

COMMODITY CLUB

—Center of Competence—

Commodity Club Switzerland –
Bundling competence to generate global impact

Key data of Commodity Club Initiative

“Responsible solutions is our commodity.”

Peter Sigg,

Founder and President, Commodity Club Switzerland



- Foster education and research on commodity markets

- Develop responsible and innovative solutions for the raw material sector with a global scope



- Reaches more than 400 commodity experts along commodity value-chain
- Founded in 2011 as a registered non-profit think tank

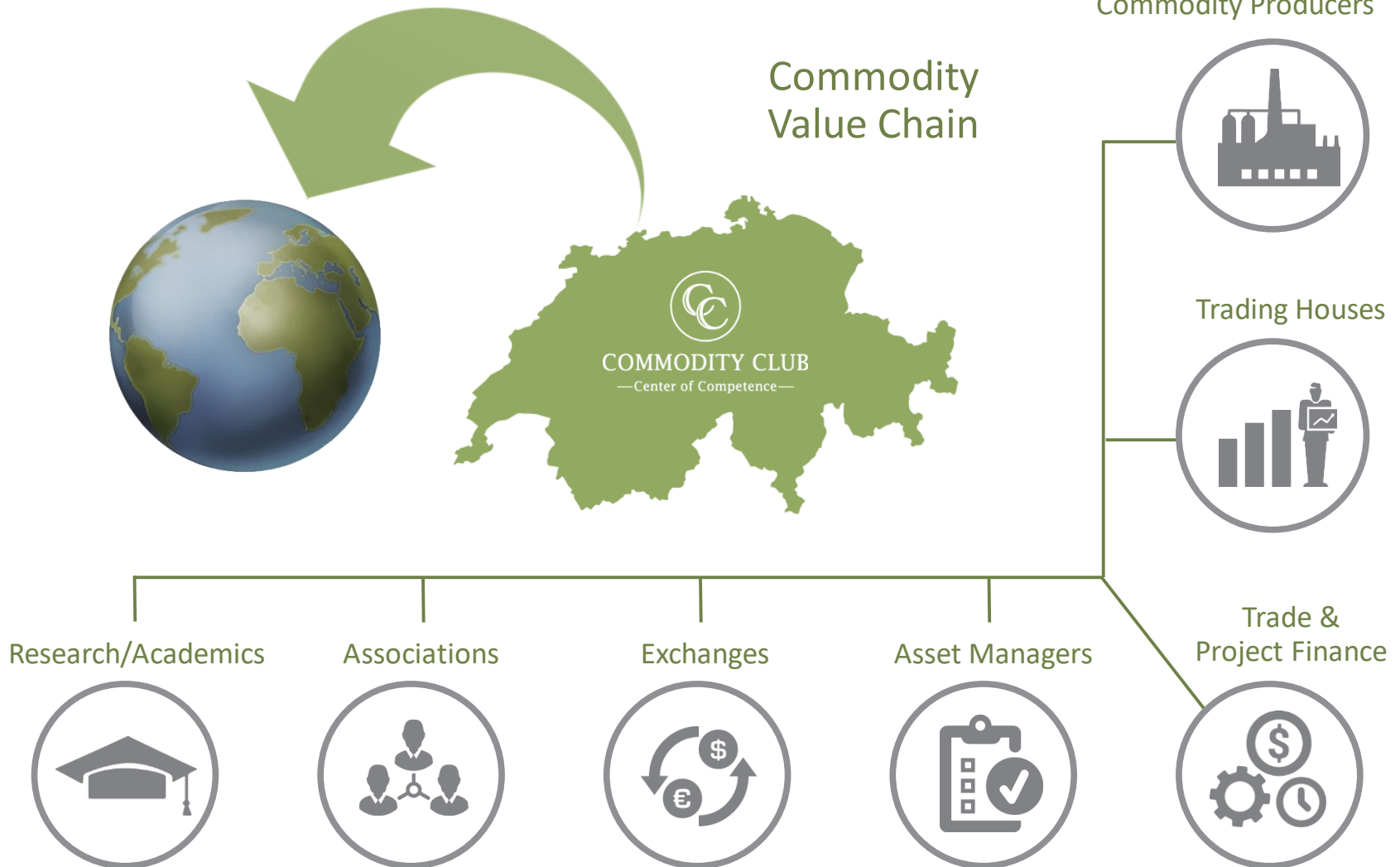


- Intends to reach its goal via three strategic pillars: Education, Dialogue and Impact
- Generating impact through standards on investment sector

Commodity Club as a “Center of Competence” for commodity experts along the value-chain



Commodity
Value Chain



Our mission: Education, Dialogue & Impact

EDUCATION



Engaged commodity experts
unite their competences and
exchange know-how and ideas

- Educational events & programs
- Link to academic institutions
- Informal meetings

DIALOGUE



... and discuss and explain current
challenges in commodity markets
in a public multi-stakeholder
dialogue

- Public discussions
- Improve understanding and
acceptance for commodity
business

IMPACT



... to develop transparent and
responsible solutions in a market-
oriented framework

- Implement concrete solutions
- Advise government & regulator
- Foster efficient markets

The goal of the Commodity Club is to enhance the knowledge for the commodity business amongst experts (Education) and in the public (Dialogue). In order to implement smart ideas (Impact) the Club fosters their development and promotion.

