any trade started out as appealing and ended up overwhelming. The ease at which a document can be forged or manipulated to create a fictitious trade combined with the difficulty of detection, made this a seductive proposition for companies addicted to liquidity. And with any addiction, there comes a tipping point.

The Solution
Changing the Risk-Reward Paradigm

Singapore has led the way in addressing the problem with the introduction of two significant initiatives in 2020:

The trade finance registry is currently being piloted across a select group of banks. The registry focuses on the very fundamental objective of ensuring a bill of lading (BL) has not been financed multiple times. By sharing data points across various BLs and invoices between a select group of lenders, participants will gain greater visibility over the physical movement of goods, thereby reducing instances of multiple financing. There are however notable limitations with the registry as it takes a fairly piecemeal approach to trade finance focused on BLs and invoices presented by a small group of lenders within a network for authentication. The promise of blockchain technology in such registries have been advocated for years but it misses key aspects of trade finance. For a registry to work, market participants need to be involved and the only person who can truly authenticate a BL would be its issuer. Full visibility can only be obtained if the physical goods can be digitally tracked from source to end user and the prospects of doing so do not appear imminent given that the majority of commodities are shipped from developing countries without an adequate level of digital sophistication. While the registry does not provide all the answers to the problem, it does go some way in getting market participants to ask the right questions.

Asking the right questions appears to be the foundation of the Code of Best Practices, launched by the Association of Banks in Singapore. The Code, which is not legally binding, provides guidance on how liquidity is accessed both in terms of a macro risk analysis of the borrower as well as on a transactional deal level. It highlights non-exhaustive, non-prescriptive examples of good corporate governance and risk management policies on the one hand and due diligence and transaction transparency on the other.

Two aspects of the Code are worth highlighting because they are indicative of the larger challenges plaguing commodity financing. First, as part of the requirements for business due diligence, the Code speaks of "monies borrowed and any other financial accommodation" as well as "turnover that have been sold or discounted and other transactions amounting to funding...". These examples point to the problem of understanding a company's leverage. At the heart of the challenge of understanding leverage lies the paucity of credit information on companies, which caused certain lenders to extend credit limits a few weeks before a company's collapse. The Code spells out the provision of such information but the problem remains that a lender is beholden to its borrower to provide full and frank disclosure of its debt exposure. More time and resources need to be dedicated to understanding whether "financial accommodation" has been dressed up by traders. This will inevitably mean slower disbursements and higher lending costs but is that really a bad thing?

Second, the transparency and control of the trade where traders should provide "information on the end-to-end process and trade cycle" clearly point to the fundamentals of understanding the trade structure and being able to exercise its most hallowed hallmark – self liquidation of the asset. Assignments have been specifically flagged with a recommendation that invoices be sent by the lender directly and acknowledgments of such assignments be received directly from the debtor rather than the borrower to minimise risks of forgery. This remains an area that requires constant monitoring as receivables are the perennial Achilles heel of trade finance because they are notoriously difficult to verify or monetise.

The success of these initiatives are yet to be seen but at present, it stands as a signpost for lenders everywhere to return back to basics in understanding their borrower's leverage and intended trade. ■

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The coming impact of the counterproposal to the Responsible Business Iniative

Mark Veser
Head Sustainability Services, EY

Claude-Aline Dubi
Senior Consultant in Climate Change and Sustainability Services, EY

On 29 November 2020, the "Responsible Business Initiative" was rejected in a popular vote. Therefore, the indirect counterproposal will come into force, triggering new non-financial reporting and due diligence requirements. This article reflects the situation at the time of writing, which may change depending on future developments.

Requirements introduced by the counterproposal

The non-financial reporting requirements affect Public Interest Entities (PIEs; listed and FINMA regulated entities) if they fulfil the quantitative criteria as indicated in the left column in the table below. The entities in scope will have to report on specific non-financial topics by following a "comply or explain" approach. The non-financial reporting requirements largely reflect the European Union's (EU) current Non-Financial Reporting Directive (NFRD), in force since 2017.

