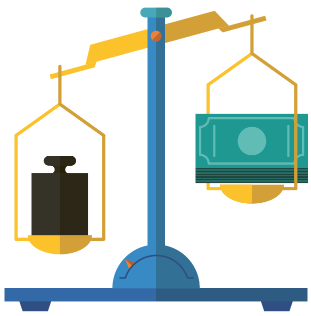
Global survey key findings

The trading environment

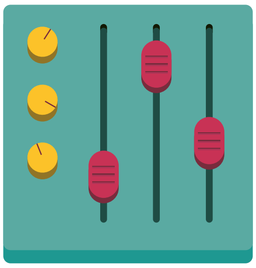


- 70 percent of respondents found low commodity prices to have a negative impact on their businesses.
- 51 percent of respondents expect commodity prices to stay at current low levels for a further one to two years with energy prices expected to increase first.
- Both low commodity prices (21 percent of responses) and the slowdown of economic growth globally (18 percent) are expected to be the biggest challenges to trading businesses over the next one to two years.
- 88 percent are experiencing "some" or "strong" pressure on trading margins. Almost one-quarter is revising their strategies as a result, and 22 percent are discontinuing certain business activities.

Financing and investments

- Restricted access to funding is affecting one-third of respondents through increased financing costs.
- 30 percent have diversified sources of financing in order to maintain sufficient access to capital.
- 25 percent see most potential to invest in upstream assets, 30 percent in midstream assets and 39 percent in downstream assets.
- North America is the region with the greatest growth potential, at one-fifth of responses.
- Most respondents said ROI on investments in the past one to two years had met or exceeded expectations. This was led by energy (72 percent) and metals (73 percent) traders. By contrast, agricultural traders generally experienced returns over the same period that were either negative or did not meet expectations.

Regulation



- 27 percent see greater regulation as the most disruptive factor in commodities trading in the longer term. This compares to 16 percent citing government interference in the free market and 15 percent saying it is the impact of policy changes on demand.
- One-third of respondents expect regulation to have a "medium" impact on existing operations. One-third meanwhile thought the impact is not yet clear.
- One in five state that complexity of regulations is the main challenge in compliance. This is followed by the increased costs of compliance.
- Expectations of what will drive the higher cost of compliance were evenly split between further use of external advisors, hiring legal and/or compliance personnel, allocating existing staff to compliance topics and additional investments in information systems.
- MiFID II leads the perceived compliance burden.

Sustainability

- More than one-quarter of respondents expect carbon emissions to impact their business most over the next one to two years; 24 percent meanwhile expect energy consumption to have the biggest effect.
- 43 percent anticipate global warming to negatively or strongly negatively affect commodities trading in the long term. 39 percent expect barely any impact.
- Global warming’s impact is most felt through severe weather (38 percent), stranded assets (27 percent) and resources not being available (20 percent).
- 17 percent of respondents said their organization has a board commitment to sustainability and 12 percent stating that their firm includes sustainability in its KPIs.