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COFCO INTL

# Action for sustainable agriculture

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**Towards a positive difference**

**Sustainability Report 2019**  
COFCO International Ltd



# Towards a sustainable food system

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**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.



**“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.”**

**David Dong**  
CEO of COFCO International

## **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.

# What's inside?

Welcome to our 2019 sustainability report. We are pleased to share our progress on the five strategic priorities underpinning our sustainable growth as a business, while creating value for all our stakeholders.

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## Reporting boundaries

Covering the 2019 calendar year, this report is aligned to Global Reporting Initiative (GRI) standards, Core option. The GRI Content Index, available for downloading on [our website](#), forms an integral part of this report. This report also contains non-financial information on material aspects of our Environmental and Social Action Plan, as agreed on with International Finance Corporation, our shareholder. The reporting scope includes all facilities and operations 100% owned and/or operated by COFCO International throughout 2019.

# 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.**



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.

Three 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% of 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 freight 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.

**“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”**

**David Dong**  
CEO, COFCO International

# We are COFCO International

- Storage
- Processing
- Port
- Trading hub
- ... Trade route

**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
<b>APAC</b>	<b>1</b>	<b>1</b>	
<b>EMEA</b>	<b>14</b>	<b>2</b>	<b>4</b>
<b>Latin America</b>	<b>40</b>	<b>8</b>	<b>8</b>
<b>North America</b>	<b>3</b>		<b>3</b>

## COFCO International shareholders



**\$31BN**  
Revenue

**114M**  
Tonnes turnover

**34M**  
Tonnes port capacity

**26M**  
Tonnes processing capacity

**2.2M**  
Tonnes inland storage capacity

**10,511**  
Employees

**35**  
Countries

# Commodities that touch our daily life

Agricultural commodities from wheat to soybeans to coffee form the foundation of everyday products consumed by billions of people worldwide.



## Grains

**Wheat, corn, barley, sorghum**

**Origin:** South America, Black Sea, North America, Europe, Australia, Southern Africa

**Our role:** Sourcing, storing, trading, distribution

**No.1**

grains exporter from Argentina



## Oilseeds

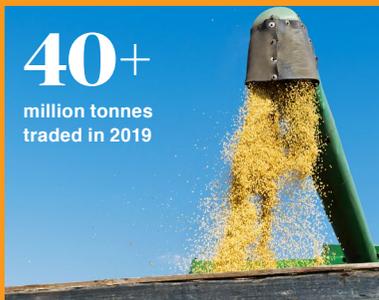
**Soybean, sunflower seed, rapeseed, palm oil**

**Origin:** North America, North America, Black Sea, Southeast Asia, Southern Africa

**Our role:** Sourcing, storing, processing, trading, distribution

**40+**

million tonnes traded in 2019



## Sugar

**Origin:** South America, South Asia, Southeast Asia

**Our role:** Farming, sourcing, storing, processing, trading, distribution

**17M**

tonnes sugarcane crushing capacity



## Coffee

**Origin:** South America, Central America, Southeast Asia

**Our role:** Sourcing, storing, processing, trading, distribution

**7**

sustainability certification and verification schemes



## Cotton

**Origin:** South America, North America, South Asia, Middle East, West Africa, Southeast Asia

**Our role:** Sourcing, storing, trading, distribution

**400,000+**

tonnes traded annually



# 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...

## ...with demand

### Our value chain footprint



#### 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.



#### 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

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.

# Placing nature at the heart of business strategy

Interview: **WBCSD**

**Businesses must play a key role in transforming the food system, says Diane Holdorf, Managing Director of WBCSD's Food and Nature Programme.\***

“Today, more than ever, the fragility of our global food systems has been thrown into stark relief,” says Holdorf. “Natural resources are becoming rapidly depleted, and mass land conversion is leading to unprecedented biodiversity loss and climate change. More than this, food supply chains must be structured in a way that better benefits farmers and workers, while meeting consumers' nutritional needs.”

For food and agri-businesses, including COFCO International, creating a long-term strategy to protect nature and promote biodiversity helps to boost supply chain resilience, improve livelihoods and strengthen security of supply, while also resonating with consumers and attracting talented, motivated employees.

“The question is not whether to act, it's what business model to select to place nature at the heart of company strategy,” says Holdorf. “Businesses have a powerful role to play in helping farmers to nourish the soil, protect pollinators, and conserve the living systems that enable us to continue growing our food.”

Laying the foundation for this vital and profound change means business and society must begin to attach a consistent value to nature. From there, change should be rapid, Holdorf believes.

**“COFCO is quietly getting on with new ways of thinking, and has a real opportunity to lead by example, helping to inspire sector-wide change”**

### Pathways to change

“Firstly, companies must change the way financing decisions are made,” says Holdorf. “This means identifying KPIs to address climate and nature at a landscape level. COFCO is changing the game here – its sustainability-linked loan is unprecedented in the sector. But we must see more companies placing social and environmental considerations at the core of their financial strategies.”



In re-thinking business models, WBCSD recommends that companies redesign their supply chains to encourage more diverse, sustainable nutritious diets while crisis-proofing the system. Beyond this, it will be vital to ensure that farmers receive a fair share of the value derived from food production, helping to counter labour shortages by establishing farming as a viable, attractive career choice for women and young people.

“Collaboration – across supply chains and industries – is the only way to achieve the impact and scale we need for systemic change,” says Holdorf. “All our Food and Nature initiatives act as catalysts and platforms for collective action – from water stewardship to climate-smart agriculture – to help create healthy, sustainable diets.”

### Partnership in action

One such initiative is the Soft Commodities Forum (SCF). Established in 2017 to transform soy production in the Brazilian Cerrado, this unique platform brings together the world's six leading agricultural commodity traders, including COFCO International.

“These companies have joined forces to address a shared sustainability challenge,” says Holdorf. “COFCO has brought an important, pragmatic perspective to the discussions, with its

comprehensive, field-level knowledge and considered approach, helping to define common pathways for action.”

However, challenges remain. Members must push for stakeholder action that delivers shared value, Holdorf believes. “SCF members are operating in a region where geopolitical issues and ecological issues pose distinct risks to tangible progress,” she says. “They must find a way forward that supports farmers, businesses and governments.”

Looking ahead to the decade of action, Holdorf concludes: “We must see real, meaningful, scalable action across the food and agriculture sector.”

**Diane Holdorf**  
Managing Director, Food and Nature Programme

\*The World Business Council for Sustainable Development (WBCSD) is a global business-led sustainability network.

# Our sustainability strategy

Our sustainability strategy, Meeting tomorrow's demand, guides our efforts to help create a sustainable food system and contribute to global food security. It is based on the economic, social and environmental issues that are most important to our business and stakeholders and where we could make the greatest difference.

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# 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 demand – in line with 12 issues that matter the most to our business, stakeholders and the UN SDGs.**

Among these, we have identified four priority areas where we stand to make the greatest impact: taking action towards sustainable agriculture, promoting respect for human rights, keeping our people safe and improving lives and livelihoods of the communities where we operate. Importantly, we are addressing the systemic challenges of climate change and biodiversity loss by integrating climate action and nature conservation throughout our strategy.

In 2019, we began setting concrete targets across our five strategic pillars to help guide our progress in the key decade of action ahead. This exercise will continue in the coming years. 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 seven SDGs below. These reflect where we can make the greatest impact alongside our partners.



## Our strategic objectives



**Connecting supply and demand responsibly**

See page 12



**Taking care of our people**

See page 21



**Managing our environmental impact**

See page 28



**Building strong communities**

See page 33



**Upholding standards**

See page 37

## Our material issues

**Sustainable agricultural sourcing (priority)**

Agricultural innovation  
Responsible agricultural production

**Respect for human and labour rights (priority)**

**Occupational health and safety (priority)**  
Talent attraction and retention

Water management  
Waste management  
Energy efficiency and emissions reduction

**Community engagement (priority)**

Good governance and compliance  
Product quality and safety

## 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



**Connecting supply and demand responsibly**



**Taking care of our people**



**Managing our environmental impact**



**Building strong communities**



**Upholding standards**

**\$2.3BN**

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

**48%**

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

**74%**

of our treated wastewater reused as irrigation water and natural fertiliser

**5.2M**

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

**40%**

increase in EHS training for contractors

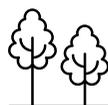
**10%**

water efficiency improvement by 2025 set as a new environmental target

**50,000**

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

**1.85M**



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



**87%**



of global energy needs met by renewable energy

**263**

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

**23%**



of global coffee sales certified or verified as sustainable

**97%**

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

**660,994 MWh**

of surplus bioenergy directed to local power grids

**25,000**

beneficiaries of our community programmes



Our Integrity Hotline is available in 13 languages for stakeholders to anonymously reporting concerns and grievances

# 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



### IFC Performance Standards



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# Building supply chain resilience

**Strengthening our food system in the face of crisis and uncertainty is now a global challenge requiring urgent, collective action. As the food and agriculture industry prepares to increase production to help achieve healthy, sustainable diets for the growing global population, we face the shared challenges of climate change, resource scarcity and biodiversity loss. Additionally, smallholder farmers – who produce the majority of the world’s crops – typically lack access to the knowledge, tools and resources to improve practices and raise productivity.**

For COFCO International, sourcing agricultural commodities sustainably is both a moral and strategic imperative, as we seek to feed the world responsibly, build supply chain resilience and deliver greater transparency to our customers. Our [Supplier Code of Conduct](#) consists of a set of principles that define the ethical, social and environmental standards we require all our suppliers to uphold, and sustainability is increasingly a condition of doing business. We support innovative technologies and invest in empowering farmers to cultivate crops in a way that improves their livelihoods, protects nature and respects human rights.

In 2019, we also began building an initial environmental and social profile for every one of our non-trade suppliers to enhance supplier management practices. This will allow us to further identify sustainability risks in our non-trade supply chains and define mitigation measures.

## Conserving biodiversity for agricultural productivity

Biodiversity – the huge variety of all plant and animal life on Earth – is the foundation of agriculture and our food systems. The myriad interactions between different species create healthy ecosystems and enable nature to perform the vital functions that make crop growing possible. Within an agricultural field, biodiversity is essential to maintaining fertile soils and freshwater for healthy plant growth. Pollinators like birds, bees and butterflies play a vital role in the life cycle of plants, prompting the production of seeds, grains, fruits and flowers. ‘Natural predators’ such as ladybirds feed on pests, helping the plant to reach maturity.