The counterproposal also introduces due diligence requirements for companies (regardless of size and listing) with headquarters, central administration or main establishment in Switzerland (right column in the table below). Companies affected are those importing to or processing in Switzerland four defined types of minerals or metals (tin, tantalum, tungsten or gold) from conflict or high-risk areas as well as the ones offering products or services where there is reasonable cause for concern of child labour. The affected entities will have to operate a risk management system along their value chain and report on their fulfilment of the due diligence requirements on an annual basis. Additionally, the due diligence requirements on minerals and metals will be subject to an annual review by an independent third party.

Implications of the due diligence requirements

The degree to which companies are affected will depend on the extent to which their value and supply chain encompass subsidiaries and third parties in high-risk areas. Complex value chains are typically expected in industries such as minerals, metals or agri-business where various tiers of suppliers in-between the source and the buyers in Switzerland could affect the supply chain transparency. A company importing any of those minerals must be able to assess if it was originally sourced from a conflict or high-risk area. Similar challenges will also apply to companies when assessing potential risks of child labour.

Early assessment recommended to ensure compliance

Forward looking, an early and detailed assessment of the current reporting and risks along the value chain is recommended. The counterproposal is likely to be applicable from 2022 onwards, leaving only a modest timeframe to close potential gaps. Will the non-financial reporting requirements be applicable? Where do the products or materials originally come from? How were the goods produced or minerals sourced? Who else was involved in the supply chain? What are the possible negative impacts or adverse effects in the supply chain?

Ensuing this assessment, affected companies will have to define or amend their reporting and supply chain policies and ensure products' traceability. Additionally, companies should develop a plan to address and reduce the risks and adverse effects identified in their supply chain.

Overall, it is also an opportunity to review the entire risk and compliance management system regarding coverage of supply chain related risks – even beyond conflict minerals and child labour. The requirements will also undeniably affect several functions within a company such as risk and compliance management and communication. The involvement of the Board of Directors and C-levels combined with an early assessment of the current state and expectations of key stakeholders (internal and external) is essential. Not only are governance and oversight generally important in a business environment facing increasing regulations, they are also vital to meet the rising stakeholder's expectations.

Outlook

Some open questions remain as of today. How are conflict areas, high-risk areas and reasonable grounds for suspicion of child labour defined? Will reporting on due diligence be made an integral part of existing non-financial reporting? Will due diligence on child labour also require an external review? To which extent will SMEs and companies with low-risk profiles be exempted from the requirements? The Federal Council will provide additional guidance in a new set of ordinances regarding these questions. Currently, companies at the European level are also facing increasing regulations in reporting and managing risk along their supply chains . These regulatory developments may not only influence the Swiss regulator but can also serve as a reference point for applying a broader scope on non-financial reporting, risk and compliance management than explicitly required by the counterproposal. ■

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THE OUTCOME OF THE 29 NOVEMBER VOTE GIVES RISE TO INCREASED REPORTING AND DUE DILIGENCE REQUIREMENTS

