

Action for sustainable agriculture

Towards a positive difference

2019 Sustainability Report – Summary COFCO International Ltd

Towards a sustainable food system

Today, we stand at a crossroads. As a global community, we must urgently transform the way we grow, produce and consume food, if we are to feed nearly 10 billion people by 2050 within the limits of the planet.

This year, as humanity stands on the threshold of a decade of change, we have a unique opportunity to co-create a sustainable food system, while improving farmer livelihoods and creating shared value for our business and stakeholders. We are committed to working with all our partners towards a positive difference.

Our mission:

To create a positive and sustainable impact on our people and shareholders, on farmers and communities and on our customers and partners.

Our values:

Integrity, inclusiveness, innovation and sustainability.



We are COFCO International

COFCO International is a global agri-business committed to feeding the world in a responsible way.

We specialise in sourcing, storing, processing, trading and transporting major commodities including grains, oilseeds, sugar, coffee and cotton.

Our business growth is closely linked to our strong relationships with farmers, our agility in responding to demand in expanding markets and operational excellence supported by robust investment in storage, processing and ports. Our assets are located across strategic producing countries in the Americas, Europe, Africa, the Middle East and Asia-Pacific, with the majority based in South America, the world's largest agricultural commodity-exporting region.

	Warehouses	Processing	Ports
APAC	1	1	
EMEA	14	2	4
Latin America	40	8	8
North America	3		3

COFCO International shareholders







TEMASEK







Storage

Sharpening our focus on sustainability

Our world is facing unprecedented change. As a global community, we must find a way to feed the growing population responsibly, while navigating the pressing challenges of climate change, biodiversity loss, resource scarcity and economic uncertainty.



The future success of our business depends on our ability to help transform the food system and create value for everyone in the supply chain" For COFCO International, this means taking action for sustainable agriculture, and working with our partners and employees towards a positive difference. The future success of our business, and continued support of our stakeholders, depends on our collective ability to transform the food system, and create value for everyone in the supply chain.

Our sustainability strategy – Meeting tomorrow's demand – directs our efforts to further drive sustainability into our strategy and operations, in line with our commitment to the principles of the UN Global Compact. Importantly, it enables us to contribute to global food security, and support the UN's 2030 sustainable development agenda.

Two years into our journey, we are building a deeper view of social and environmental challenges in our operations and supply chains to inform targeted action. In 2019, we mapped more than 5.2 million hectares of soy farms in Brazil, Argentina and Paraguay for environmental and social assessments. We analysed potential risks in our soy supply chains with WWF and The Nature Conservancy, undertook global human rights impact assessments with BSR, and worked with other major agri-businesses towards more sustainable soy production in Brazil through the Soft Commodities Forum.

To place sustainability and supply chain traceability at the core of our business, we formalised a \$2.3 billion sustainability-linked loan with a consortium of 21 global banks. With our core financing facility now entirely linked to sustainability, we are poised to make further advances and deliver new levels of transparency.

In 2019, we achieved 100% soy traceability to farm for all direct sourcing in 25 priority municipalities in Brazil's Cerrado, and by 2023, we aim to achieve full traceability to farm for all directly sourced Brazilian soybean. Our volumes of sustainable commodities continued to grow, with 23% our global coffee sales volume now certified as sustainable, and a ten-fold increase in Better Cotton volumes in 2019. Our efforts to conserve biodiversity amplified, formalised through our policies and implemented through sustainable farming practices and forest conservation and restoration efforts. We have now planted over 1.85 million native trees in and around our sugarcane fields in Brazil since 2001.

Taking care of our people remains paramount, and in 2019, we strengthened our commitment to improving safety at work, achieving a 48% and 31% reduction in lost-time incident frequency for contractors and employees respectively. And amid the global Covid-19 pandemic, we took robust measures to keep our employees, suppliers and communities safe and operations running.

In 2019, we made concerted efforts to improve the environmental footprint of our shipping operations. Additionally, we have set a new target to improve industrial water efficiency by 10% by 2025, and are already taking action by expanding our water recycling and reuse best practice in our Potirendaba sugar mill to two more mills in Brazil.