Major milestones for the Club



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Major steps since foundation of the Club in 2011

Foundation of the Commodity Club Switzerland

Initiating the vision of the Club and uniting founding partners

"Agricultural Commodity Investing – A Controversy", panel discussion

First panel-discussion with more than 180 participants and media coverage

Commodity Circle, SFAMA (Swiss Fund & Asset Management Association)

Set-up of expert committee for commodities to generate impact via investment sector

Collaboration with IFZ Zug on ethical commodity investment filter

Establish link between asset managers and academic side to develop innovative filter

Participation in OECD-FAO Guidance for Responsible Agricultural Supply Chains

Help enterprises develop international standards of responsible business conduct

2011

2012

Establish a core group of 20 members

Promoting the club idea in the corporate sector through educational events

2013

2014

Start of KTI-Research Project on Commodities

Leadership in setting-up government-sponsored academic research project as partner

2015

2016

Successful rejection of harmful JUSO-referendum

Fact-based argumentation in Swiss-wide public dialogue on referendum

2017

2018

Handbook on Sustainable Investments (CFA Institute)

Board members contributed as editors of Chapter 18: "Integrating Sustainability into Commodity Investing"

2019

Main activities and achievements 2019

Market dynamics

“Blockchain and Digitisation in the Commodity Industry”; CCS Educational Event

23 January 2019, Zunfthaus zur Zimmerleuten, Zurich

“Assessing the Changing Global Macro Picture - From Geopolitics to Financial Markets and Precious Metals”, CCS Educational Event

23 May 2019, Zunfthaus zur Rüden, Zurich

“Lessons to be learned: An insight into the restructuring process”, GTR Commodities Geneva 2019 Conference, presentation of CCS board member

19 September 2019, Geneva

Sustainability

OECD-FAO Guidance for Responsible Agricultural Supply Chains (OECD-FAO Guidance): CCS participation in two-year stakeholder process to help businesses to establish standards for responsible business conduct along the agricultural value chain.

Report release in October 2019, Paris, France

Oslo Educational Trip - Renewable Energy Initiatives, 4 day educational trip organized by CCS with insights into the alternative energy sector in Norway

12-15 September 2019, Oslo City, Norway

“UN Guiding Principles on Business and Human Rights in Commodity Trading – Panel discussion”; participation of CCS board member on panel

24 October 2019, World Resource Forum, Conference Center Geneva, Geneva

Education

CAS Commodity Professional 2019, IFZ Zug, lectures from CCS board members

CAS Eco Economics 2019, PHW Bern, lectures from CCS board member

Focus on three key topics: Market Dynamics, Regulation and Responsibility

Board of Directors



Market
Dynamics



Members



Regulation



Responsibility









Key Topics



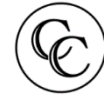
Strategic initiatives to reach our goal



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		Market Dynamics	Regulation	Responsibility
Education		CAS Commodity Professional Alternative Investment Opportunities	Compliance in Commodity Trade Finance	CAS Eco Economics CFA Handbook on Sustainable Investments
Dialogue			Swiss Referendums (Konzernverantwortungs-Initiative)	Responsible value-chains (OECD-FAO Guidance for Responsible Agricultural Supply Chains)
Impact		Blockchain	MIFID II: Solutions for physical traders	Ethical filter (for derivate markets)

Dialogue: Emotional discussions on resources



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The real hunger games: How banks gamble on food prices – and the poor lose out

In the last decade, financial...

**KEINE
SPEKULATION
MIT
NAHRUNGSMITTELN**



The Gulf spill: America's worst environmental disaster?

By Alan Silverleib, CNN

August 10, 2010 – Updated 1509 GMT (2309 HKT)



Konzernverantwortungsinitiative (KoVI)

Responsible Business Initiative

Content

- Goal that all companies carry out their due diligence obligations
- Swiss based firms will be liable for human right abuses and environmental violations caused abroad by companies under their control
- Provision will enable victims of human rights violations and environment damage to seek redress in Switzerland
- Companies who haven't complied with their due diligence obligations will be held accountable in front of Swiss Courts
- When a company can credibly demonstrate to the Court that it carried out adequate due diligence and that it took all necessary measures to prevent the violations, it will be exempted from liability