INDIRECT COUNTERPROPOSAL		
	NON-FINANCIAL REPORTING	MINERALS AND METALS FROM CONFLICT AREAS OR CHILD LABOR
ENTITIES AFFECTED	PIES, IF TAKEN TOGETHER AS A GROUP (AGGREGATED/CONSOLIDATED) • ≥500 EMPLOYEES • CHF 40 MILLION IN REVENUE AND/OR CHF 20 MILLION IN TOTAL ASSETS COMPLY OR EXPLAIN PRINCIPLE	• SWISS COMPANIES IMPORTING TO OR PROCESSING IN SWITZERLAND MINERALS OR METALS FROM CONFLICT AND HIGH-RISK AREAS OR OFFERING PRODUCTS WHERE CHILD LABOR MAY POTENTIALLY BE INVOLVED IN THE VALUE CHAIN • POTENTIAL EXEMPTIONS FOR SMES AND LOW-RISK COMPANIES
TRANSPARENCY / DUE DILIGENCE REQUIREMENTS	TOPICS TO BE ADDRESSED: • ENVIRONMENT (INCL. CO2 TARGETS) • SOCIAL ISSUES • EMPLOYEE MATTERS • RESPECT FOR HUMAN RIGHTS • ANTI-CORRUPTION AND ANTI-BRIBERY • APPROVED AND SIGNED BY THE HIGHEST MANAGEMENT AND ADMINISTRATIVE BODY AND APPROVED BY THE BODY RESPONSIBLE FOR APPROVING THE ANNUAL ACCOUNTS	• OPERATION OF A RISK MANAGEMENT SYSTEM ACROSS THE ENTIRE SUPPLY CHAIN • ANNUAL REPORT (PUBLIC DISCLOSURE) ON THE FULFILMENT OF DUE DILIGENCE OBLIGATIONS
RESPONSIBILITY FOR REPORTING	• APPROVED AND SIGNED BY THE HIGHEST MANAGEMENT AND ADMINISTRATIVE BODY AND APPROVED BY THE BODY RESPONSIBLE FOR APPROVING THE ANNUAL ACCOUNTS	• THE HIGHEST MANAGEMENT OR ADMINISTRATIVE BODY
EXTERNAL AUDIT	• VOLUNTARY	• AUDIT OF COMPLIANCE WITH DUE DILIGENCE OBLIGATIONS • NO OBLIGATORY AUDIT ON REPORT CONTENT
LIABILITY	• REMAINS UNCHANGED BUT FINES OF UP TO CHF 100,000	

The Swiss Government has identified corruption as the single highest financial crime risk exposed to Swiss commodity traders.

Commodity trade finance – Money laundering, fraud and financial crime risks in 2021 and beyond

Olivier Bazin
Partner, Holman Fenwick Willan LLP

Legal observers will agree that fraud and financial crime are not new phenomena and they are not limited to commodity trade finance.

In addition to the risk of fraud, financiers face other financial crime risks, namely the risk of participating in money laundering, breaching international sanctions or rules on the financing of terrorism or nuclear proliferation, and the risk of facilitating bribery and corruption. Unlike fraud, where the bank is usually an innocent victim, these other financial crime risks potentially carry direct legal liability for the financier.

Swiss criminal laws punish money laundering and, as such, a Swiss commodities trader may be sanctioned in the same way as any other person or entity in Switzerland.

Over the past 20 years there have been concerted efforts on a Swiss and international level to combat financial crime, money laundering, bribery, corruption and the financing of terrorism and proliferation. These efforts are led by numerous international bodies, in particular the Financial Action Task Force (FATF-GAFI)[1], an intergovernmental body composed of 39 States (including Switzerland). FATF Recommendations are considered to set the authoritative standard on the subject.

The Wolfsberg Group (a group of 13 respected international banks), with the International Chamber of Commerce (ICC) and the Bankers' Association for Finance and Trade (BAFT), has issued its "Trade Finance Principles"[2] to provide guidance to the global banking industry on the management of trade-related financial crime risks.

In Switzerland, commodity trade finance banks and other financial intermediaries are subject to national laws and oversight by FINMA. As such, each bank is required to put in place appropriate processes to know its client, its ownership, source of funds, the proposed transaction, counterparties and countries, and other facts that may be relevant to the market in which the client operates. This is not an absolute and uniform set of rules – following FATF recommendations, Swiss law requires each bank to adopt its own "risk-based approach" to Client Due Diligence, the determination of "red flags" and triggers for Enhanced Due Diligence (e.g. where the transactions are complex, unusually large, or have no apparent economic or legal purpose)[3]. Under Swiss law, where a bank or financial intermediary knows (or has valid grounds to suspect) that money laundering is taking place (e.g. assets connected to one of its client relationships have been implicated in a crime)[4], it is required to immediately notify Swiss law enforcement authorities (MROS).