Our community programmes to help improve health, wellbeing and education in sourcing communities directly benefitted over 25,000 people globally in 2019.

All of this work is underpinned by our ongoing commitment to uphold high standards of integrity, ethics and governance. Our Integrity Hotline, established in 2018, continues to play a key role here, as our primary means of resolving grievances. There were no instances of corruption or product safety violations reported or identified in 2019.

While there is still much to be accomplished, we remain optimistic in the face of the challenges ahead and determined to make a positive difference. I would like to thank all our employees, suppliers and partners for their dedication and support in a challenging year, and look forward to our continued collaboration towards a more sustainable future.

David Dong CEO of COFCO International

Our role in the global food system

COFCO International is operating highly complex supply chains in a rapidly evolving world. We strive to efficiently connect the supply of agricultural commodities with growing demand for food, in the face of geopolitical dynamics, climate change, fluctuating yields and raw material price volatility. To create a more resilient global food system, we collaborate with our key stakeholders to take action towards more sustainable agriculture.

Connecting supply...



Agricultural inputs

We support agricultural input providers to promote more nature-friendly products that improve yields and maximise the efficiency of nutrient and water use, while minimising impact on the environment and communities.



Production

We are a major producer of sugar, ethanol and bioenergy in Brazil, operating over 190,000 hectares of sugarcane plantations in Sao Paulo State.



Sourcing

Sourcing from all major producing countries, we purchase our commodities from farmers, co-operatives and third parties, with an objective to further strengthen direct collaboration with farmers.



Storage

We store agricultural commodities in warehouses and silos at strategic locations worldwide, operated by COFCO International or third parties, before despatching for processing or delivery.



Our value chain footprint

Processing

Our refineries and crushing facilities in South America, Europe, Asia and Africa process agricultural commodities into products for local and global markets, with a particular focus on the rapidly expanding Asian market.



Trading

As an international trading house, we trade agricultural commodities at scale via numerous trading platforms.



Transport and Distribution

We operate a sophisticated global maritime and land logistics network and large modern fleet, transporting the majority of our commodities by sea and providing freight services to industrial customers.



Retail and marketing

....with demand

We collaborate with retail customers to meet consumer demand for sustainable products and improve the transparency and resilience of agricultural supply chains.



Consumption

Together with our supply chain partners, we support consumers in making responsible purchasing choices through sustainability certifications and enhanced supply chain transparency.

Optimising our impact

We are improving practices at farm level by opting for organic pest controls and fertilisers, monitoring flora and fauna, and conserving native vegetation around our plantations.

We require all our suppliers to adhere to consistent sustainability standards. We evaluate supplier performance, with a focus on our most strategic suppliers and those with the greatest risk exposure. We are also investing in farmer capacity-building to support continuous improvement.

Our storage sites uphold globally consistent product quality, environment and health and safety standards, in line with our corporate policies and legislative requirements.

We innovate to reduce our energy and water use, create value from by-products and industrial waste, and increase our use of renewable energy. All our facilities have implemented a consistent environmental, health and safety management system benchmarked against international standards.

We monitor global supply and demand trends, leverage our agility to ensure timely responses to market shortages where demand exists, facilitating commodity flows within and across borders. To help halve the shipping industry's carbon emissions by 2050, we are taking action to track carbon emissions from our time-chartered ships and improve the fuel, energy and cost efficiency of our fleet.

Meeting tomorrow's demand

To maximise our contribution to creating a more resilient, sustainable global food system, we have developed our strategy - Meeting tomorrow's demandin line with 12 issues that matter the most to our business and stakeholders, and the UN SDGs.

Among these, we have identified four priority areas where we stand to make the greatest impact, as indicated in the table on the right. Importantly, we are addressing climate change and biodiversity loss by integrating climate action and nature conservation throughout our strategy.

In 2019, we began setting concrete targets across the five pillars of our strategy to help guide our progress in the key decade of action ahead. As we monitor our performance, we will regularly review our strategy and target-setting to reflect our ambition.