Source: www.konzern-initiative.ch

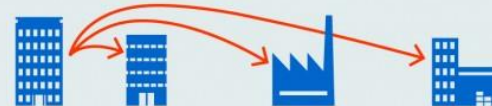
Implementation

Kernmechanismus der Initiative

1.
Sorgfaltsprüfungspflicht



2.
Sorgfaltsprüfungspflicht gilt weltweit
für alle Geschäftsbeziehungen



3.
Wird die Sorgfaltsprüfungspflicht
nicht eingehalten, werden Konzerne
für Schäden der Tochterfirmen haftbar



Konzernverantwortungsinitiative (KoVI)

Responsible Business Initiative

Example

Example of Felix Ehrat, Swissholdings

- Carpenter buying tropical wood from a Brazilian supplier
- The carpenter is covered by the initiative
- Carpenter could be an important buyer for the Brazilian supplier and thus interpreted as controlling the supplier (influence via economic power)
- If an issue occurs in the supply chain (e.g. child labor), the carpenter has to prove that he has taken sufficient steps to avoid this issue (e.g. child labor) → sufficient due diligence

→ Shift of the burden of proof

Source: NZZ, 08.11.2016

Supporters

- **Leading member organizations:** alliance sud, AMNESTY INTERNATIONAL, ask, BROT FÜR ALLE, Brücke, COMUNDO, Public Eye, ethos, FASTENOPFER, GESELLSCHAFT FÜR BEDROHTE VÖLKER, GREENPEACE, SWISSAID, terre des hommes schweiz
- **Supporting member organizations:** pro natura, SWISS FAIR TRADE, UNIA, WWF and others
- **Initiative committee:** Alec von Graffenried, Andreas Missbach (Public Eye), Andreas Rieger (SBG, Unia), Caroline Morel (Swissaid), Cécile Bühlmann (Greenpeace), Chiara Simoneschi-Cortesi, Dick Marty, Eric Sottas (Fastenopfer), Florian Wettstein (Professor HSG), Ion Karagounis (WWF), Manon Schick (Amnesty International), Micheline Calmy-Rey etc.
- **Private supporters:** Alexandre Sacerdoti (ehem. Geschäftsleiter Chocolat Villars), Dominique Biedermann (Ethos), Dietrich Pestalozzi (Pestalozzi und Co. AG), Ruth Dreifuss

Research: KTI-Project “Commodity Investments” sponsored by Swiss Government



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Eidgenössisches Departement für
Wirtschaft, Bildung und Forschung WBF

Kommission für Technologie und Innovation KTI
Förderagentur für Innovation

Research Partners:

Lucerne University of Applied Science and Arts, Prof. Y. Seiler

- University of Basel, Chair Prof. H. Zimmermann
- 5 business partners (including Commodity Club)

Project Objective

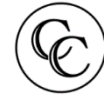
Using sophisticated methodologies to evaluate whether financial speculation impacts food prices

- Study review (focus is on methodology, data and proxy for speculation)
- Own analysis
- Based on the results, investment guidelines and policy recommendations will be provided

Project Duration

2014 - 2017

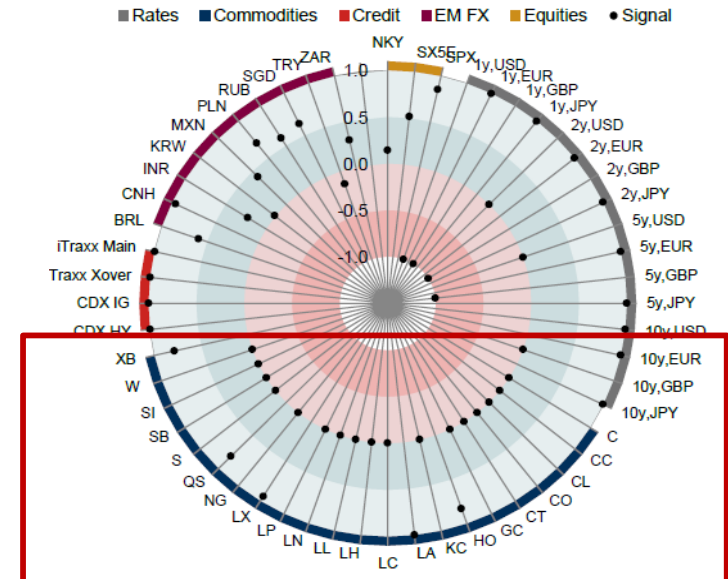
Commodities as key asset class in liquid alternatives



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	Risk-Based		Behavioural		Structural	Asset Specific
	Value	Carry	Momentum	Trend	Volatility	
Equity Stocks						
Equity Indices						
Rates						
FX						
Commodities						

Alternative Risk Premia Strategies:
Commodities offer a broad set of systematic risk premia



Trend-following strategies – most CTA's / trend-followers intend to capture a trend premia from commodity future contracts

Source:

Left chart: Morgan Stanley Multi-Asset Risk Premia Framework;

