

Press Release

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Limited ESG due diligence among extractive commodity trading companies – new report reveals

A [new report](#), The ESG Due Diligence and Transparency Report on Extractive Commodity Trading, assesses 25 companies that have significant activities in the trade of oil, gas, metals or minerals. The companies score on average only 23% on ESG due diligence systems and 28% on disclosure of public-interest information. While most companies have made some level of commitment on issues such as human rights, anti-bribery and corruption, and environmental protection, there is much less evidence of systematic implementation of these commitments. In a sector prone to controversies, the report reveals that ESG risk management measures often fall short of the goals that companies have set themselves.

The assessment, based on publicly-available data sourced from the public domain or submitted by companies, covers ESG measures relating to four categories of issues in the companies' supply chains: human rights, corporate governance, financial flows and the environment. RMF – a Swiss-based independent research organisation – developed a simple evidence-based measurement tool that builds upon existing commodity trading-relevant guidance developed by OECD, EITI, the Swiss government and the London Bullion Market Association, and inputs from stakeholders and experts.

The range of results seen in this study indicates that while many commodity trading companies seem hesitant or reluctant to move beyond established practice, some companies are rapidly moving towards a more public response to issues of public interest and ESG risk management.

The trading of extractive commodities is important in maintaining efficient flows of these critical resources along global supply chains. It can provide many resource-rich countries with revenues significant to their economic development. So the payments made by companies for the purchase of commodities from governments or state-owned enterprises (SOEs), relating to the state's share of production is of key public interest. However, with very few exceptions, companies do not disclose any data on these 'first trades' or the scope of countries that their activities traverse.

According to the CEO of RMF, H el ene Piaget, *"It is hoped that the recent reporting guidelines published by the Extractives Industry Transparency Initiative (EITI) will gain normative traction and lead to robust disclosure of payments and other governance criteria across the sector."*

As governments, financiers, downstream customers and consumers are showing increased awareness of the need for responsible commodity supply chains, it is in the interest of trading companies to move beyond the comfort zone of established practice to demonstrate more systematic action and transparency on ESG issues, acting to limit risk and build trust among all stakeholders.

Commenting on the report, Joseph Williams, Advocacy Manager at the Natural Resource Governance Institute (NRGI), said: *“This report shows clearly that most companies are not disclosing the payments they are making to governments or revealing details of the underlying deals, some of which can significantly add to the debt burden many resource-rich countries face due to the coronavirus pandemic. The report should be a wake-up call to commodity trading hubs that it is time to require disclosure by companies of these large high-risk transactions through regulation.”*

Several companies used the study as an opportunity to rethink internal ESG processes and put previously unpublished documents and data in the public domain on issues such as beneficial ownership, tax strategy, and human rights due diligence. It is hoped that the publication of the report and the emerging examples of better practice will encourage more commodity trading companies to act on their commitments and expand public disclosure on ESG issues.

[Download the Report \(.pdf\)](#)

Issued by: **RMF**, Nyon, Switzerland

Contact: media@responsibleminingfoundation.org

Phone: +41 22 361 14 18

Companies assessed in the report:

BP, Chevron, China Minmetals, CITIC, ConocoPhillips, Eni Trading & Shipping, ExxonMobil, Gerald Group, Glencore, Gunvor, LITASCO, Mercuria, Mitsubishi Corporation, Mitsui, MRI Trading, Noble, Phibro, RGL Group, Shell Trading, Tewoo Group, Totsa Total Oil Trading, Trafigura, Unipet, Vitol, Wogen.

About RMF

RMF is an independent research organisation that encourages continuous improvement in responsible extractives across the industry by developing tools and frameworks, sharing public-interest data and enabling informed and constructive engagement between extractive companies and other stakeholders. The Foundation does not accept funding or other contributions from the extractives sector.

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