Some observers have criticised the fact that Swiss commodity traders are generally not subject to the requirements of the Anti-Money Laundering Act in the same way as banks and financial intermediaries (unless they are engaged in commodity trading (or derivatives) for the account of a third party, or in specific situations such as trading of bullion). It is important to note, however, that Swiss criminal laws punishes money laundering and that as such a Swiss commodity trader may be sanctioned, no differently to any other person or entity in Switzerland[5].

The Swiss Government has identified corruption as the single highest financial crime risk exposed to Swiss commodity traders. This is in the context of corruption of foreign public officials in connection with the purchase of natural resources, in particular but not limited to, oil. Some notable legislative changes have come into force in this respect. Corruption of foreign public officials is now a crime under Swiss law[6]. In parallel, changes to Swiss company law have entered into force on 1.01.2021 requiring companies active in the extraction of natural resources to report, as from 1.01.2022, all payments to governments in excess of CHF 100'000. Critics have pointed out that this does not include trading (as opposed to extraction) firms, although the law specifically delegates authority to the Swiss Government to extend the application of this law to trading firms.

Connected to this, certain large traders have announced they will no longer work with intermediaries. This has always been an area of heightened risk for banks who will carefully assess corruption risks and the size and proportionality of the fees payable.

Transactional commodity trade finance remains a heavily scrutinised, documented and statistically low-default business.

Transactional commodity trade finance remains a heavily scrutinised, documented and statistically low-default business. The higher risk for banks occurs where funds relate to consulting fees, to open account payments or ancillary flows where there is little information about the underlying transaction, or to corruption risks in producing countries. Even with digital solutions there will never be a 100% assurance against individuals who are determined to obtain funds by deception. Commodity Trade Finance banks deal in documents but there can be no banking without trust.

1 www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html
2 iccwbo.org/publication/wolfsberg-trade-finance-principles (2017, updated 2019)
3 In the EU, the 5th Anti-Money Laundering Directive has been transposed along similar lines into national legislation of Member States.
4 Swiss Anti-Money Laundering Act, Art.9 al.1 let a.
5 Swiss Criminal Code, Art. 305bis.
6 Swiss Criminal Code, Art. 322septies.

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Looking into the future of regulation through a green tinted magnifying glass

Lisa Weihser
Legal & Regulatory Affairs Officer, STSA

Sustainability, a recurring theme

Contrary to popular assumptions, commodity trading and its financing is by no means an industry that operates in a regulatory vacuum. There is a wide range of internal (self-regulation) and external regulations and initiatives that impose strict requirements for the dutiful execution of the various activities. In recent years, the regulatory landscape has predominantly been influenced by a call for more sustainability and transparency along the whole spectrum of the value chain from the sourcing, storing, processing and transporting of raw materials to delivering them to the end consumer. This is a natural phenomenon, since a rapid human population growth translates into a surge in demand for already constrained natural resources. Therefore, the 2015 Sustainable Development Goal (SDG) 12 calls for a profound business transformation towards sustainable consumption and production patterns. It was only recently with the Swiss Responsible Business Initiative (RBI) that this trend was accelerated. The transparency and sustainability agenda is being driven by legislators and regulators as much as by consumers whose scrutiny is adding new challenges to demonstrating a products' provenance and to tracing its story. Innovative traceability initiatives built around a Blockchain core no longer present a mere competitive advantage but are becoming an integral part of companies' risk management.

Blockchain's ability to transparently record complex transactions, track goods, and reduce fraud makes it a natural fit for the commodity industry, which is still inherently

It is worth highlighting that like all natural and legal persons, commodity traders are subject to the Swiss Criminal Code, and anti-corruption legislation applies.

based on an antiquated paper trail system. In the case of agricultural commodities, sustainability is most often associated with the sharing of improved farming or processing techniques and many traceability solutions have already been developed. These allow companies to holistically assess their environmental and social impact. Physical trading firms have been able to work with certification bodies, improving living conditions for producers and enabling them to tap into growth markets with higher margins. At the same time, consumers are able to track their coffee beans by directly scanning the QR-code on the package. When it comes to other commodities like metals and minerals for example, it is more difficult for consumers to know if a component of their phone or car was produced while respecting the surrounding environment and international responsible sourcing standards set by the OECD. Notwithstanding this difficulty, the trend for responsible sourcing from conflict-free zones and sustainable supply chains is gaining traction (e.g. in the EU Conflict Minerals Regulation which entered into force in 2021).