Right chart: Nomura Cross Asset Momentum UCITS Fund Contract Universe

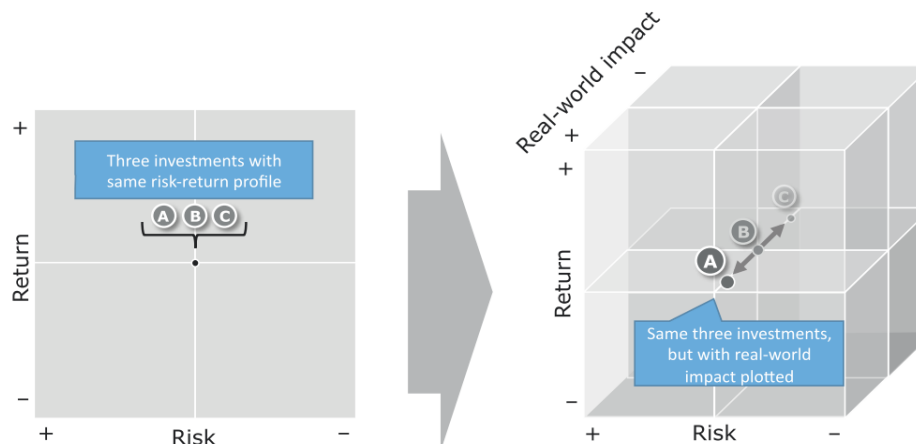
ESG issues beyond traditional asset classes

Background

“It can be **difficult to navigate the ESG risks** involved in investing **beyond traditional equity and fixed income**, especially because well-known and well-tested risk management processes such as negative, **positive and best-in-class screening do not apply**. From infrastructure to real estate to **commodities, alternative asset classes come with specific risk profiles, including on sustainability.**”

The **SDGs can act as a much-needed risk compass** in these broad and fast-growing markets. While some links can appear relatively straightforward (for instance **between commodity hedging and SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture**), more research is needed to ensure that all potential ESG issues arising from investment practices are accurately mapped to the SDGs and to their underlying targets.

The SDG Investment case, 2017, page 22, PRI - A RISK COMPASS FOR ALTERNATIVE ASSET CLASSES



Background

Increasing demand of investors to align responsible investment practices with the broader sustainable objectives of the society (currently best defined by SDG)



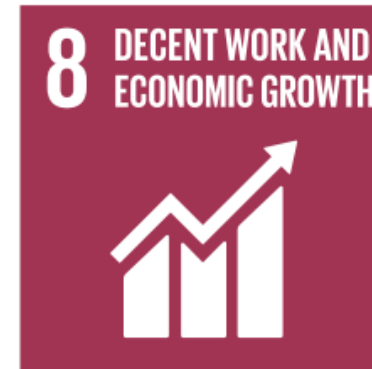
How to align SDG for commodity futures investments?

Focus on two SDGs as target



SDG 2c:

*“Adopt measures to **ensure the proper functioning of food commodity markets and their derivatives** and facilitate timely access to market information, including on food reserves, in order to **help limit extreme food price volatility**” .*



SDG 8.1:

*“Promote Sustained, Inclusive and **Sustainable Economic Growth**, Full and Productive Employment and Decent Work for All.”*

*“**Poor countries are more volatile** than rich countries, and we know this **volatility impedes their growth**. We also know that **commodity price volatility is a key source of those shocks.**”*

DS Jackes, KH O'Rourke, JG Williams, Review of Economics and Statistics (2011)

Why these two SDGs?



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Perceptions

Social pressure on financial investors

Blamed for causing hunger!



Regulatory pressure on financial investors

“20. The Commission in its letter from 14 March 2016 asked **ESMA to look into stricter limits for those agricultural contracts which have a high degree of volatility**. In the letter of 20 April 2016, the Commission requested that very liquid and **highly traded agricultural commodity derivative contracts should attract lower (speculative position) limits**.”

2 May 2016 | ESMA/2016/668, Opinion, Draft Regulatory Technical Standards on methodology for calculation and the application of position limits for commodity derivatives traded on trading venues and economically equivalent OTC contracts, page 6

Science

Findings:

Impact of market participants on volatility vary over time and across commodities

Current state

Reaction

Investor:

- Stop investing in commodity futures
- Exclusion of agricultural / live stock commodity futures

Regulator: stricter position limits on commodity futures with food as underlying

Consequences

Investor: impair risk-return profile

Commercial: larger hedging costs

Exchange: impair price discovery

Need

The current situation requires: **A neutral possibility to demonstrate that the impact of market participants on volatility is time-varying, i.e. positive and negative effects, which can be used for ESG-conform investment decisions.**