In 2019, we further formalised our commitment to biodiversity conservation through our Environmental Policy and environmental impact assessment for all new operations, defining priority areas for targeted conservation efforts. These include our sugarcane operations in Brazil, soy sourcing in Latin America and palm oil sourcing in Indonesia. We also updated commodity sourcing policies and respective management procedures to focus more closely on conservation. COFCO International supports



**“The urgency of our biodiversity and climate crises means that we need to have solutions in place now and these solutions need to be at scale. We can only do this together. That’s why we are collaborating throughout our value chain to promote sustainable agriculture that respects the natural world, while contributing to global food security and improving farmers’ livelihoods”**

**David Dong,**  
CEO, COFCO International

forest conservation and restoration in our supply chains and on our operated farms. We monitor flora and fauna around our sugar plantations, and promote responsible farming practices to improve soil health, preserve water and manage pests, which help to lower our impact on biodiversity.



# Soy

**Soybeans are a highly efficient form of protein and animal growth feed.**

Increasing global demand for meat and dairy has more than quadrupled soy production in Brazil over the past two decades. From the Amazon rainforest and the Cerrado savanna to the Yungas Forest and the Grande Chaco region, expanding soybean cultivation, along with other agricultural activities, has placed pressure on fragile ecosystems in Latin America.



And as the climate changes, these regions are experiencing more frequent extreme temperatures and irregular rainfall – potentially heightened by deforestation and native vegetation loss – presenting an increasing risk to the future of this valuable crop.

COFCO International is one of the world's largest soy traders. As we further expand our soy operations, we strive to collaborate 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 Amazon and Cerrado on issues from conserving natural habitats to protecting indigenous peoples and labour rights. In 2019, we delivered refresher training to 175 employees in our commercial, administrative and logistics teams on implementing our policy.

## Understanding and mitigating supply chain risks

Traceability is the starting point for supply chain risk management. In 2019, we enhanced our internal systems to collect, validate and manage key information relating to suppliers' individual farms. External audit reassured our progress and we are confident to reach full traceability to farm for directly sourced Brazil soy by 2023. 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. In this way, we mapped more than 1,000 supplying soy farms, covering over 1 million hectares. Overall, including our sustainability mapping of soy farms for sustainable biodiesel in Brazil, Argentina and Paraguay (see page 15), we mapped and assessed more than 5.2 million hectares in 2019.



To better prioritise and focus our risk monitoring and mitigation activities, we have deepened our collaboration with World Wildlife Fund (WWF) and The Nature Conservancy (TNC), through the Collaboration for Forests and Agriculture (CFA) initiative, to identify environmental and social risks in our Brazilian soy supply chain, including deforestation and native vegetation conversion, forced labour, indigenous and traditional people land rights, among others. We are expanding this work to Argentina, Paraguay and Uruguay. Additionally, we worked together to conduct an external review of our sustainable soy policies, procedures and practices against the CFA Operational Guidance, in order to develop a plan for enhanced supply chain sustainability and transparency.

**5.2M**  
**hectares of soy farms in Latin America mapped and assessed for environmental and social risks**

## Collaborating towards sustainable soy

Accelerating the shift to sustainable soy is too great a challenge for one company alone. To catalyse collective action for lasting 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. We conduct monthly internal audits as well as annual external audits on suppliers' compliance with the Moratorium. The 2019 audit confirmed that all our suppliers complied with Moratorium requirements in the past season. Environmental NGOs also review the results of all Moratorium signatories to help ensure transparency and credibility. We are also members of other multi-stakeholder initiatives to promote sustainable soy (see page 42), including the [Soft Commodities Forum](#).

## Case Study: Soft Commodities Forum: Catalysing change in Brazil's Cerrado

Covering more than 20% of Brazil, the Cerrado is the world's most biodiverse tropical savanna, delivering vital ecosystem services. The area hosts 44% of Brazil's agricultural land and produces over 50% of its soy, providing a vital source of income for local communities. However, agricultural expansion and logging have led to rapid loss of native vegetation. The impact on biodiversity and the regional climate could put agricultural productivity – and the livelihoods of those who depend on it – at risk.

To address the urgent need for action, in early 2019, we joined the Soft Commodities Forum (SCF), a coalition of the world's six largest agri-businesses seeking to reduce and eventually eliminate native vegetation conversion in their Cerrado soy supply chains.

In 2019, with the support of Proforest, SCF members defined a common framework for reporting and monitoring progress, prioritising 25 municipalities posing the highest conversion risks. Members issued [three joint reports](#), with COFCO International disclosing that it had sourced 96% of soy directly from farmers and reached 100% traceability to farm for direct sourcing within the priority municipalities in 2019. In 2020, the SCF will look beyond traceability to engage producers, assess current practices and develop approaches that support more sustainable soy production.

**142,100**  
**tonnes of sustainable biodiesel**  
**production in Argentina**  
**and Brazil**

**“Having all these agri-business giants around the table with a common sustainability agenda is truly a milestone for the food-agri sector. I am convinced that collaborative, action-oriented platforms like these are the only way to achieve supply security”**

**David Dong,**  
CEO of COFCO International

## Supporting a sustainable biodiesel market

In the global transition to renewable energy and cleaner fuels, demand for soy for biodiesel is increasing. In Brazil, for example, diesel fuel must now contain a minimum of 12% biodiesel, with a goal to reach 15% by 2023. As we move to capture sustainable biodiesel markets across Latin America, we must take action to prevent growth from creating further pressure on ecosystems.

To promote responsible soy production, we have adopted the 2BSvs scheme of Biomass and Biofuels sustainability in Argentina, Paraguay and Uruguay since 2017. We produce 2BSvs biodiesel with soy grown using low carbon techniques and conserving land of high importance for biodiversity and carbon storage. 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 biodiesel under this scheme.

In Brazil, we source soy for biodiesel production under the Brazilian National Biofuel Programme (RenovaBio). Established in 2017, it aims to help

reduce the carbon intensity of the transport sector, while catalysing a sustainable biofuel industry. RenovaBio-certified biofuel is produced in line with strict environmental requirements, including zero deforestation. Under RenovaBio, tradable carbon credits known as CBios are granted to certified producers as an incentive to invest in sustainable farming. Meanwhile, fuel distributors can purchase these credits to help meet their annual carbon emission targets. In 2019, we mapped and assessed 947,000 hectares of soy farms under the national RenovaBio programme in Brazil, which also has strict environmental requirements including zero deforestation, and produced 52,100 tonnes of biodiesel under this certification.

## Case Study: Sustainable soy programmes

We operate the [Agricultura Consciente programme](#), a free online platform for soy producers to learn sustainable agricultural practices through expert lectures, field demonstration and interactive tutorial videos. By the end of 2019, our platform had received over 61,000 video views, reaching a large producer base in Argentina, Paraguay and Uruguay.

Working with our partners in Paraguay, we have completed the [MejorAgro initiative](#), a two-year continuous improvement project, initially for 100 smallholder soy farmers. Through field visits, training workshops and various materials, farmers have learnt about a wide range of sustainable farming topics, including disease prevention, soil protection, fair labour practices, sustainable forestry and wider environmental management (learn more on page 34).

## Looking ahead

Advances – both within our business and industry – are laying the foundation for positive change. To raise supplier performance, we will strengthen our sustainable soy sourcing policy, monitor our suppliers and build their capacity to farm responsibly. However, sector-wide transformation will only be possible through collective action, underpinned by rigorously enforced regulation. We will continue to collaborate within our supply chains and across our industry to help drive systemic change.





# Sugarcane

Sugar is a highly versatile commodity, used extensively in food, while ethanol is increasingly used for biofuels and bioenergy offering clean energy alternatives.

However, sugarcane is also a water-intensive crop, and faces distinct challenges including irregular rainfall and biodiversity loss (to learn why biodiversity is integral to farming, see page 13).



As one of the world's top five sugar traders, and with our own plantations and sugar mills in Brazil, COFCO International has a significant opportunity to strengthen supply security by promoting sustainable practices.

We advance towards more sustainable production by conserving biodiversity and adopting best practice techniques to improve soil health and guard against the impact of extreme weather. We are also investing in promising technological solutions, including big data analytics to enhance yields without placing further stress on natural resources.

# 17M

**tonnes of annual sugarcane crushing capacity, with over 5M tonnes of sugar and 1,000 gigawatts of bioenergy produced in 2019**

## Taking action to conserve biodiversity

With over 190,000 hectares of owned sugar fields, we recognise the significant responsibility to monitor and mitigate any impact on local biodiversity. We regularly use drones to monitor land use change around our sugar fields and those of our suppliers. In addition, we regularly monitor flora and fauna at 36 locations on over 5,450 hectares around our plantations, in line with our new Biodiversity Conservation Procedure.

The findings are leveraged to raise awareness among our employees and communities, and develop targeted measures to protect wildlife and natural habitats, such as installing road signs and designating buffer zones.

To help rebuild natural habitats, in 2019, we continued with reforestation initiatives through our environmental management plan. We planted over 240,000 trees on our dedicated 850-hectare conservation area. Together with the Brazil Forest Institute, local authorities and communities, we also planted over 35,000 seedlings of native trees on 30 hectares in the Northwest Forest of São Paulo state. Another focus of our work is to increase the use of biological pest controls to protect pollinators, which are crucial for conserving local biodiversity.

## Case Study: Adopting bio pest control to protect pollinators

Within our sugar plantations, we are taking steps to protect natural habitats by adopting biological pest control methods, including the use of natural predators in place of synthetic pesticides. Our sugar research team has started to place fungi and bacteria in the soil during the sowing season to help manage pests such as the sugarcane borer or nematodes. We have also released wasps to eliminate pest caterpillars. In this way, we have increased our sugarcane yields per hectare by an average of 30% since 2015, while reducing our use of synthetic chemicals. Harnessing these biological approaches has greatly helped to protect honeybees, which are vital to the pollination of crops and vegetation in the region.



# 1.85M

**native trees planted on and around our sugar plantations since 2001**



**“We believe in a better balance between production and the environment. One day, we will discover how to harness the sugarcane’s natural defences. The cane will defend itself”**

**Patricia Fontoura**  
 Technical Manager – Sugarcane Production,  
 COFCO International



**Empowering innovators**

In 2019, we launched the ‘Ultrapasse as fronteiras da tecnologia’ (‘Go beyond the technology boundaries’) programme in Brazil, inviting technology start-ups to develop innovative solutions to key challenges we face in sugar and coffee production. We selected five start-ups from 40 submissions and supported them in developing and testing their solutions within our operations. These 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 applying sensors in the sugarcane sampling process to accurately and instantly assess cane quality.