The commodities industry is known for its agility and know-how when it comes to rapidly adapting to a changing environment. Change is important and we should embrace it.

Increasing expectations for responsible business conduct (RBC) can also be seen in the financial industry; not only in wealth management but also in trade finance. The role for banks in driving sustainable behaviour in global supply chains has been gaining momentum after a sequence of events, such as the financial crisis 2007-2008, the introduction of the SDGs in 2015, the Paris Agreement 2016, the European Green Deal 2019 and several climate protests in 2020. With the OECD potentially establishing a sub-group looking into sustainable trade finance, potential future sustainability-linked trade finance regulations might soon become a reality. On the EU level and following the European Green Deal, also the European Commission intends to put forward a renewed sustainable finance strategy. Banks may then measure the borrower's performance against specific sustainability targets (United Nations Guiding Principles, SDGs) and make the terms of financing dependent on a number of Key Performance Indicators linked to Environment, Social, Governance criteria.

Stability of the banking system

Drawing on the lessons of the financial crisis, the Basel III reforms aim to bolster capital and liquidity requirements to enhance the stability of the financial system. This impacts banks who provide the significant working capital required by trading companies to operate. The progress of the National Working Group, which is working on a draft legislative text got delayed by the COVID-19 pandemic. Hence, following a decision by the Basel Committee to postpone the final implementation of Basel III, the new rules are expected to enter into force on 1.1.2023[1]. A second Qualitative Impact Assessment is scheduled to take place in Q2 of 2021.

Transparency at the forefront of change

In Switzerland, the transparency trend is also gaining traction, not least with the indirect counter-proposal to the RBI imposing new non-financial reporting duties notably in relation to environmental, social and employment-related matters. Parts of the indirect counter-proposal are expected to enter into force in early 2022. In the meantime, various unanswered questions need to be clarified by the Federal Council with respect to its implementation. The most urgent ones include affected entities and the scope of requirements.

The Federal Council's recommendation following the postulate 17.4204 Seydoux-Christe published in February 2020, urged the industry to develop sector-specific guidelines on due diligence (in particular related to corruption)[2]. It is worth highlighting that like all natural and legal persons, commodity traders are subject to the Swiss Criminal Code, and anti-corruption legislation applies. Equally applicable are the Swiss Unfair Competition Act, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention against Corruption. Nevertheless, in an effort to increase transparency, sector-specific guidelines that set out a risk-based approach and identify the red flags will soon be developed by the industry under the auspices of the Swiss Trading and Shipping Association (STSA).

The commodities industry is known for its agility and know-how when it comes to rapidly adapting to a changing environment. Change is important and we should embrace it. It is what makes us call established practices into question and gives us a fresh perspective on ways to improve. In the face of these multiple regulatory developments, working together with all the stakeholders - the Swiss authorities, international bodies, industry experts and beyond is what will be key to a successful and sustainable transition. ■

1 https://www.bis.org/press/p200327.htm.
2 https://www.efd.admin.ch/dam/efd/fr/das-efd/gesetzgebung/berichte/rohstoffhandel.pdf.download.pdf/RH-BE-f.pdf.

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Working from home is the symbol of greater work flexibility for workers and a more trusting, less commanding and controlling management style.

Working from home – from pleasure to frustration?


Adrian Tüscher
Partner, Attorney-at-Law,
KPMG Law


Christophe Bellino
Director, Tax & Legal,
KPMG Accounting & Payroll Services

Working from home is one of the symbols of the trend towards greater work flexibility for workers and a more trusting, less commanding and controlling management style. Having to work from home due to the pandemic, however, more and more loses this taste of freedom. What used to be a compulsory presence in the office is now one at home.