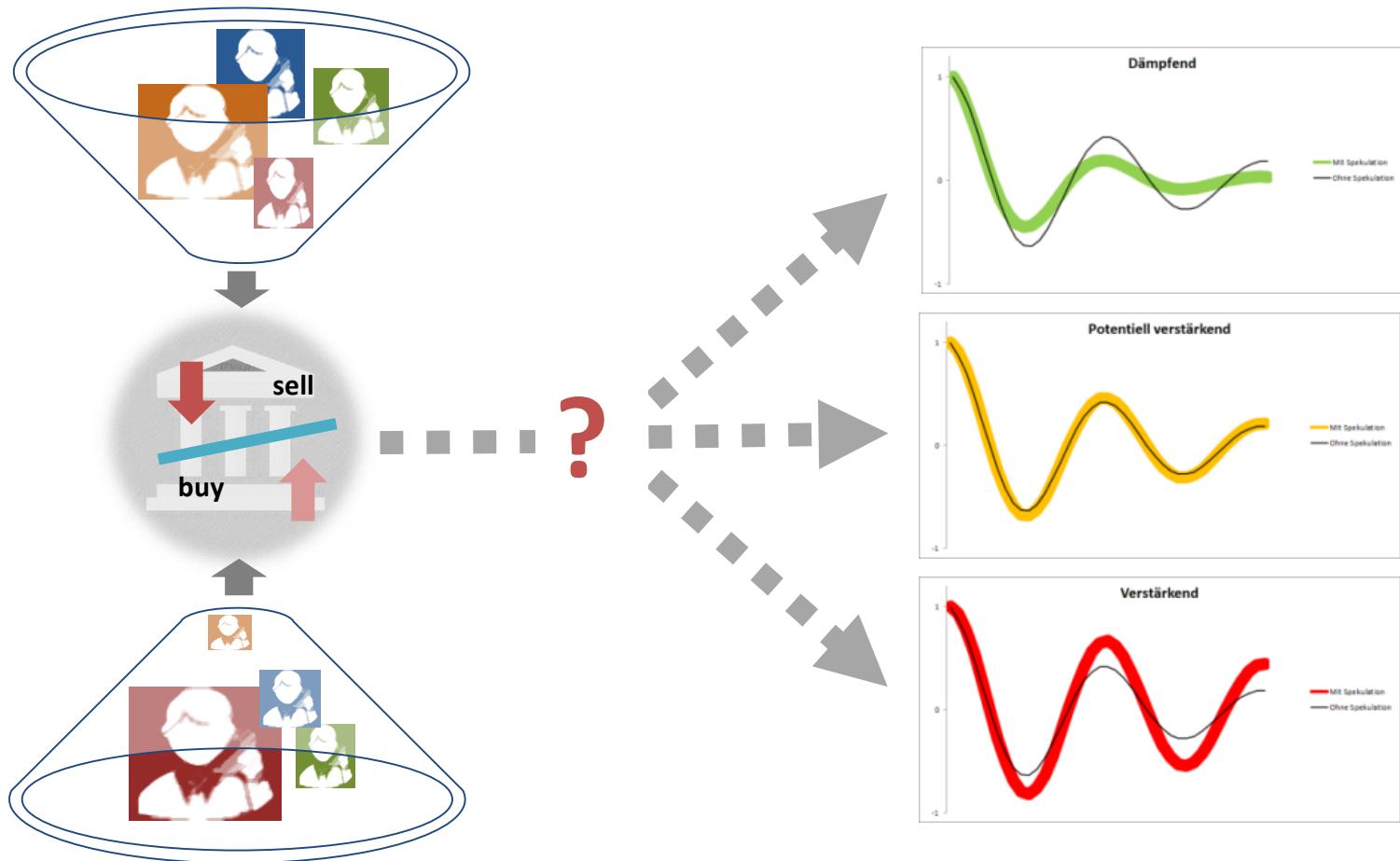
Impact of market participants on price volatility