**“Innovation is vital to continuous improvement. Collaboration with these start-ups to develop fresh ideas and technologies stands to deliver significant efficiencies and advances”**

**Luis Spadotto**  
 Director of Sugar Mill Operations,  
 COFCO International



**Case Study: Engaging sugarcane suppliers on sustainable practices**

In 2019, we further supported our sugar suppliers in adopting responsible farming techniques. We offered soil conservation courses to our suppliers and employees, in partnership with Rio Preto University. Importantly, we also began a major effort to help our suppliers raise their environmental, health and safety standards. In 2019, our team conducted on-site environmental and social audits among all 15 of our sugarcane suppliers in the region. Following these audits, we co-created improvement plans to help ensure supplier compliance with health and safety regulations for rural workers and our supplier requirements.



**Looking ahead**

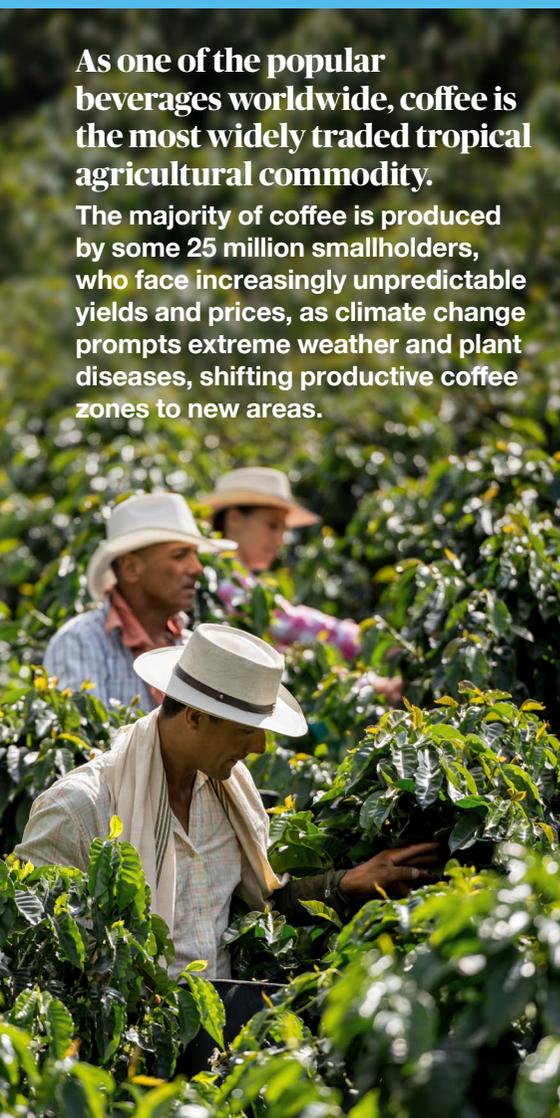
We will continue to leverage innovations and new technologies to reduce the environmental footprint of our sugar production, while boosting productivity and exploring ways to build sugarcane’s natural defences. We will also further focus on supporting our suppliers to make progress on protecting people and the environment, and comply with our supply chain requirements.



# Coffee

**As one of the popular beverages worldwide, coffee is the most widely traded tropical agricultural commodity.**

The majority of coffee is produced by some 25 million smallholders, who face increasingly unpredictable yields and prices, as climate change prompts extreme weather and plant diseases, shifting productive coffee zones to new areas.



We are committed to collaborating throughout the value chain to build resilience and help secure a sustainable future for coffee farmers.

We are present in several major coffee-producing countries, including Brazil, Vietnam, Colombia and Indonesia. We partner with farming co-operatives to help raise productivity and improve livelihoods among more than 4,000 smallholder coffee farmers, building their capacity to participate in sustainability certification schemes and capture additional value for their produce. In 2019, over 23% of our total coffee sales volume was certified or verified as sustainable, a significant increase on 18% in 2018.

# 23%

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

### Case Study: Promoting reforestation on coffee farms

To help preserve vital natural resources and water systems for coffee production, we are funding the Viveiro de Atitude project in Brazil's Cerrado biome. This project unites stakeholders in a collective effort to plant over 100 species of native trees and support local communities. In 2019, it grew and sold native tree seedlings to reforest over 150 coffee farms, totalling 14,000 hectares. 100% of the project's profits were donated to local charities supporting children and elderly people. (For more on our efforts to protect the Cerrado, see page 14-15).

### Empowering smallholder coffee farmers in Vietnam

Vietnam is the second largest coffee producer and exporter by volume. Some 95% of Vietnamese coffee is grown by smallholders. To support farmers towards more sustainable practices, our three farmer programmes in Vietnam provide technical training and support to over 3,200 smallholders on a wide range of sustainable, cost-effective practices to help improve soil health and water quality, protect worker health and safety and promote labour rights. In 2019, our capacity-building focused on promoting organic fertilisers production from agricultural residuals, including coffee husks, rice straw and corn pulp.

Meanwhile, some common challenges, such as lack of access to financial services, quality inputs, equipment and technical support, create great barriers for farmers to further improve livelihoods. In 2019, we partnered with IDH (the Sustainable Trade Initiative) to explore commercially viable ways to further support farmer livelihoods while achieving a high-quality, traceable and sustainable coffee supply. In particular, we explored the viability of delivering one integrated service package to farmers, combining crop insurance, sustainable farming training, inputs, irrigation systems and financing, etc. As a next step, we will refine the initial findings in 2020 to define concrete farmer service offerings.



### Case Study: Supporting sustainable production in Colombia

In Tolima of Colombia, a region long troubled by the country's civil conflicts, we are working together with 20 associations to bring technical support to smallholder farmers. Training by our agronomists includes better soil analysis, disease control, climate-resilient farming. We also incorporate social topics such as labour rights, worker health and safety into these sessions to promote fair labour practices. Read more about this programme [here](#).



### Looking ahead

As coffee production continues to be impacted by climate, environmental and social challenges, we shall continue to strive to ensure the long-term viability of the coffee supply chain. In particular, we will further explore new models to deliver innovative, practical services to farmers, improving livelihoods and building resilience.



# Palm oil & Cotton

**Palm oil is one of the world's most versatile and affordable vegetable oils, found in countless everyday food and beauty products.**

**However, its rapid expansion in the past decades has been linked to severe environmental and social challenges in producing countries, such as deforestation, biodiversity loss, land rights controversies and poor labour conditions.**

COFCO International's role in the palm oil market is primarily as a trader and refiner, supplying markets in China and India. We do not operate any oil palm plantations or mills, with only one refinery in India. In 2019, we stepped up our approach to achieving sustainable palm oil supply chains by launching our first [Sustainable Palm Oil Sourcing Policy](#), which formalises our NDPE commitments – no deforestation, no peat, no labour exploitation. We have started to specify these requirements in supplier contracts to help raise supplier awareness and ensure compliance with our requirements. We have also developed an internal procedure to guide our teams on policy implementation, including Tier 1 supplier evaluation and engagement in case of non-compliance, traceability data management and grievances. In addition to our global Integrity Hotline (see page 39), we have launched a grievance procedure specifically for issues related to non-compliance with our palm oil policy.

As member to the Roundtable on Sustainable Palm Oil (RSPO), we continue to support its mission to create traceable, transparent and sustainable palm supply chains. In 2019, our one palm oil refinery in Kandla, India, achieved RSPO certification and is now ready to supply certified sustainable palm oil to the domestic market.

## **Building sustainability risk profile of our palm oil chain**

We continued to work with our partner Proforest to better understand the environmental and social profile of our supply base. Importantly, we developed environmental and social score cards for all our direct suppliers, in order to evaluate their existing sustainable palm oil policies, management programmes and reporting. This helps visualise the overall supply chain management capacity of our direct suppliers and prioritise supplier engagement

efforts. We aim to conduct this evaluation among all our Tier 1 suppliers by the end of 2020. Traceability is another key element for supply base analysis. We made steady progress on traceability to mill level, reaching 86% by end of 2019, with the aim to reach full traceability to mill by 2021. To ensure accuracy and transparency, our annual palm traceability data is externally verified and we recently published our [2019 supplying mill list](#), to be updated regularly going forward. Meanwhile, we furthered our work to identify environmental and social hotspots in our supply base, based on sustainability profiles of individual mills and their supplying volumes. This exercise will help prioritise future efforts on supplier engagement, screening and monitoring.

**1st**  
**palm oil target:**  
**full palm oil traceability**  
**to mill level by 2021**

## **Better cotton**

We are an active player in cotton trading with a strong presence in key production regions, moving swiftly to meet growing demand. 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. We are rapidly expanding our sourcing of Better Cotton, growing our volumes ten-fold from 2018 to 2019 in response to market

demand, equivalent to 26% of our total volume. In 2019, we also joined the Cotton Made in Africa initiative, which empowers smallholder cotton farmers in Sub-Saharan Africa to improve their livelihoods by adopting sustainable practices.

**26%**  
**of cotton traded in**  
**2019 as Better Cotton,**  
**produced sustainably**



## **Looking ahead**

We will continue to engage with our palm oil suppliers to support them in complying with our policy commitments, while improving and disclosing our traceability progress. We will also move to promote sustainable palm oil and cotton and meet growing demand for these commodities. Creating a sustainable future for palm oil depends on the ability of collaborative, sector-wide efforts to raise standards, protect the rights of workers and communities, and conserve native forests. We will therefore participate in collective efforts to address systemic and local challenges in producing countries.

# The role of finance in sustainable agriculture



Rabobank



## Interview: Rabobank

Here, we speak to Rabobank's Karel Valken, Global Head of Trade & Commodity Finance Agri, about how our sustainability-linked loan is an important step forward for COFCO International, the industry and farmers in our supply chain.

### Why must the private sector invest in sustainable agriculture?

Feeding nearly 10 billion people by 2050 will further intensify pressure on the world's fragile ecosystems, as farmers seek to increase yields in the face of climate change and resource scarcity. Transforming the food and agriculture sector to maximise the use of existing farmland, reduce carbon emissions and conserve natural resources is central to making this a reality. The public and private sectors must mobilise to support this transition.

### What is needed to further encourage private investment?

This could start with de-risking financial models, achieving a more cohesive, consolidated approach to development finance, and catalysing meaningful government intervention. We need companies to look beyond their commercial interests and collaborate across sectors, industries and entire value chains to take transformative, collective action.

### Why does Rabobank want to be a pioneer in this area?

As a co-operative bank founded by farmers in the Netherlands in 1898, Rabobank has a longstanding commitment to pioneering purpose-led funding in the agricultural sector. It's engrained in our DNA. To help farmers worldwide build resilience and improve their livelihoods, we have to walk the talk. That's why we actively promote sustainability in the world's top financial centres, why we are partnering with UNEP to achieve \$1 billion in blended finance to sustainable, deforestation-free agriculture, and why we wanted to be one of the sustainability co-ordinators for COFCO International's sustainability-linked loan.