What the future of work might really look like

Working from anywhere, meeting through virtual platforms etc. will undoubtedly remain important elements to increase employee satisfaction and employer attractiveness. But in the wake of the pandemic the term "employer attractiveness" has taken on important new facets like employee health, job stability and reliability.

While most managers have accepted that their workforces will never work the way they used to anymore, only a minority are already preparing for the new normal by reworking their strategies and operating models.

Thus, to remain attractive employers must be ready to meet their duty of care towards their employees and guarantee business continuity even in the most turbulent times. Certainly, IT capabilities respectively digitalization will play a major role, but the challenge is much more multifaceted. It requires a rethinking of legacy, not only in dealing with personnel and their workplace, skillset and needs, but also with operational day-to-day processes, associated risks and costs. In other words: an adjustment of the entire business model.

Are companies ready for the "new normal"?

While most managers have accepted that their workforces will never work the way they used to anymore, only a minority are already preparing for the new normal by reworking their strategies and operating models. Still, the focus is very much on business continuity related to financial issues, which outweigh other critical points. And often legal and compliance hurdles hinder the implementation of flexible solutions. Neither current tax and social security laws, nor their labour and immigration counterparts accommodate the increased flexibility need. And the pandemic has even increased the appetite of domestic regulators. Thus, providing greater flexibility is not only a strategic and operational challenge but also a compliance stretch that requires careful assessment of related risks.

A statement for the commodities industry

The authors interviewed HR leaders of selected KPMG clients in the commodity sector. Most of them confirmed that they had already introduced working from home before COVID-19.

However, many stated that they had to adapt their infrastructure and accelerate digitisation considerably to secure permanent remote business continuity and the safety and well-being of the staff.

Employees had adapted very quickly to the change, which was much appreciated by management. Also, employees who had to continuously visit the office for logistic reasons, e.g. traders, showed a high level of understanding.

Overall, the interviewed companies rated their switch to remote working a success. Some even reported unexpected positive side effects such as a significant decrease in sick leaves. About a third of the respondents stated that the rise of virtual meetings has moved their management closer to employees through more regular and somewhat more personal virtual meetings and boosted cross-border networking within the own organisation and thus, is helping the industry to overcome one of its oldest weaknesses. On the other hand, spontaneous contact with local peers declined which led to less collaboration and innovation.

Human Resources itself sensed a momentum to take advantage of increased remote work arrangements and improved technology to widen recruitment efforts to talented professionals who live far from headquarters, including younger generations and those who did not previously consider a commodity career. With a view beyond the pandemic, most of the interviewed HR leaders identified a trend towards a higher appetite of employees of all grades to freely choose between working in the office or from home. They concluded therefore that there is a need to reinforce and tighten their ethics and compliance reviews and procedures, which can become lax in remote work situations.

Spontaneous contact with local peers declined which led to less collaboration and innovation.

All in all, flexibility is key. Not only for employer attractiveness but also for the sake of securing business continuity, compliance and sustainable success. With respect to workplaces, flexibility clearly means going towards hybrid models allowing both the employer and the employee for a needs-and preference-based alternation between work in the office and remotely. The biggest upcoming challenge will therefore be to establish and maintain two parallel, fully functional, compliant and affordable work environments. ■

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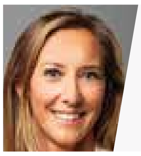
Trader's unique role in business and Human Rights



Dorothée Baumann-Pauly
Director, GCBHR at the Geneva School for Economics and Management, University of Geneva

Serra Cremer Iyi
Consultant, GCBHR at the Geneva School for Economics and Management, University of Geneva

The commodity trading and shipping industry has a unique role in driving respect for human rights in business. With its power to enhance the value of commodities through investment decisions, the industry can also play a vital part in mitigating the human rights impact of the pandemic and support the development of sustainable business.

The pandemic poses unprecedented human rights challenges for global trade. One example is the ongoing crew change crisis involving hundreds of thousands of seafarers stranded aboard vessels worldwide. The Neptune Declaration, a collaborative agreement that seeks to resolve the issue, was signed by over 600 maritime stakeholders including commodity traders. It calls for several actions such as recognising seafarers as key workers to grant them priority access to vaccines and adopting universally accepted health protocols during crew changes.