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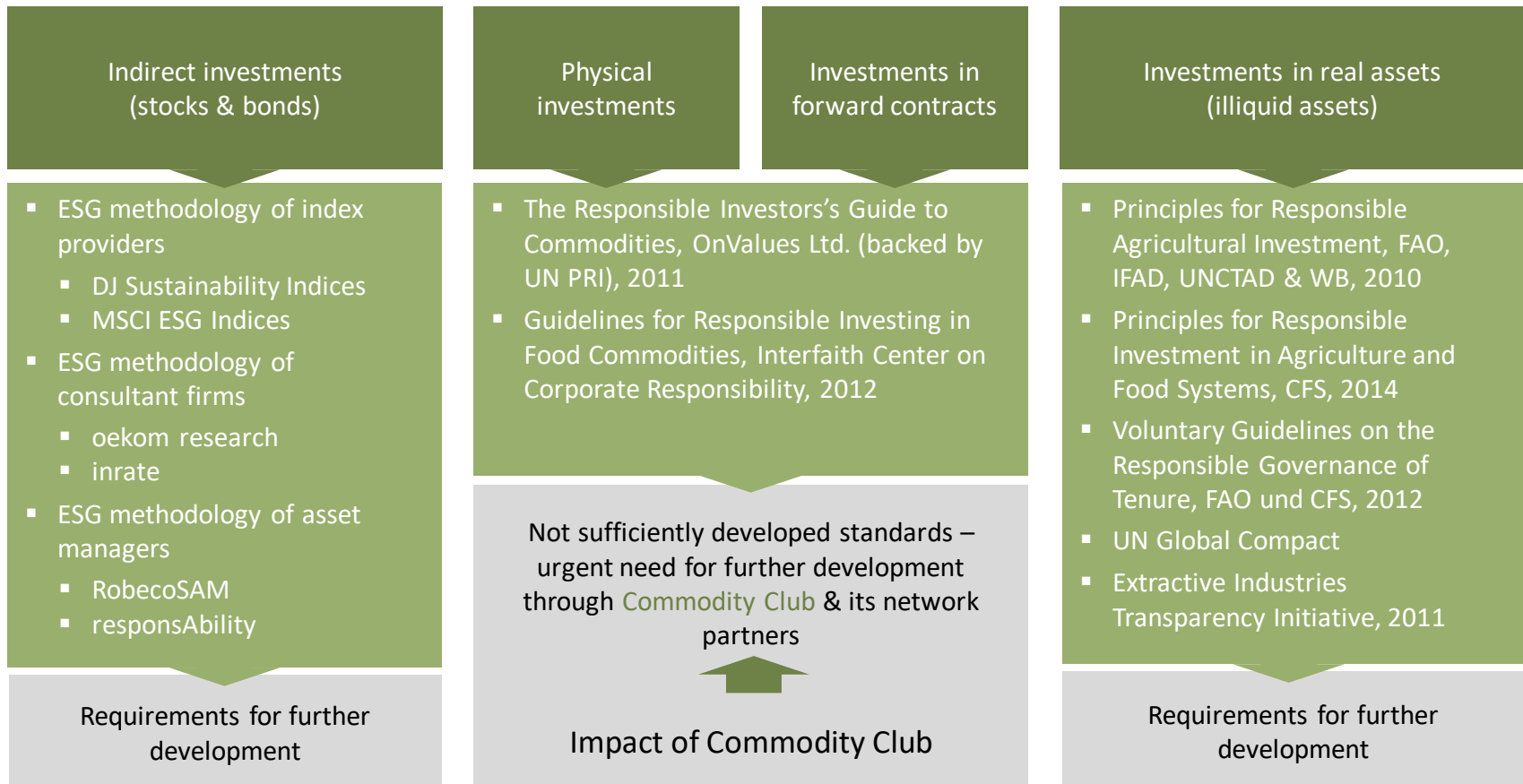
Schematic representation

How to measure the Impact on a neutral and approved basis?



Focus of efforts: Further develop responsible standards

Investment type and need to develop standards



Education: Agricultural commodity markets: Club events and publications

28.08.2013

"Agricultural Commodity Investing - A Controversy", Hotel Krone Zurich
Panel discussion with NGO's, industry associations and academic experts

- Dr. Stéphane Graber, Secretary General of GTSA/STSA
- Dr. Thomas Braunschweig, Specialist for trade policy, The Berne Declaration
- Ian Johnson, Secretary General of the Club of Rome
- Prof. Dr. Heinz Zimmermann, Prof. for Financial Market Theory, University of Basel



28.03.2014

Media release, "Stellungnahme des Commodity Club Switzerland zur Spekulationstopp-Initiative der JUSO", paper with explanation of commodity spot and futures markets

01.09.2014

Start KTI-Project "Rohstoffinvestitionen", project financed by Swiss Govt., 2014
2017; Meta study, own data analysis and development of index (focus: agricultural commodities)

Education: Agricultural commodity markets: Club events and publications

16.10.2014

Presentation at **Academia Engelberg Conference on Food Security** “Understanding commodity spot and futures markets – The market price mechanism and the key price drivers”, Dr. M. Haase (left) and A. Tobler (right), both club board members



05.11.2014

Dinner Event, “Long term supply /demand & prices and tactical view on agricultural commodity prices”, Zunfthaus zur Waag, Zürich

18.02.2015

Media release: “Fact paper on agricultural speculation”

07.09.2015

Dinner Event: Responsible agricultural investment standards: their relevance for Swiss-based companies, Four Points Sheraton, Zurich, sponsored by Swiss Government

10.02.2016

Panel Discussion: The JUSO-Spekulationsinitiative, Debate on the Swiss referendum on 28.02.2016 on agricultural trading, Volkshaus Zurich

Education: Energy and metal markets: Club events and publications

25.02.2014

Commodity Club **Dinner Event**, “**Long term supply /demand & prices and tactical view on industrial and precious metal prices**”, Zunfthaus zur Waag, Zürich

01.04.2014

“**Shale Gas Fracking – Bubble, Scare or Solution?**”, ETH Zurich (picture below)
Panel discussion with politicians, industry associations and academic experts



25.02.2015

Commodity Club **Dinner Event**, “**Conventional Oil vs U.S. Shale: Where do we go from now?**”, with Dr. Peter Burri & Dr. Helima Croft, Zunfthaus zur Waag, Zürich