### In what way is COFCO International's loan ground-breaking?

The COFCO loan is important for multiple reasons. Firstly, it's the largest sustainability-linked loan for a commodity trader to date, and the first with clearly defined traceability KPIs for a major agricultural commodity. In return, COFCO is independently verifying its year-on-year improvements on environmental, social and governance performance. Importantly, the company is directing any interest discounts towards further advancing its sustainability agenda, taking the value of the loan full circle. This includes efforts to help farmers improve their practices. While there is work yet to be done, this commitment sends a strong signal about COFCO's intentions for securing long-term, sustainable supply.

### Do you see more companies taking similar action?

COFCO's bold move is part of a rapidly growing trend and has already prompted further interest in the sector. In the future, I envisage sustainability-linked loans as the 'new normal', with sharper KPIs, discounts removed and penalties issued for poor performance. This won't be easy – it will only succeed with the support of company CEOs. Central banks will also push commercial banks like us harder on climate change and sustainability, providing capital relief for green deals.

### So what can COFCO do beyond this loan to catalyse further change?

Firstly, COFCO could consider using its global size and reach as a formidable voice to advocate for more robust environmental action and financial support packages for farmers at a policy level. This is particularly urgent in countries such as Brazil, where a common strategic interest in agricultural commodities exists. There is also a potential role to play in partnering with development finance and capacity-building initiatives keen to harness private sector resources and expertise to empower farmers.

For agri-business and the financial sector, sustainability is here to stay. Our ability to grow food sustainably will be decisive for the wellbeing of our planet and future generations. We look forward to further opportunities to advance this journey with COFCO.

## Understanding COFCO International's sustainability-linked loan

### What?

- A ground-breaking \$2.3 billion three-year sustainability-linked loan, the largest ever for a commodity trader.
- Agreed in 2019 with a consortium of 21 global banks, with Rabobank as one of the three lead sustainability co-ordinators.

### Why?

This creative financing structure is an important way of advancing our sustainability progress, further integrating social and environmental considerations into the way we do business.

### How?

We will report our independently verified environmental, social and governance performance and commodity traceability progress to the banks each year. If we hit our pre-defined annual targets, we will be granted a discount on the interest we owe. COFCO International will direct any interest savings towards advancing our sustainability journey.

### Karel Valken

Global Head of Trade & Commodity Finance Agri

# 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



## In this section

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# Investing in our most valuable resource

**Protecting our people’s health and safety in the workplace is our top priority. To promote a culture of safety, we uphold high standards underpinned by robust policies and procedures. We constantly engage with all our employees and contractors on health and safety, seeking to continuously raise our performance. Importantly, we focus on attracting the right talent for our diverse operations, and promote the growth and development of our people, our most valuable resource.**

In 2019, we took significant steps to further improve our safety performance, particularly among contractors. We also partnered with BSR to conduct human and labour rights impact assessments across our operations and key supply chains, while stepping up efforts to promote diversity and support talented employees whose skills and values help deliver our ambitions.

## Consistent standards worldwide

We require all our employees, contractors and business partners to respect the standards of behaviour and ethics set out in our [Code of Conduct](#). Informed by the UN Global Compact’s ten principles of human and labour rights, our

Code sits at the heart of our efforts to promote an inclusive, diverse culture where every individual can thrive.

**“With high standards of integrity and a focus on including and empowering our people, we collaborate both within and beyond our business to achieve our aims”**

Marcus Seelbach,  
Chief Human Resource Officer, COFCO International

## Our values

### Integrity

We seek to be open, honest and act with integrity at all times. We also hold ourselves and each other to account in the event that integrity is not demonstrated.

### Inclusiveness

Embracing difference and diversity is vital to our Sunshine Culture. We don’t just celebrate difference, we recognise the value it adds to business.

## Innovation

We strive to create new opportunities, exchange knowledge and information, and work entrepreneurially to enhance our performance through innovation.

## Sustainability

Sustainability is a core value. Our robust corporate governance keeps our people and products safe, helping us to balance our shareholders’ needs.



# A safer workplace

**We require all our global sites to adhere to our [Occupational Health and Safety Policy](#), which is supported by a robust management system in line with OHSAS 18001, [IFC Performance Standards](#) and the [World Bank Group EHS Guidelines](#). Additionally, each site has its own Safety Committee, comprised of union and/or employee representatives, which meets regularly to discuss and address any site-specific issues. In addition, safety dialogues are organised regularly to exchange on particular topics of interest to employees and contractors.**

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. We encourage every person to take responsibility for their own safety and contribute to maintaining a safe environment. Importantly, we measure our performance towards ambitious goals and take action to address any health or safety hazards identified in internal and external audits to ensure continuous improvement.

In 2019, we put greater emphasis on health and safety training, with a particular focus on contractors. Our training time for contractors reached 1.41% of total work hours, a 40% increase year-on-year, while employee training

also increased to 1.88% of total work hours in 2019. These efforts have been reflected in significant overall performance improvements: a respective 48% and 31% reduction in lost-time incident frequency for contractors and employees. However, we are deeply saddened to report two fatalities in 2019: a subcontractor in a construction accident in Argentina, and a logistics employee in a traffic collision in Brazil. We have conducted full investigations and taken all necessary actions to prevent the potential reoccurrence of the circumstances that prompted these incidents.

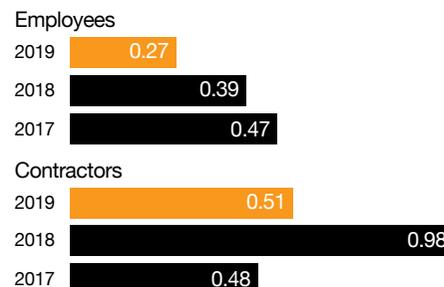
# 48%

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

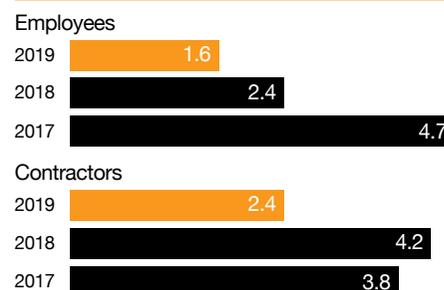
# 40%

**Increase in contractor training time in 2019**

## Lost-time injury frequency rate (per 200,000<sup>1</sup> work hours)



## Safety Index<sup>2</sup> (per 200,000<sup>1</sup> work hours)



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

<sup>1</sup> 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)

<sup>2</sup> Safety Index = (Medical Aid frequency rate/7.5) + (Total Lost Time frequency rate) + (Severity Rate/5)



## Case Study: Improving health and safety on the road

Transportation of products – from farms to storage units, operational facilities and ports – is a key linkage in our business. To reinforce a culture of respectful driving and help keep people safe on the road, we undertake transport-specific safety initiatives. For example, within our sugar operations, all heavy vehicle drivers must undertake drug tests on hiring and departure, while random alcohol and drug tests are conducted among 1% of employees on a weekly basis. In 2019, we introduced heavy truck simulators, helping drivers learn to navigate different traffic conditions in a virtual setting. We also offer regular advanced driving training to Brazil employees, while camera systems and GPS tracking are installed in all company vehicles to monitor safety. Any speeding is registered and reported in real time, so measures can be taken to prevent dangerous situations.

### Case Study: Overcoming driving fatigue

During the sugarcane harvest, hundreds of truck drivers transport heavy loads across long distances. When accidents occur, it is mainly due to driver fatigue and sleepiness. To improve road safety, our EHS team implemented a comprehensive Sleep Medicine Programme in 2019. Firstly, we installed cameras in 230 heavy trucks to understand when drivers were most alert and when their concentration levels dropped, with any signs of fatigue reported in real time to the EHS team. Based on the results, we offered 60 drivers a medical evaluation, and installed special rest rooms at the plants to help regulate drivers' active and resting cycles. In this way, we achieved a 97% reduction in fatigue and distraction levels in just three months. Our efforts were recognised with a National Health and Safety Award at the 2019 Brazilian Congress of Occupational Health and Safety.

### Incentivising better performance

To incentivise good performance on health and safety, we recognise and reward outstanding achievements of global operations annually. We grant 'gold' awards to sites with zero EHS incidents, 'silver' to sites with successful delivery on annual EHS targets and 'bronze' to those with good improvements.

In 2019, the number of sites with gold awards rose from 63 to 70. Among the highlights, our employees in Mariupol, Ukraine, worked two

million hours free from lost time accidents, while our Romanian site reached three years without lost time accidents. At our Belgravia silo in Ukraine, we provided road safety training for children at local schools. In India, a 'safety week celebration' took place with daily activities and interactive training on creating a safe workplace. Employees' children also took part in fun exercises to learn about the importance of health and safety.



### Case Study: Health and wellbeing for all

In Brazil, we run health and wellbeing campaigns on diverse themes, including mental health, breast and prostate cancer prevention and HIV prevention. 3,226 employees attended these activities in 2019, hearing from experts including psychologists, nurses and other medical professionals.

### Keeping people safe in the global crisis

The global COVID-19 pandemic has posed unprecedented challenges for us to ensure the continuous supply of essential agricultural commodities, as well as the health and safety of our people. Our teams have responded early and quickly to implement health guidelines recommended by WHO and industry bodies across global operations. Major awareness-raising campaigns were rolled out among our global workforce to help ensure that people understood and followed all new measures.

**“This is a huge undertaking requiring everyone to work together. We are a critical part of a global food supply chain, and now more than ever we need to keep it going. If we keep our team healthy, maintain good communications, and continue preventive actions, we will maintain our operations”**

Hugo Acerbo  
Health and Safety Manager,  
COFCO International Argentina

As the virus hit Latin America, we were mid-harvesting season for soy and corn. To protect truck drivers in Brazil, we are handing out hundreds of food kits daily and will distribute 20,000 face masks to truck drivers in spring 2020. In Argentina, all our ports and factories have executed stringent preventative measures, including strict social distancing and disinfecting up to 700 trucks per day at each plant.

Beyond this, to help keep our communities safe, we provided medical supplies to employees' families and healthcare services in countries including Brazil, Argentina, Ukraine and Portugal. In Brazil, we provided 5,600 litres of alcohol to local hospitals for the fabrication of hand sanitiser, and 22,000 face masks to employees' families.