As a major agri-business we have a significant opportunity to contribute to the following SDGs:















Our strategic objectives



Connecting supply and demand responsibly

🔲 See pages 10-13



Taking care of our people

See pages 14-15



Managing our environmental impact

See pages 16-17



Building strong communities

See pages 18-19



Upholding standards

See pages 20-21

Our material issues

Sustainable agricultural sourcing (priority)

Agricultural innovation

Responsible agricultura production

Respect for human and labour rights (priority)

Occupational health

and safety (priority)

Water manageme

Energy efficiency and emissions reduction

Community engagement (priority)

Good governance and compliance

Our policies and priority targets

Supplier Code of Conduct Sustainable Soy Sourcing Policy Sustainable Palm Oil Sourcing Policy (2019)

Target:

Full traceability to farm for directly sourced Brazil soy by 2023

Environmental and social assessments for 85% direct supplying farms in Brazil's MATOPIBA by 2021

Evaluation of all direct palm oil suppliers by 2020

Full palm oil traceability to mill by 2021

Occupational Health and Safety Policy

Human Rights and Labour Policy

Target:

Zero employee and contractor fatality

Safety Index for employees and contractors ≤ 1.5

| Environmental Policy

Target:

Reduce water intensity index by 10% by 2025

Stakeholder Engagement Policy Responsible Land Acquisition and

Leasing Policy
Community Investment Policy

Target

Stakeholder Engagement Plan and social dialogue at all high community impact operations by 2021

Environmental and social impact assessment prior to all new site construction and acquisition

Code of Conduct

Food and Feed Safety Policy

Target:

Zero food/feed safety incidents 100% resolution of grievances received through our Integrity Hotline

2019 in numbers











\$2.3BN

Sustainability-linked loan, with interest rates linked to sustainability performance and supply chain traceability

5.2M

hectares of soy farms in Latin America mapped and assessed for environmental and social risks

1 85M \$

Native trees planted on and around sugar plantations in Brazil since 2001

23% (

of global coffee sales certified or verified as sustainable

48%

and 31% reduction in lost-time incident frequency for contractors and employees

40%

increase in EHS training for contractors

C Z O O C Traduction in driver fatigue

660,994 mwh

of surplus bioenergy directed to local power grids

74% of our treated wastewater reused as irrigation water and natural fertiliser

10%
water efficiency

water efficiency improvement by 2025 set as a new environmental target

87%

of global energy needs met by renewable energy

volunteers in Brazil dedicated over 2,367 hours to good causes through a new

263

25,000 beneficiaries of our community programmes

volunteering programme

50,000
smallholder soy farmers
benefited from our Social
Fuel Stamp biodiesel
programme in Brazil



concerns and grievances

reduction in driver fatigue for sugar operations with the Sleep Medicine Programme

Connecting supply and demand responsibly

We collaborate throughout our supply chains to promote responsible and sustainable practices - from field to port and beyond - innovating with our partners and suppliers to boost productivity while acting to improve the impact of agriculture on people, nature and the environment.

Our wider contribution

UN Sustainable Development Goals



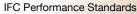
















Based on our commitment to sustainable soy supply chains, we are collaborating across the value chain to enable farmers to amplify yields sustainably and build climate resilience. In particular, we have implemented a Sustainable Soy Sourcing Policy, defining requirements for soy suppliers in Brazil's Amazon and Cerrado on issues from conserving natural habitats to protecting indigenous peoples and labour rights.

Understanding and mitigating supply chain risks

In 2019, we continued to verify supplier compliance with our policy through comprehensive satellite mapping of all pre-financed farms and farms located in high risk regions across Brazil, overlaying parcels of land with known information on social, environmental and deforestation risks. Non-compliant farms were excluded from transactions. Overall, including our sustainability mapping of soy farms for sustainable biodiesel in Brazil, Argentina and Paraguay, we mapped and assessed more than 5.2 million hectares in 2019. We also deepened our collaboration with World Wildlife Fund (WWF) and The Nature Conservancy (TNC) to identify environmental and social risks across our Brazilian soy supply chains. We are expanding this work to Argentina, Paraguay and Uruguay.