15.06.2016

Commodity Club **Dinner Event**, “**Gold Investments: The beginning of a more sustainable price recovery?**”, with Dr. T. Polleit & E. Meier, Zunfthaus zur Waag, Zurich

04.05.2017

Commodity Club **Dinner Event**, “**Gold Investments: Are we heading into a new precious metals era?**”, with Florian Siegfried & Carsten Menke, Zunfth. zur Waag, Zurich

12.06.2018

Commodity Club **Dinner Event**, “**Precious metals: More than just a diversifier in times of geopolitical recession?**”, with Trevor Raymond & Ronald Stöferle, Zunfth. zur Waag

Education: Macro and precious metals: Club events

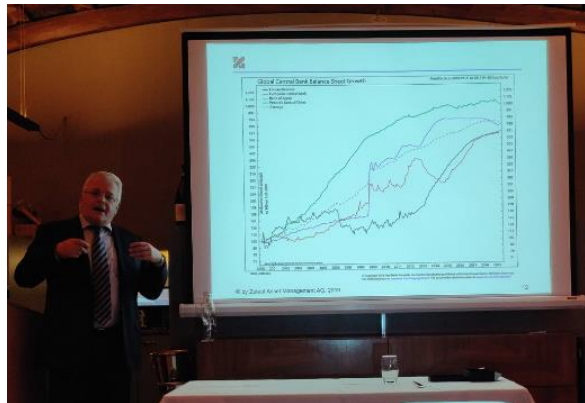


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23.05.2019

Commodity Club **Dinner Event, “Assessing the Changing Global Macro Picture – From Geopolitics to Financial Markets and Precious Metals”**, Zurich

Speakers: **Felix Zulauf** (left picture), **Erik Norland** (bottom picture), *Peter Sigg* (right pict.)



Education: Commodity Club engages in educational programs and book publications



Educational Events on
Commodity Investing



PRIVATE HOCHSCHULE
WIRTSCHAFT PHW BERN

CAS in Umweltmanagement /
Eco Economics

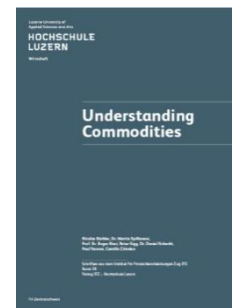
Lucerne University of
Applied Sciences and Arts

HOCHSCHULE
LUZERN

CAS Commodity
Professional

Book «Understanding
Commodities»

<https://blog.hslu.ch/ifz/2015/05/07/neu-e-buchpublikation-understanding-commodities/>



Educational Trips: Alternative Investment Opportunities

Yearly Tours: Ukraine (2017)



Visit Kiev, Ukraine, 19.-21. May 2017

Organisation by the Commodity Club, with the lead of our board member Christian Jörg.
Presentation of the Ukrainian agricultural sector and wheat fields visit.

Educational Trips: Alternative Investment Opportunities

Yearly Tours: Portugal (2018)



Visit Rural Alentejo (Portugal), 1.-3. June 2018

Organisation by the Commodity Club, with the lead of our board member Christian Jörg.
On-site visit of agricultural production operations: Olive and cork farming, milk and wine farm

Educational Trips: Alternative Investment Opportunities

Yearly Tours: Oslo (2019)