### Looking ahead

We will continue to nurture a safety-first culture and work towards our safety targets across global operations, focusing particularly on contractors. We will install 460 new fatigue sensors across our heavy vehicle fleets in Brazil sugar operations in 2019 to further improve driver safety, and better integrate carbon emissions and fuel efficiency considerations in route planning.

# Talent and growth

**Our continued growth relies on our people. For the agricultural sector, finding the right talent is often a major challenge, with more rural populations migrating to cities for work, skilled workforce shortages and high labour turnover rates. In this context, it is business critical that we strategically invest in our employees to help fulfil their potential, while seeking to bring in new talents whose skills and values match our ambitions.**

In 2019, we further enhanced our global Learning and Development offering by implementing a dedicated learning management system for our employees and refreshing our training policy. This new platform will help build our people's skills and capabilities by providing a range of learning opportunities in five languages, including micro-learning solutions and dedicated classroom courses. Employees also now benefit from a comprehensive curriculum of self-service, video-based learning provided by LinkedIn Learning, with unlimited access to over 14,000 courses.

**“At COFCO International, our people are at the heart of everything we do. Building a highly skilled workforce will enable the organisation to strengthen its competitive edge and ensure that COFCO remains a great place to work”**

David Dong  
CEO, COFCO International

## Case Study: Nurturing tomorrow's leaders

In 2019, we launched our Commercial Graduate Programme to bring in a new generation of talent with the potential to succeed across different cultures and geographies. Gender equality and diversity sit at the core of our recruitment process. The first cohort of participants has joined the company to deepen their insights and skills by experiencing different jobs in diverse departments. The programme will accelerate graduates' professional development through monthly networking and group training, mentorship and additional educational courses.

**“This opportunity to be a part of the Commercial Graduate Program is one in a million. I'm learning from people at every level and in contact with people around the globe, getting to know how COFCO works in other countries.”**

Camila Rosenthal Pereira Lima, COFCO  
International Commercial Graduate Programme  
undergraduate, Brazil



## Looking ahead

We will continue to put people first as we grow our business, further developing our employee development offering, with a focus on more targeted training for specific teams.



# Human rights and diversity

As a responsible global business, we seek to promote a diverse and inclusive workplace, harnessing the talents, experience and perspectives of our more than 10,500 employees to innovate and strengthen our market position. We strive to provide equal opportunities for all, and importantly, to protect the human rights of people in our operations and supply chains.

With more than 60 nationalities working across 35 countries, COFCO International is a truly global business. We require all our employees to respect our [Code of Conduct](#), which sets out the ethical behaviours we expect and formalises our commitment to inclusiveness, a core value for COFCO International and central to our culture. Our [Human Rights and Labour Policy](#) crystallises our commitment to treating everyone with fairness and dignity, in line with internationally recognised conventions and standards, such as the ILO's core conventions on labour rights, the UN Guiding Principles on Business and Human Rights (UNGPs) and the IFC Performance Standard on Labour and Working Conditions.

Our [Integrity Hotline](#), established in 2018, is open to anyone internally or externally as a fully confidential channel to report concerns relating to human and labour rights within our operations and supply chains. See page 39 for more information.

**66%**  
of our employees are covered by collective bargaining agreements



**66**  
We will continue to proactively promote gender balance with every new recruitment search and internal promotion opportunity”

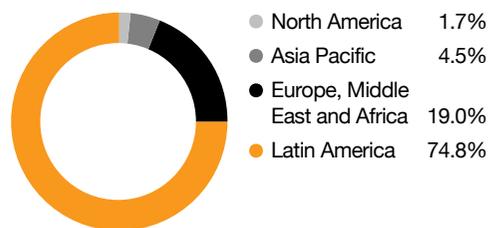
Alfonso Romero Vedoya,  
Managing Director Southern Cone,  
COFCO International

## Promoting women's empowerment

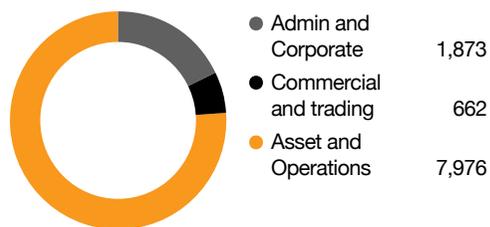
Representation of women remains a core focus, and in 2019, we made targeted efforts to promote gender balance in the recruitment and promotion process. In 2019, the proportion of female employees globally improved, reaching 18%, compared to 17% in 2018 and 16% in 2017.

Our Argentina operations made extraordinary progress in 2019, with a significant increase of female recruitments and promotions to fill technical and commercial positions at our facilities and commercial offices – positions that have been typically held by men. The business has developed a comprehensive plan to further advance this work in 2020. This includes ensuring gender-balanced short lists for every hiring role; 50% women as new joiners to our Commercial Graduate Programme, and achieving a more gender-based board.

**Where do our people work?**



**What type of work?**



**Identifying and prioritising human rights risks**

It is highly challenging to gain visibility of diverse human rights challenges within long, complex supply chains – from child labour and forced labour, to discrimination and poor working conditions. In 2019, we took action to better understand where these risks might exist, in order to develop a more holistic and proactive approach to protecting human rights. Together with BSR – an independent, non-profit organisation – we are undertaking human rights impact assessments for our global operations and key supply chains.

Building on a comprehensive review of our footprint, current policies and management processes, this exercise aims to identify our priority human rights impacts, as well as opportunities to further comply with the UN Guiding Principles on Business and Human Rights. Building on the findings, we will develop an action plan to enhance human and labour rights impact management in our operations and key supply chains.

**Inclusion of disabled people**

Everyone has the right to be fulfilled at work, regardless of any physical or mental disadvantage. In Brazil, we have developed the “Efficient as You” programme to promote greater inclusion of people with disabilities within our work force. In particular, we strive to improve the way we recruit and select candidates and build employee capacity to support the inclusion of disabled colleagues. In our Buenos Aires office in Argentina, the successful integration of disabled colleagues has proven to be a positive experience for the team.

“**Diversity ensures rich ideas and solutions to our challenges. It is a key driver for innovation and agility in our teams”**

**Juan Carlos Artiagoitia,**  
HR Director Southern Cone, COFCO International



**Looking ahead**

We will continue to focus on protecting the rights of all our employees and the workers in our supply chains, with a particular focus on gender equality and diversity. We expect to complete our global Human Rights Impact Assessment in 2020 and define an action plan for continuous improvement.

# Managing our environmental impact

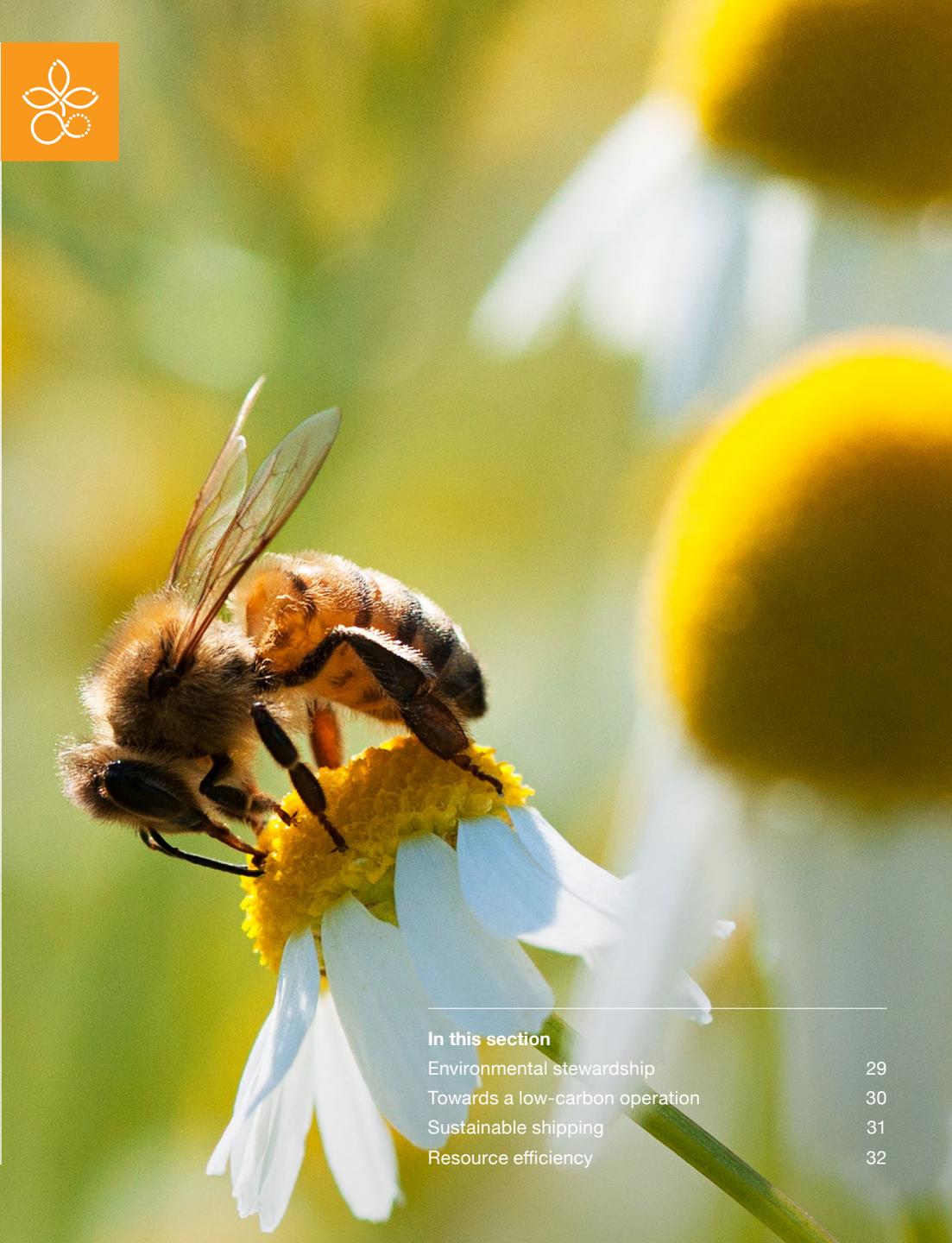
We strive to improve our environmental performance across our operation of farming, storage, processing and transport facilities, continuously innovating to reduce our impact on the climate and environment, conserve natural resources, prevent waste and harness renewable energy.