Another example is the humanitarian crisis in the Democratic Republic of the Congo exacerbated by COVID-19. Disruptions to mining activities and border closures complicating supply continue to intensify the difficulties faced by millions of households reliant on the Congolese mining sector. Exposure to human rights risks, including health and safety issues and child labour, is accentuated during the pandemic because on-site supply chain audits are often impossible, despite the heightened need for close monitoring. Similarly, companies that source coffee and cocoa are under pressure to tackle the increased prevalence of child labour.

This is where commodity traders with their inherent expertise in risk management and leverage to influence corporate actions can come into play. Our research at the Geneva Center for Business and Human Rights illustrates the unparalleled influence commodity trading firms have on upstream actors such as mine operators and mining cooperatives. This influence is not specific to a commodity or an industry. By entering into long-term commitments with suppliers and demanding compliance with concrete human rights standards in the sectors they invest in, commodity traders can advance the corporate responsibility to respect human rights while ensuring a wider market acceptance of the commodities they source responsibly. As a result, commodity traders can act as a powerful force for driving positive change, even in the deepest layers of supply chains.

In order to equip business leaders in the commodity trading and shipping industry with the knowledge and tools to manage human rights challenges, the Geneva School for Economics and Management integrates human rights elements in its course offerings: The Diploma of Advanced Studies in Commodity Trading, a part-time leadership program developed in collaboration with the STSA, and the Master of Science in Commodity Trading, which offers a core course on business ethics and human rights. ■

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Master in commodity trading online during Covid-19

Eliane Palivoda Herren
Senior Program Officer, Master and Executive Diploma in Commodity Trading

Jean-Paul Vulliéty
Director, Master and Executive Diploma in Commodity Trading, University of Geneva

On 16 March 2020, teaching at the University of Geneva (Unige) moved online. Since then, the University has constantly adjusted the measures to accommodate the change of circumstances and to ensure student's and professor's well-being. Additionally, courses and exams had to be redesigned to allow for sufficient interactivity and to best meet the academic requirements. Even though the Unige has successfully overcome this challenge, hopefully online teaching will not become the new normal, as nothing can replace face to face interaction.

Romain Gimblett, 12th Intake student, Master of Science in Commodity Trading
"We have been following most of the classes online during the last 2 semesters of our Master Program. Attending classes virtually had both positive and negative aspects. On the positive side, we managed to pursue our studies without having to postpone classes which would have ultimately led to postponing the student's graduation. Lecturers based in foreign countries and guest speakers were able to join and give their lectures even when they had to do it in the middle of the night in order to be in the Swiss time zone. On the negative side, the social interactions with the professor during breaks and students after class hours were inexistent because of the pandemic. This is a shame as these times usually allow people to discuss informally and bond together which is part of creating a network but also friendships. We know that networking is extremely important, especially in the commodity trading industry. Thankfully, social platforms allowed us to keep in touch and as soon as the situation allows us to, we will make sure to catch up (safely)".

Prof. Michael Tamvakis, Commodity Economics and Finance, Director, MSc in Energy, Trade & Finance at Cass Business and Metals, Ores and Minerals Professor, Master of Science in Commodity Trading
"After the initial uncertainty of whether to hold lectures in person or remotely, adjustment to university education during COVID-19 was swift. At Unige, the systems to deliver this education were put in place very swiftly. Adapting to this new reality was not particularly difficult. I often work remotely for my own institution in England, but until last spring that was a bit unusual - now it is the norm. Both for lecturers and students it takes a few sessions to adjust to it. You need to keep an eye on time and give more frequent breaks; the chat box and the audience reactions are also important for engaging with the audience. Assessment can also be tricky as well - can one take an exam from home? Perhaps this is an opportunity to revise how we deliver tertiary education, in a way which offers flexibility to both learners and teachers. I think the biggest negative from this experience is the lack of human contact, especially among students. The delivery of education continues. Most learning materials are online anyway, the transition to e-learning started before COVID-19 anyway. What is equally important going forward is to be able to look after the mental health and wellbeing of both learners and teachers." ■

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To teach is to learn twice, says a pleasant proverb that may sound like a paradox.