5.2M

hectares of sov farms in Latin America mapped and assessed for environmental and social risks

Collaborating towards sustainable soy

To catalyse collective action for change at scale, we are a signatory to industry-wide agreements such as the Amazon Soy Moratorium, which prohibits financing or sourcing of soy produced on deforested land since 2008 in the Amazon. Our 2019 external audit confirmed that all our suppliers complied with Moratorium requirements in the past season. We are also members of other multi-stakeholder initiatives to promote sustainable soy, including the Soft Commodities Forum.

Supporting a sustainable biodiesel market

As we move to capture sustainable biodiesel markets across Latin America, we are taking action to promote responsible soy production. In particular, we produce 2BSvs biodiesel with soy grown under the 2BSvs scheme of Biomass and Biofuels sustainability in Argentina, Paraguay and Uruguay. In 2019, we mapped over 3.2 million hectares of soy farms to confirm their compliance with 2BSvs requirements, enabling the production of over 90,000 tonnes of sustainable biodiesel In Brazil, we mapped and assessed 947,000 hectares of soy farms under the national RenovaBio programme, which also has strict environmental requirements including zero deforestation, producing 52,100 tonnes of biodiesel under this certification.



Sugarcane

As one of the world's top five sugar traders, with our own plantations and sugar mills in Brazil, COFCO International has a significant opportunity to strengthen supply security by promoting sustainable practices. We are advancing towards more sustainable production by conserving biodiversity and adopting best practice techniques to improve soil health and guard against the impact of extreme weather.

Taking action to conserve biodiversity

To help conserve biodiversity, we use drones to monitor the land around our 190,000 hectares of sugar fields and those of our suppliers. We also monitor flora and fauna on over 5,450 hectares around our plantations, in line with our new Biodiversity Conservation Procedure, to develop targeted measures for protecting wildlife and natural habitats, such as installing road signs and designating buffer zones. Among our reforestation initiatives, we planted over 240,000 trees in 2019 on our dedicated 850-hectare conservation area. Another focus of our work is increasing the use of biological pest controls to protect pollinators.

1.85M

native trees planted on and around our sugar plantations since 2001

Empowering innovators

In 2019, we selected and supported five start-up companies in developing innovative solutions to key challenges we face in sugar and coffee production through our 'Go beyond the technology boundaries' programme in Brazil. Their projects range from big data analytics to predict rainfall in individual sugarcane fields and new mobile apps to centrally manage technical requests at farm level, to using sensors to assess sugar cane quality in real time.

Engaging sugarcane suppliers on sustainable practices

In 2019, we offered soil conservation courses to our suppliers and employees, in partnership with Rio Preto University. Importantly, we began a major initiative to help our suppliers raise their environmental, health and safety standards, conducting audits among all 15 sugarcane suppliers and co-creating improvement plans.









Coffee, Palm oil, Cotton

Coffee

We partner with coffee farming co-operatives to help raise productivity and improve livelihoods among more than 4,000 smallholder coffee farmers in Vietnam and Colombia, helping them build resilience in the face of climate change and volatile markets.

In Vietnam, where some 95% of coffee is grown by smallholders, we provide technical training and support to farmers to help them adopt sustainable, cost-effective practices. In 2019, we also partnered with IDH (the Sustainable Trade Initiative) to explore the viability of delivering an integrated package of services to farmers, combining crop insurance, training, inputs, irrigation systems and financing.



Palm oil

In 2019, we stepped up our efforts to help achieve sustainable palm supply chains by launching our first Sustainable Palm Oil Sourcing Policy, which formalises our NDPE commitments – no deforestation, no peat, no labour exploitation. These requirements will now be a condition of doing business with us.

Traceability to origin is a prerequisite for identifying social and environmental risks in supply chain. We reached 86% traceability for palm oil to mill level by end of 2019, with the aim to reach full traceability to mill by 2021. Based on this, we deepened our work to identify environmental and social hotspots in our supply base with the support of our partner Proforest.

Cotton

To accelerate our journey towards sustainable cotton, we participate in the Better Cotton Initiative (BCI), a multi-stakeholder initiative striving to make Better Cotton – cotton grown in a way that respects people and the environment and improves farmer livelihoods – a mainstream commodity. Our volumes of Better Cotton grew ten-fold from 2018 to 2019 in response to market demand, equivalent to 26% of our total volume.