## Our wider contribution

### UN Sustainable Development Goals



### IFC Performance Standards



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# Environmental stewardship

**With an extensive network of processing and logistics facilities globally and sugarcane farming operations in Brazil, we take a holistic approach to monitoring and managing the environmental footprint of our own operations. Through our global environmental policies and management system, we strive for continuous improvement and innovate to increase production efficiency while conserving natural resources. In particular, a focus on reducing water, waste, energy and carbon emissions impacts sits at the core of our efforts.**



## Globally consistent standards

Our [Environmental Policy](#) is based on legal compliance and international principles of best practice, including IFC Performance Standards and World Bank EHS Guidelines. It seeks to integrate environmental considerations into the heart of risk management and business decision-making, creating a globally consistent approach to environmental stewardship.

Aligned to ISO 14001, our Environmental Management System guides us in consistently identifying, assessing and managing risks to deliver on key environmental indicators across our global operations. It is overseen by our EHS Director and supported by regional and local EHS teams, with regular internal and external audits to monitor progress. To further ensure our compliance with evolving environmental legislation and update our management system accordingly, in 2019, we further invested in tools to better monitor latest legislative changes in the countries where we operate, with new legislation alerts automatically sent to responsible country managers and EHS teams.

# Towards a low-carbon operation

**We are committed to playing our part in the global fight against climate change by taking action to reduce our Greenhouse Gas (GHG) emissions, particularly as we continue to expand our production capacity and market reach. This starts with improving the energy efficiency of our operations and accelerating our transition to renewable energy.**

Our global GHG emissions for the past three years are as follows:

	2019	2018	2017
Scope 1 (t CO <sub>2</sub> eq)	<b>792,221</b>	719,523	609,131
Scope 2 (t CO <sub>2</sub> eq)	<b>107,809</b>	86,591	104,903
Scope 3 (t CO <sub>2</sub> eq)*	<b>101,985</b>	98,764	135,541
<b>Total</b>	<b>1,002,015</b>	<b>904,878</b>	<b>849,576</b>

\* This includes energy and fuel-related Scope 3 emissions

The largest carbon emitters within our global operations are crushing and processing facilities. To better monitor our progress on improving the emissions profile of these operations, in 2019, we established a new performance indicator: the quantity of carbon emissions per tonne of feedstock processed or crushed.

## Carbon intensity indicator kg CO<sub>2</sub>eq/tonne processed



In 2019, the carbon intensity of our operations was 37.6 kg CO<sub>2</sub>eq per tonne of production, a 2% reduction compared to 2018. This is partially due to the increased processing volume and production efficiency at our oilseeds crushing plants. In addition, our various energy efficiency initiatives (see examples to the right), combined with increased use of renewable energy has also contributed to this improvement. We will continue to analyse further improvement opportunities, with the objective to set concrete intensity reduction targets.

## Towards energy efficient operations

In 2019, our total energy consumption increased slightly from 51.2 to 54 million GJ, largely due to increased production and port terminal activity.

## Energy intensity indicator MJ/tonne processed



Our energy intensity indicator reflects the quantity of energy consumption per tonne of feedstock processed or crushed.

The overall 1% improvement of energy efficiency in 2019 was mainly due to increased processing volumes and operational efficiency at our oilseeds crushing plants. In addition, to further reduce our energy footprint, our businesses took action in 2019 to improve energy efficiency, reduce carbon emissions and save costs. For example, in Latin America, our sites have replaced conventional lighting with LED bulbs, including at our Puerto San Martin Plant, Timbúes Plant, Saforcada Plant and Lima Port. Similarly, at our Rondonopolis soy crushing and biodiesel plant in Brazil, we have taken multiple measures in 2019 to improve energy efficiency. We have reduced steam consumption per tonne of biodiesel production from 275 to 250 kilos through regular cleaning of heat exchangers. Meanwhile, enhancing boiler performance and installing energy-saving engines have achieved electricity savings of 8% per tonne of production.

## Advancing our transition to renewable energy

In 2019, 87% of our global energy needs were met by renewables. We continue to prioritise generating clean energy on site, where possible, harnessing waste such as bagasse at sugar mills, sunflower husks and wood chips at oilseed crushing plants, and crop waste at warehouses, supplementing this with electricity purchased from renewable sources. For example, our

Timbues crushing plant in Argentina stepped up its use of biomass as alternative fuel for its boilers, resulting in a 16% reduction of natural gas consumption year on year. Our road logistics operation is also seeking to harness cleaner fuels – bioethanol produced at our sugar mills is being used to fuel our vehicles, reducing the need for fossil fuels. Additionally, our sugar mills supplied local power grids with 660,994 Mwh of surplus bioenergy in 2019, a 5% increase on 2018.

**87%**  
of our global energy needs met by renewable energy

Note: Our 2019 carbon, energy and water data has been audited by Bureau Veritas.

# Sustainable shipping

**Shipping is the most efficient form of transport, yet with ships transporting nearly 80% of the world's trade by volume, it represents 2-3% of global GHG emissions. The International Maritime Organization (IMO) has set an ambition to halve global carbon emissions from shipping by 2050.**

At COFCO International, we operate a sophisticated maritime logistics network and a large modern fleet, transporting over 50 million tonnes of commodities in 2019 by sea, while providing freight services to industrial customers. To meet evolving global targets, we strive to reduce our fleet's carbon emissions while improving its fuel, energy and cost efficiency.

In 2019, we started to track the global footprint of all our time-chartered ships, creating a benchmark to monitor improvements over time. This was 1,298,885 tonnes of carbon dioxide-equivalent. We will continue to further refine our carbon monitoring to better reflect the efficiency level of our fleet. We also deployed efficiency measures including speed control and artificial intelligence to predict vessel positions and optimise operational and fuel efficiency.

## Reducing sulphur emissions

Sulphur oxide emissions from conventional fuel oil can pose serious air quality risks in areas close to major ports and shipping lanes. Over the past

two years, we have been investing in exhaust cleaning systems in vessels, to support global clean air goals and work towards the IMO's new 0.5% fuel sulphur limit for ships operating outside designated emission control areas. In late 2019, we took an important step by switching our entire fleet from conventional marine fuel to low-sulphur fuel. This is expected to significantly reduce overall sulphur emissions and improve the environmental profile of our fleet.

## Exploring alternative fuels

Decarbonisation remains a major challenge for us and the maritime industry. To reach the IMO target, we must go beyond technical improvements and efficiency gains to transform the types of fuels we use, eventually making a complete transition away from fossil fuels to sustainable, renewable energy sources.

To explore pathways towards a more carbon-efficient, sustainable shipping operation, in 2019, we partnered with maritime technical expert DNV to conduct an overview of alternative fuel options in the short and long term. This study analysed the performance of a wide range of alternatives, including ammonia, hydrogen, electric batteries, biodiesel and methanol. Additionally, we conducted an in-depth investigation into the technical and financial feasibility of commissioning new vessels powered by liquified natural gas. The results of this analysis will inform our further decarbonisation plans going forward.



## Case Study: Getting to Zero Coalition

To help catalyse the global shift to sustainable shipping, we joined the [Getting to Zero Coalition](#), launched in September 2019 at the United Nations Climate Action Summit in New York. This alliance of more than 90 companies in the maritime, energy, infrastructure and finance sectors is striving to operationalise viable zero-emission vessels by 2030.



## Looking ahead

In 2020, we will explore ways to further decarbonise our global operations and increase our use of renewable energy, while optimising resource efficiency. We will develop better monitoring to track this progress over time. Additionally, as a Getting to Zero Coalition member, we will participate in concrete projects to promote sustainable infrastructure and help develop viable solutions for a zero-carbon marine fuel supply chain.

# Resource efficiency

**Agriculture uses around 70% of the world’s freshwater. Increasing water scarcity caused by over consumption and pollution poses significant risks to our operations as well as the production of commodities on which our business depends. As the global population increases, we remain committed to promoting sustainable farming and conserving natural resources within our sugarcane operations, while continuously improving efficiency at our production sites.**

Our [Environmental Policy](#) guides our efforts to manage and optimise our freshwater use and treat our wastewater effectively, in line with national and local laws. In 2019, we withdrew 12,832,443 cubic metres of freshwater, with an increase of 8.7% on 2018, due to our expanding operations. We renewed our resource efficiency efforts, particularly in Brazil (see below), increasing the proportion of treated wastewater applied to our sugar plantations for irrigation or natural fertiliser to 74%, up from 66% in 2018.

## Setting a new water efficiency ambition

Our industrial operations – crushing plants, sugar mills and refineries, consumes up to 98% of our global freshwater use. In 2019, we formalised a key water indicator to better track the water

efficiency of these operations – the volume of water consumed per tonne of feedstock crushed or processed, as follows:

	2019	2018	2017
Water intensity indicator (m <sup>3</sup> /tonne of production)	<b>0.58</b>	0.57	0.58
Freshwater withdrawal (m <sup>3</sup> )	<b>12,832,443</b>	11,802,059	12,237,571

We also took a step forward by setting a new global water efficiency target. By 2025, we aim to have reduced industrial water intensity by 10%, 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.

## Case Study: Brazil: closing the water loop

When sugar is processed and distilled to produce ethanol, the resulting water-based by-product, known as vinasse, can often go to waste. Rich in organic content and nutrients, largely potassium, it can be applied as liquid fertiliser to reduce reliance on synthetic fertilisers. However, its raw application in large volumes could harm soils and requires carbon-intensive transportation by truck. By concentrating and extracting water from vinasse at our Potirendaba sugar mill, we have reduced its volume, resulting in significant savings

in transportation. The concentrated vinasse then was mixed with other soil nutrients and applied to the fields as organic fertiliser by GPS-guided tractors.

As we strengthened our water efficiency ambitions, we extended this approach to two more sugar mills in Catanduva and Sebastianópolis in 2019. At each site, we began the installation of vinasse concentrators and advanced industrial wastewater treatment plants comprising both aerobic and anaerobic digestion. This will enable treated wastewater to be fed back into the production cycle, further reducing freshwater needs. Once in operation by 2021, we expect to gradually increase the volume of water being reused at our mills, while reducing water use per tonne of production by up to 28%.

# 10%

**Water efficiency improvement by 2025 set as a new environmental target**

## Managing waste

Throughout our sites and sugar plantations, we seek to prevent waste and dispose of waste responsibly. In 2019, 54% of all our waste was recycled, reused, composted or recovered.

Our waste generation ranges from construction waste, crop residuals, scrap metal, boiler ashes, used personal protective equipment and packaging, to chemicals, oil, sludge and mercury lamps. We have been developing clearly defined pathways to help employees manage each waste stream effectively. For example, at our crushing plant in Standerton, South Africa, which processes over 250,000 tonnes of soybean annually, we re-defined in 2019 how best to give all plant waste a second life, from paper to chemicals to electrical waste. This is expected to significantly reduce waste to landfill.