Education during COVID times: Waltzing among constraints, creativity and agility

Silviane Chatelain
Education & Training Manager, STSA

Yet this thought has proven to be very relevant to our educational activities in 2020, since the outbreak of the Covid-19 pandemic. Indeed, this unprecedented turmoil in our daily lifestyle has imposed a general reconsideration of the way we teach in our various educational programmes.

We had to review both the implementation methods and the framework to deliver courses. Also, the teaching tools that we had to adopt, in a context saturated with ever changing constraints and to be able to continue to provide high quality teaching, posed an added challenge.

Another key paradox that should be underlined: on the side of the applications for our training courses, the demand was particularly high, and we even had to refuse corresponding profiles. This phenomenon was probably stimulated by the fact that this new context offered an opportunity to consider a professional reorientation, or by the fear and anticipation of a highly probable contraction of the employment market. The fact that the confinement, due to the lack of convivial outings, sports and cultural activities, left more free time, certainly also contributed to this increase in demand.

At STSA Learning, providing several simultaneous training programmes over the last four months required balancing acts, flexibility, and organizational rigor. Firstly, all spring programmes had to be cancelled and postponed until autumn, with the consequence that all the programmes of the year had to be squeezed into four very short months. With the capacity of the STSA Learning classroom not allowing the necessary social distancing, large meeting rooms had to be booked in hotels. After utilising the latter only three times, stricter confinement rules had been imposed by the authorities. Hence, we had to adapt again and swap to fully online modules. This demanded an important adaptation not only from the participants, but also from the course lecturers. We had to find and test many options to offer the same variety of teachings, such as group works, directed exercises, case studies or trading games. We also had to find a way for the exams to take place electronically while ensuring the good respect of programme rules.

We had to review both the implementation methods and the framework to deliver courses. Also, the teaching tools that we had to adopt, in a context saturated with ever changing constraints and to be able to continue to provide high quality teaching, posed an added challenge.

One of the negative effects of online classes has been the reduced networking opportunities between classmates, the course lecturers and even with the STSA Learning team. Many of the participants of previous intakes have built solid friendships and exponentially grew their network in the commodity trading village. Networking did exist in this special year of 2020, but more timidly. Confinement and distance learning had also reduced transversal learning – participants tend to share more knowledge, make comments, and ask questions when in class, as opposed to in a video conference.

In retrospect, we can consider that the lectures went smoothly and that goaded by necessity, everybody had to adapt to the situation. The course participants even appreciated to save time in transport and enjoyed being able to follow the courses from their living room or from their car (a real-life experience although not really recommended...).

We registered an overall satisfaction rate on the modules of 96% which indicates that the situation has not affected the desire of the course lecturers to pass on their passion for the commodity trading activities to the next generation and we are sincerely grateful to them!

We learnt a lot about our ability to adapt to changing situations and to bring the best out of ourselves. It compelled us to adopt new ways of teaching which would not have been considered under normal circumstances. We highly value human relationships and the importance of interactions between participants and course lecturers, but how to make sure that they really understood the subtleties or the complexity of what you just said? How can you read their eyes if their camera is off?

Overall satisfaction rate on the modules of 96%.

At the end of the day, we should admit that it worked well and that all parties were satisfied, sometimes a bit frustrated, but satisfied. This opens a whole new world of possibilities: thanks to the experience we gained with online courses, we are now able to offer the STSA programmes to young talents employed by our members without them having to relocate to Geneva. Thanks to online teaching, we reach participants from other Swiss cantons and from abroad.

This year 2021 will (hopefully) be the first one to see the return of classes with face-to-face as well as online participation at the same time. Such a hybrid classroom will surely bring its share of difficulties, but what is also certain is that we will keep learning a lot, which is the most essential component! ■

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