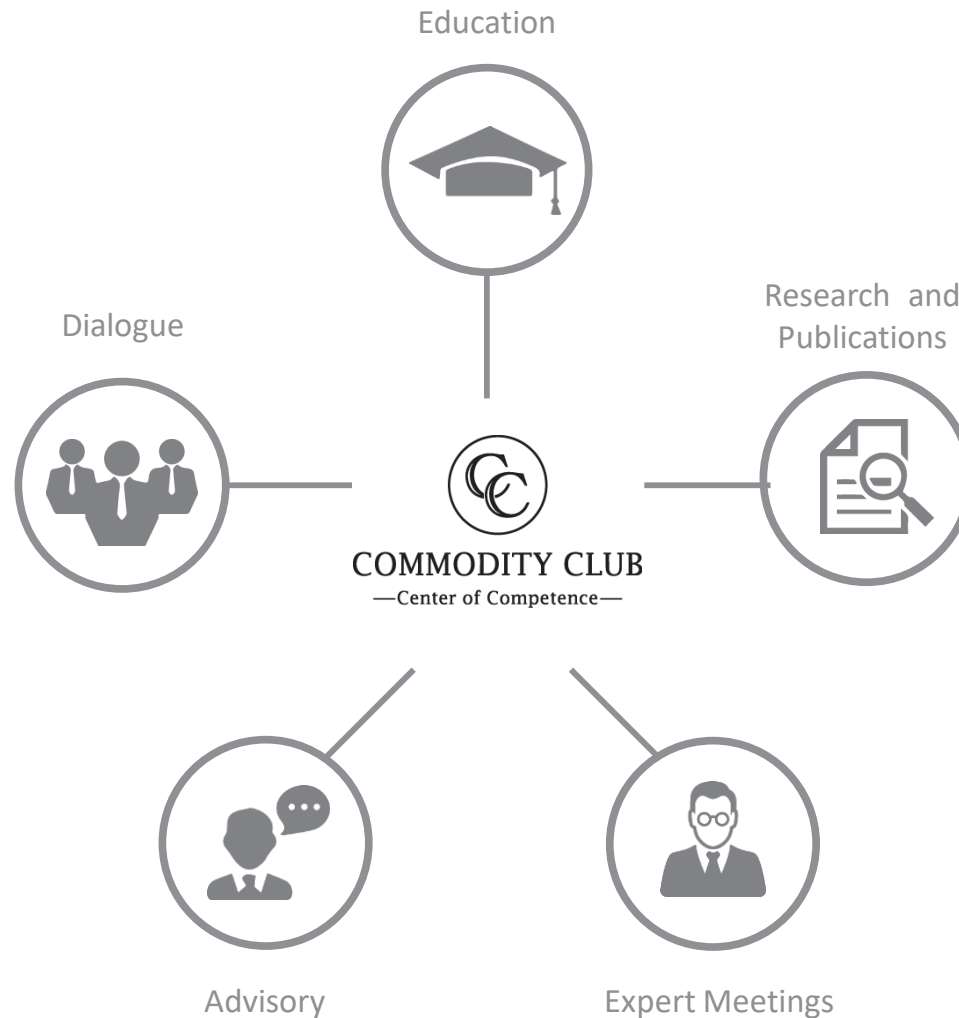
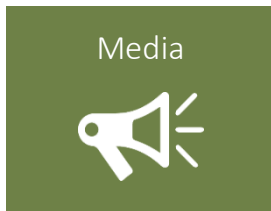
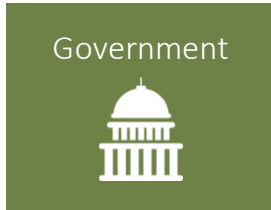
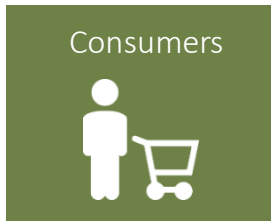


Alternative energy tour in Oslo (Norway), 12.-14. September 2019

Organisation by the Commodity Club, with the lead of our members Camillo Zbinden, Charles King, Olga Doktorova. On-site visit of companies active in alternative energy,

Dialogue: Key enablers to perform an interactive multi-stakeholder dialogue

Stakeholders



Commodity Industry



Informal Meeting: Monthly Meetup

Zurich: First Tuesday of every even month

Welcome to the Monthly Afterwork Commodity Meetup

Presented by Zug Commodity Association (ZCA) and Commodity Club Switzerland (CCS)



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Location: Zurich, The Lion Pub, Oettenbachgasse 24
Date: First Tuesday of every even month
Feb 5th, Apr 2nd, Jun 4th, Aug 6th, Oct 1st, Dec 3rd
Time: 6 pm till 10 pm
Participants: Commodity Professionals
Registration: No registration, free entry, consumptions paid individually
Flag: Organizers wear badge "Commodity Club"
Event-Info: See page 2 or <http://commodityclub.ch/>



Zug Commodity
Association

Location: Zug, various places (see ZCA website)
Date: First Wednesday of every odd month (except in January and May)
Jan 9th, Mar 6th, May 8th, Jul 3rd, Sep 4th, Nov 6th
Time: 6 pm till 10 pm
Participants: Commodity Professionals
Registration: No registration, free entry, consumptions paid individually
Event-Info: See <https://zugcommodity.ch/events/>

WE ARE LOOKING FORWARD TO MEETING YOU!

Commodity Club Switzerland
Zug Commodity Association

Homepage: Broad platform of information
www.commodityclub.ch



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Commodity Club in the Press

<http://www.commodityclub.ch/press.php>

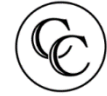
Reports Dinner Events:

<http://www.commodityclub.ch/dinnerevents.php>

Reports Panel Discussions:

<http://www.commodityclub.ch/conferences-and-panel-discussions.php>

Value proposition for corporate membership



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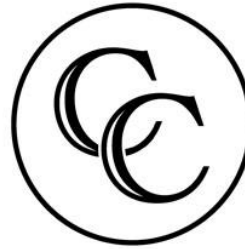
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Benefits

- Participation at **educational events** and **know-how transfer**
- **Exclusive access to results** from research projects and workshops
- Establish **new business connections** and **innovative** product ideas
- Profit from **sector-wide communication** and coordination efforts
- Access to pool of **experienced commodity professionals**
- Facilitate further development and **realization of Club vision**

Existing members

- Swiss Re
- CME Group
- LGT Group
- Julius Bär
- WisdomTree (former ETF Securities)
- Degussa Goldhandel AG



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Event Partners



Universität
Zürich^{UZH}



Corporate Members



Julius Bär