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



## Looking ahead

We expect to implement the new vinasse concentrator and wastewater treatment projects in our sugar mills, while innovating to further improve water efficiency and create value from waste across our operations.

# 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



### IFC Performance Standards



## In this section

- Improving livelihoods
- Community investment

# Improving livelihoods

**Smallholder farmers in rural, developing communities often lack access to the knowledge, skills and resources to raise yields sustainably and improve livelihoods. With the majority of our operations and sourcing partners located in rural areas, we are committed to empowering farmers to benefit from more sustainable agriculture. We partner with government agencies, farming co-operatives and civil society organisations to build farmer capacity, helping to raise productivity while increasing security of supply.**

## Respecting land rights

Our [Responsible Land Acquisition and Leasing Policy](#) is part of our approach to respecting the legal and customary land rights of local communities and indigenous peoples, helping ensure they maintain secure and equitable rights to land and natural resources. We require all suppliers to uphold the tenets of this policy by incorporating land rights considerations, particularly indigenous land rights, in both our Supplier Code and commodity sourcing policies.

## Case Study: Supporting smallholder farmers in Brazil

While Brazil is known for large-scale industrialised soy production, there are also many smallholders whose livelihoods rely on soybean, especially in the southern states. In 2019, we continued to promote the inclusion of smallholder farmers within our soy supply chain under the Social Fuel Stamp. In particular, our technical teams visited farms and provided expert support throughout the production process, from planning, soil preparation, planting and pest control, all the way to harvest and storage. In 2019, we purchased over 330,000 tonnes of soybean from 24 cooperatives, benefitting over 50,000 smallholder soy farmers.

Meanwhile, in Northeast Brazil, we are supporting smallholder peanut farmers from the Quilombolas communities in creating stable income throughout the year. Due to climate change, 2019 was particularly challenging for peanut farmers in the region. A dedicated COFCO International engineer is helping farmers to adapt their practices, while conducting field research to help strengthen their resilience to climate change.

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



## Case Study: Innovating towards sustainable soy in Paraguay

Launched in 2017 with NGO Solidaridad, the [MejorAgro](#) project aims to support 100 smallholder soy farmers in Paraguay's Itapúa and Alto Paraná regions in practising sustainable agriculture. Our project scope has since expanded significantly due to high farmer demand for technical support in these regions. By October 2019, over 1,500 smallholders had participated in 39 training workshops, covering topics from pest control, soil health, responsible forestry, to finance management, health and safety and workers' rights.

Each of the 100 farmers in the programme also follows a tailor-made improvement plan based on [Round Table on Responsible Soy \(RTRS\)](#) standards and Paraguayan legislation. Regular monitoring helps to identify knowledge gaps,

with experts visiting individual farmers to support improvements. By the end of the project, participating farmers had made progress on managing their finances, with 72% reaching the highest level of performance. Many were also taking a safer, more responsible approach to applying pesticides and fertilisers.

**“This project has made soy production more sustainable. It is very satisfying to see how much progress has been made by individual farmers.”**

**Alma Acosta**  
 Programme Manager  
 Solidaridad Paraguay

# Community investment

## The starting point of building strong communities is taking steps to protect local people from any potentially negative impacts of our operations.

We have begun conducting community impact assessments to identify operations with high community impacts and develop stakeholder engagement plans for each site to guide our ongoing stakeholder engagement and communications. We aim to implement such plans together with social dialogue at all high impact operations by 2021.

Beyond this, many of the communities in the countries where we operate would benefit from better access to education, skills training and healthcare. We seek to create a positive impact, working closely with communities to understand where we can make the greatest difference, building trust and forging long-term relationships.

# 25,000

people benefitted from our community projects in 2019

Our Community Investment Policy guides us in taking a consistent approach to invest our skills and resources to help improve community wellbeing, strengthen our future workforce and ensure stable, resilient supply chains. Importantly, we partner with credible, expert organisations to deliver clearly defined projects, create employee volunteering opportunities, and empower beneficiaries to sustain the initiative for the long term. In 2019, our community programmes benefitted over 25,000 people globally. In particular, we focused on:

### Education and capacity building

We seek to facilitate access to education and training for children, adolescents and adults, helping to improve their prospects while also building talent pool needed to support the agri-business sector.

### Community wellbeing

We support inclusive projects designed to improve people's health and safety, promote healthy living and engage people with arts and culture, with a particular focus on those facing social or economic disadvantages.

### Environmental stewardship

We aim to empower communities to conserve their local environment and nature.

## Case Study: Building road safety awareness in Argentina

In the agricultural provinces of Argentina, road safety is an important concern. Heavy trucks transporting grains and other produce create high volumes of traffic. We are raising awareness of road safety among students soon to take their first driving test. In 2019, we partnered with the Pensar Junín foundation and district authorities to empower students and teachers to build a driving simulator in a local school in Junín – the Escuela de Educación Técnica N°1. In particular, we contributed materials and supplies for the construction of the simulator and our team joined the final demonstration by students. The simulator will soon be taken on tour to other schools in the region.

## Case Study: Food and support for families in need

Throughout Argentina, Paraguay and Uruguay, we seek to improve lives and promote wellbeing among local communities. In 2019, we made over 120 donations of food, toys, furniture and equipment to schools as well as health and community centres. We will further collaborate with local partners in 2020 and mobilise our volunteers to support communities in need, with a specific focus on education and skills training for students.



## 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.



### Case Study: Stepping up employee volunteering in Brazil

In 2019, we introduced a comprehensive volunteering programme in Brazil, in partnership with NGO Parceiros Voluntários. With strong support from management, we formalised a volunteering policy and 24 volunteering committees across the country. We provided training and support to each committee leader on how to listen and respond to local communities' most pressing needs. Our employees showed a strong interest in participating, with 263 volunteers dedicating over 2,367 hours to nearly 60 volunteering activities since programme launch. These included environmental awareness activities with schools, supporting the elderly and making blood donations benefitting over 6,600 people.

### Learning about the environment with Renovarte Caravan

In Brazil, we help fund the Renovarte Caravan project, a cultural initiative to help children aged six to 14 learn about social and environmental issues through theatre, workshops and fun, interactive activities. In 2019, our support enabled 1,652 children in two municipalities close to our operations to learn about the importance of protecting natural ecosystems.

# 2,367

**Volunteering hours by  
263 employees in Brazil's new  
volunteering programme**

In particular, through a series of environmental games covering earth, air, fire and water, they learnt about topics including biodiversity conservation, carbon emissions reduction, and waste prevention. As part of this effort, Renovarte Caravan distributed 1,500 books to help children become conscious consumers.

**“Certainly the Renovarte Caravan brought to our school information that goes beyond protecting the environment. It also taught the children, in a light and creative way, to take care of those who live with us through respect, knowing how to listen and having hope.”**

**Teacher Wal Vilda**  
EE Prof. Ismael, Brasil Corrêa – Alfenas

### Supporting bees and biodiversity conservation

Since 2016, our Project Pollinate – Polinizar – has been working with honey producers surrounding our sugarcane fields in Catanduva and Potirendaba to promote healthy, productive bee colonies, improve producers' livelihoods and conserve local biodiversity. In 2019, we expanded the project scope and furthered our 'bee-friendly'

practices. Through a partnership with children's education specialist KombiLab, we delivered learning sessions to over 500 children in four municipalities on the importance of bees to agriculture, the environment and human life. We also joined the BeeCare project to build 'hotels' for solitary bees, helping to provide shelter for these vital insects. We plan to create more of these 'hotels' in 2020 and beyond.



### Looking ahead

In 2020 and beyond, we will continue to support farmers in improving livelihoods through responsible agriculture. We will also continue to evaluate our community impact, deepen our community engagement and contribute to their resilience and welfare.

# 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



IFC Performance Standards



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# Driven by our values

**Our core values of integrity, inclusiveness, innovation and sustainability sit at the heart of the way we do business, inform our strategy, and set the tone for the behaviour we require from employees and contractors.**

Reflecting these 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 an online training module 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. As we build a deeper understanding of environmental and social risks in our operations and supply chains, with support from NGOs and expert partners such as WWF, TNC, BSR and Proforest (see pages 14, 19, 22), we will increasingly take a strategic, risk-based approach to monitoring compliance.

We comply with all relevant laws and regulations on food and animal feed safety, as outlined in our [Food and Feed Safety Policy](#). In addition, we take a globally consistent approach to identifying, managing and preventing potential food safety hazards. Our suppliers are subject to stringent supplier qualification processes, third-party inspections and on-site audits.



# Good governance and compliance

**Respecting the highest international standards of corporate governance is fundamental to living our core values of integrity and sustainability, and provides a firm foundation for our long-term growth and success. With clear lines of accountability and robust governance structures, we strive to promote product safety and quality, maximise operational efficiency and create safe, healthy workplaces for our people. We maintain a zero-tolerance stance on fraud, bribery and corruption, and strive to foster an inclusive, open culture.**

## Corporate governance

The COFCO International [Board of Directors](#) is composed of 12 members, including six COFCO Corporation directors, four members representing our major shareholders, and two independent non-executive directors, who are nominated by the Nomination and Corporate Governance committee and appointed by the Board.

The Board is responsible for the leadership of COFCO International, while overseeing the group's business, strategic decisions and performance. To achieve this, it appoints dedicated committees to manage every aspect of good governance. This starts with the [Executive Committee](#), led by the CEO, which executes

and reports progress on corporate strategy. In addition to the Nomination and Corporate Governance Committee, there is also an Audit Committee, a Remuneration Committee, a Risk Committee and an Investment and Finance Committee.

One of our shareholders, the International Finance Corporation (IFC), is a member of the World Bank Group, and supports us in improving our sustainability strategy and practices, in line with IFC Performance Standards.

## Sustainability governance

Responsibility for sustainability governance starts at the top of our company with the CEO and Chairman. Our Global Head of Sustainability oversees our sustainability strategy and manages the sustainability team, reporting progress to the management and CEO.

## Integrity hotline: Our global grievance mechanism

Our [Integrity Hotline](#) is our core global grievance mechanism. It forms part of our commitment to open, honest communication and promotes compliance with our Code of Conduct. We invite employees and external stakeholders to share any concerns regarding misconduct or non-compliant behaviour confidentially and anonymously via a dedicated telephone number or secure digital channels, hosted by an external grievance specialist agency. The Hotline is accessible in 13 languages.

In 2019, we further developed the way we review, address and resolve grievances. In particular, we established a centralised Concerns Management Committee, chaired by our Chief Audit Officer, who provides regular updates to the Audit Committee appointed by our Board. This committee is responsible for overseeing the grievance management process, helping to ensure impartial and effective investigation and resolution, working with relevant teams to promote effective remediation. The Concern Management Committee is supported by regional committees responsible for the execution of grievance analysis and investigation.