23%

of our coffee sales in 2019 certified or verified as sustainable, compared to 18% in 2018

Taking care of our people

We strive to create diverse, inclusive workplaces where every individual is valued, empowering our people through equal opportunities, protecting their rights and prioritising their health, safety and wellbeing.

Our wider contribution

UN Sustainable Development Goals





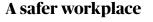








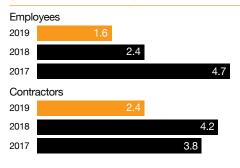
IFC Performance Standards



We require all our global sites to adhere to our Occupational Health and Safety Policy. We provide employees and contractors with regular health and safety training, complemented by various local and global campaigns to raise awareness and nurture a safety-first culture.

In 2019, we put greater emphasis on contractor training, which reached 1.41% of total work hours, a 40% increase year-on-year. Employee training also increased to 1.88% of total work hours. This has contributed significantly to a respective 48% and 31% reduction in lost-time incident frequency as well as our Safety Index for contractors and employees.

Safety Index¹ (per 200,000² work hours)



Note: our 2019 health and safety data has been verified by Bureau Veritas.

- Safety Index = (Medical Aid frequency rate/7.5) + (Total Lost Time frequency rate) + (Severity Rate/5)
- ² 200,000 represents the number of hours of 100 employees working 40 hours per week, 50 weeks per year and provides the standard base for calculating incidence rates. (100*40*50=200,000)

Talent and growth

Our continued growth relies on our people. In 2019, we introduced a dedicated learning management system for our employees and refreshed our training policy. This platform will help build our people's skills and capabilities by providing diverse learning opportunities in five languages. Employees also now benefit from over 14,000 self-service, video-based courses provided by LinkedIn Learning.

Diversity and human rights

In 2019, we partnered with non-profit organisation BSR to undertake human rights impact assessments for our global operations and key supply chains. This will inform our efforts to develop a more holistic and proactive approach to protecting human rights, in line with the UN Guiding Principles on Business and Human Rights.

Representation of women in our operations remains a core focus, and in 2019, we made targeted efforts to promote gender balance in the recruitment and promotion process. In 2019, the proportion of female employees globally improved, reaching 18%, compared to 17% in 2018 and 16% in 2017.

Where do our people work?



What type of work?



Managing our environmental impact

We strive to improve our environmental performance across our operation of farming, storage, processing and transport facilities, continuously innovating to reduce our impact on the climate and environment, conserve natural resources, prevent waste and harness renewable energy.

Our wider contribution

UN Sustainable Development Goals



17 PARTNERSHIPS FOR THE GOALS















Towards a low carbon operation

To reduce our Greenhouse Gas (GHG) emissions, we are improving the energy efficiency of our operations and increasing our use of renewable energy. In 2019, the carbon intensity of our operations was 37.6 kg CO₂eq per tonne of production, a 2% reduction compared to 2018.

Carbon intensity indicator kg CO₂eg/tonne processed



In 2019, our freight operation switched its entire fleet from conventional fuel to cleaner low-sulphur fuel, and researched alternative fuel options. To help catalyse the global shift to sustainable shipping, we joined the Getting to Zero Coalition, which strives towards viable zero-emission vessels by 2030.

We continue to prioritise generating clean energy on site, and supplement this with electricity purchased from renewable sources. We used more bioethanol to fuel our vehicles, while our sugar mills supplied local power grids with 660.994 Mwh of surplus bioenergy in 2019. a 5% increase on 2018.

of our global energy needs met by renewable energy

Resource efficiency

Our Environmental Policy guides our efforts to manage and optimise our freshwater use and treat our wastewater effectively. In 2019, we withdrew 12,832,443 cubic metres of freshwater, an 8.7% increase on 2018, due to operational expansion. In 2019, we took an important step forward by setting a new global water efficiency target: reducing industrial water intensity by 10% by 2025, compared to 2019. To achieve this, we will increase our efforts to recycle and reuse treated water, particularly in our sugar operations, and optimise our industrial processes for grains and oilseeds.

We renewed our resource efficiency efforts. increasing the application of treated wastewater for irrigation or as natural fertiliser to 74%, up from 66% in 2018. We also strengthened our efforts to prevent waste and dispose of waste responsibly. In 2019, 54% of our waste was recycled, reused, composted or recovered.

Water intensity and freshwater withdrawal

	2019	2018	2017
Water intensity indicator (m³/tonne of production)	0.58	0.57	0.58
Freshwater withdrawal (m³)	12,832,443	11,802,059	12,237,571

Waste generation

	2019	2018	2017
Hazardous waste generation (kg/tonne of production)	0.029	0.028	0.023
Non-hazardous waste generation (kg/tonne of production)	0.607	0.666	0.620

Note: our 2019 carbon, energy and water use data has been verified by Bureau Veritas.

Building strong communities

We forge long-term relationships with farming communities by supporting them to adopt sustainable practices and improve their livelihoods. In addition, we invest directly in community education and capacity building, improving people's quality of life and empowering communities to protect their local environment.

Our wider contribution

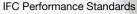
UN Sustainable Development Goals















Improving livelihoods

Smallholder farmers in rural, developing communities often lack access to the knowledge. skills and resources to raise yields sustainably and improve their livelihoods. Together with our partners, we help to build farmers' capacity while increasing security of supply. To help protect the land rights of local communities and indigenous peoples, we require all suppliers to uphold our Responsible Land Acquisition and Leasing Policy.

In 2019, we continued to provide technical support to smallholder soy farmers in Brazil through the Social Fuel Stamp programme, purchasing over 330,000 tonnes of soybean from 24 cooperatives, benefitting over 50,000 smallholders.

Community investment

We are strengthening our work with communities to better understand and respond to their needs. In particular, we seek to help expand access to education, skills training and healthcare, and empower communities to protect their environment and nature. To help engage our employees in these efforts, we introduced a comprehensive volunteering programme in Brazil, in partnership with NGO Parceiros Voluntários. Some 263 volunteers dedicated over 2,367 hours to nearly 60 volunteering activities. In particular, under our Project Pollinate, we furthered our "bee-friendly" practices by teaching over 500 children on the importance of bees and building "bee hotels" for solitary bees.

25,000

people benefitted from our community projects in 2019

Case Study: Helping girls' netball teams raise their game

In South Africa's Mpumalanga province, school children often lack access to good sports facilities, preventing them from gaining the most from exercise or improving their sports skills. In 2019. the COFCO International South Africa team sought to help girls at Stanwest Combined School take their netball skills to the next level by resurfacing their netball courts and donating netball kits for local tournaments. The school's two netball teams were proud to wear their new kit for the first time at a tournament in Ermelo.



Upholding standards

We create value, grow responsibly and respond to stakeholder expectations through strong, transparent governance and globally consistent standards and behaviours. We integrate our values and sustainability commitments into the way we do business, and comply with all relevant laws and regulations to help ensure the safety and quality of our products.

Our wider contribution

UN Sustainable Development Goals











Driven by our values

Reflecting our core values and our commitment to the UN Global Compact key principles, our Code of Conduct helps to ensure we conduct our business with integrity. In 2019, we developed online training for employees on the key principles of our Code, which has been rolled out in 2020. The Code also provides the basis for our Supplier Code of Conduct, which sets out the social, environmental ethical standards that we expect our suppliers and business partners to uphold. We will increasingly take a strategic, risk-based approach to monitoring supplier compliance.

Good governance

As our global grievance mechanism, our Integrity Hotline forms part of our commitment to open, honest communication and promotes compliance with our Code of Conduct. Employees and external stakeholders can share any concerns in 13 languages confidentially and anonymously. In 2019, we further developed the way we review and resolve grievances, and raised awareness of the hotline among our employees and external stakeholders. We reviewed every one of the 235 concerns received, undertaking appropriate investigations and actions, and closing 212 by the end of 2019. Our aim is resolve all grievances through our Integrity Hotline.

Partnerships

Collaboration is key to better understanding and sensitively addressing the many diverse and complex sustainability challenges we face as a company and as an industry. We work with stakeholders from across the public and NGO spheres towards a long-term, positive impact.

























Find out more in the full report:

www.cofcointernational.com/sustainability

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Find out more in the full report:

www.cofcointernational.com/sustainability

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