To engage employees and external stakeholders with the Integrity Hotline, we raised awareness through on-site and virtual presentations to employees, posters, leaflets, internal communications and social network tools, and ensured it was raised during dialogues with communities and at supplier meetings. As a result of increased stakeholder awareness, we received 235 concerns, compared to 69 in 2018. The majority of these related to poor behaviour and discrimination, 60% of the total grievances received. We reviewed every concern, undertaking appropriate investigations and actions, and closing 212 by the end of 2019. A thorough analysis of prevalent themes has also enabled us to improve learning and development training to help prevent reoccurrence. We are addressing the remaining cases in 2020 and providing feedback to complainants in a timely manner. Our aim is resolve all grievances through our Integrity Hotline.

Poor behaviour and discrimination	141
Business integrity and conflict of interest	46
Human resources policy violations	38
Environment, Health and Safety	9
Non-compliance with Supplier Code of Conduct	1
<b>Total:</b>	<b>235</b>

[cofcointernational.com/integrity-hotline](https://cofcointernational.com/integrity-hotline)

[integrityhotline@cofcointernational.com](mailto:integrityhotline@cofcointernational.com)

# Managing sustainability

To help optimise our sustainability efforts and take action on the issues where we have the greatest opportunity to make an impact, we maintain ongoing dialogue with our stakeholders. We continuously evaluate our most material issues to ensure that we continue to take action on the issues that will enable our business and stakeholders to thrive in the future.

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# Our materiality

**Sustainability offers COFCO International an important opportunity to strive for long-term success and resilience, while making a positive contribution to society.**

To inform our Meeting Tomorrow's Demand strategy, we conducted a comprehensive materiality exercise in 2017, assessing the issues that matter most to our business and stakeholders and where we stand to make the greatest difference. In this way, we seek to ensure that our strategy is as relevant and effective as possible to grow our business responsibly, and create the best possible value for our stakeholders.

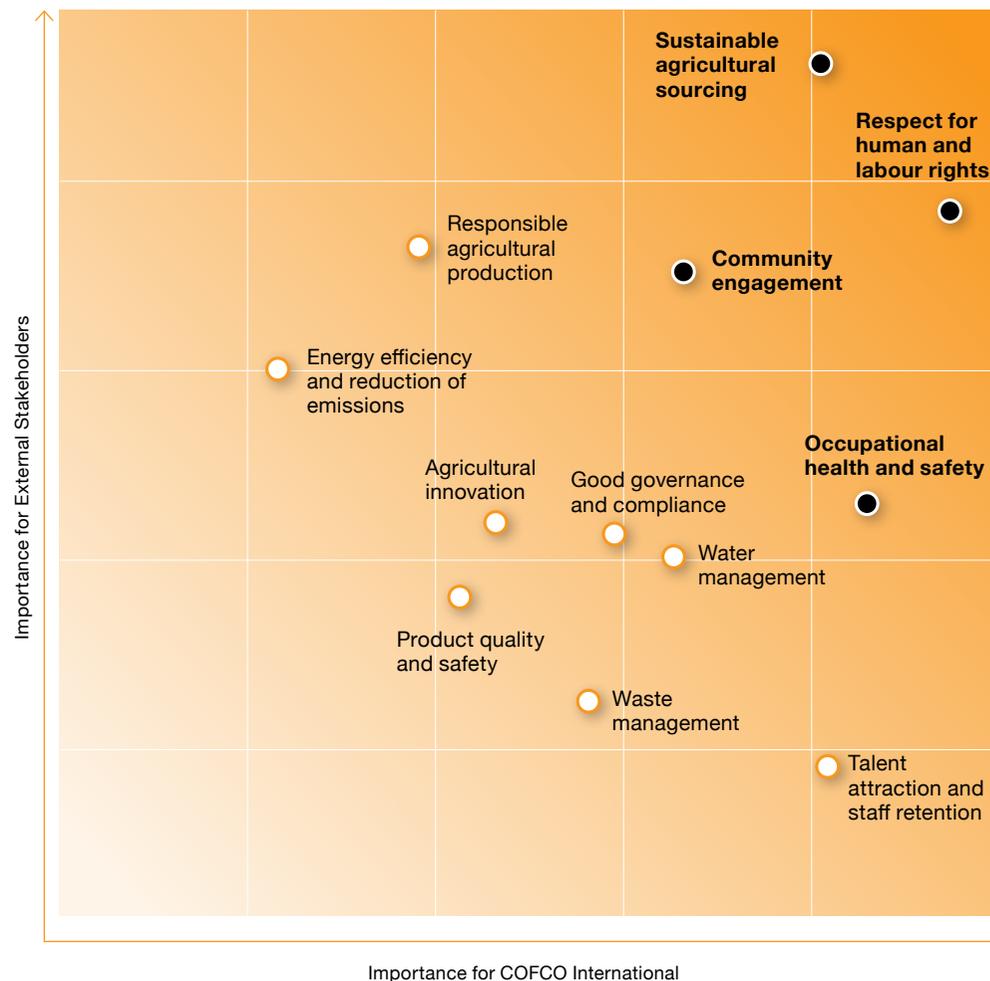
We interviewed internal and external stakeholders, including employees, management, NGOs, customers, suppliers, etc., supplementing these discussions with research on all major social and environmental topics connected to our business. With the approval of our Board, we are focusing on the 12 material issues shown in the table below. Among these, we further identified four focal issues – where we can generate the most impact – which are sustainable agricultural sourcing, respect for human and labour rights, occupational health and safety, and community engagement. In particular, commodity sourcing

is a major focus. We have a key opportunity to help prevent deforestation, accelerate the shift to more sustainable agriculture and boost local economies. Within our own operations, we stand to drive the greatest change on our plantations and at our processing facilities.

We are investing in improving traceability as a key means of remaining competitive in the marketplace, protecting the environment, conserving nature and promoting farmers' and workers' rights. Importantly, collaboration across the value chain remains central to both improving agricultural practices and enabling consumers to make more sustainable purchasing choices.

**12** material issues **4** focus areas

COFCO International Materiality Matrix



# Our stakeholders

We maintain continuous dialogue with our stakeholders to advance our sustainability journey, listening to their concerns and working together to address shared challenges. Here, we share our how we engage with our main stakeholder groups.

Stakeholder group	Areas of interest	How we engage	Examples of interaction
<b>Board of Directors and shareholders</b>	<ul style="list-style-type: none"> <li>Sustainability strategy</li> <li>Environmental, social and governance performance and risk management</li> </ul>	<ul style="list-style-type: none"> <li>Board meetings and management updates</li> <li>Site supervisions</li> </ul>	Since 2018, our shareholder IFC has conducted on-site supervision on environmental, health and safety and labour management at 21 of our facilities.
<b>Financial institutions</b>	<ul style="list-style-type: none"> <li>Environmental, social and governance performance and risk management</li> <li>Sustainable finance innovation</li> </ul>	<ul style="list-style-type: none"> <li>Bank update calls</li> <li>Meetings</li> </ul>	In July 2019, we successfully closed a \$2.3 billion credit facility with 21 banks, linking our sustainability performance to the company's core financing facility. See page 20.
<b>Customers</b>	<ul style="list-style-type: none"> <li>Supply chain sustainability</li> <li>Product quality and safety</li> <li>Certified sustainable products</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Questionnaires</li> <li>Audits</li> </ul>	We actively promote certified sustainable products to customers, including coffee, cotton, biofuels, soybean and corn. See page 19.
<b>Suppliers and farmers</b>	<ul style="list-style-type: none"> <li>Supplier Code of Conduct</li> <li>Traceability</li> <li>Sustainable livelihoods</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Questionnaires</li> <li>Audits</li> </ul>	We build farmers' capacity to adopt sustainable practices. See pages 14-18. We engage with our suppliers and evaluate their sustainability performance. See pages 14-19.
<b>Sector peers and industry associations</b>	<ul style="list-style-type: none"> <li>Collaboration on shared challenges</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Industry events and workshops</li> <li>Joint reporting</li> </ul>	We collaborate with our peers in the Soft Commodities Forum on shared sustainability challenges in soy sourcing from Brazil's Cerrado biome, with an objective to work towards sector-wide progress. See page 15.
<b>Multi-stakeholder initiatives</b>	<ul style="list-style-type: none"> <li>Environmental and social issues</li> <li>Collaborations</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> </ul>	We participate in initiatives such as the Tropical Forest Alliance, contributing to systemic solutions that require multi-stakeholder collaboration. See page 43 for our key partnerships.
<b>Policy-makers</b>	<ul style="list-style-type: none"> <li>Legal compliance</li> <li>Supply chain resilience</li> <li>Food security</li> </ul>	<ul style="list-style-type: none"> <li>Response to consultations</li> <li>Communication on progress</li> </ul>	Through our participation in Business for Nature, we work to bring a consistent business voice to policy-makers on reversing nature loss. See page 43.
<b>NGOs</b>	<ul style="list-style-type: none"> <li>Climate change</li> <li>Biodiversity conservation</li> <li>Sustainable agriculture</li> </ul>	<ul style="list-style-type: none"> <li>Consultations and collaborations</li> <li>Campaigns</li> <li>Meetings</li> </ul>	We work with NGO partners to further enhance our soy supply chain management. See page 14.
<b>Local communities</b>	<ul style="list-style-type: none"> <li>Community health and safety</li> <li>Community wellbeing</li> <li>Education and training</li> <li>Environmental stewardship</li> </ul>	<ul style="list-style-type: none"> <li>Community impact assessments</li> <li>Social dialogue</li> <li>Community projects</li> <li>Volunteering</li> </ul>	We invest in community projects in the countries where we operate. See page 35. We stepped up our volunteering efforts in Brazil to further deliver on our commitment to build strong communities. See page 36.
<b>Employees and trade unions</b>	<ul style="list-style-type: none"> <li>Labour and human rights</li> <li>Diversity and inclusion</li> <li>Learning and development</li> </ul>	<ul style="list-style-type: none"> <li>Internal communication channels</li> <li>Safety committees</li> <li>Employee training</li> <li>Dialogue with trade unions</li> <li>Collective agreements</li> </ul>	We have regular safety committee meetings to discuss site-specific safety issues. See page 23. We offer regular EHS training and run a dedicated employee Learning Management System. See pages 23-25. 66% of our employees are covered by collective bargaining agreements. See page 26.

# Our 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, private and NGO spheres towards a long-term, positive impact.**



We are part of the Abrinq Foundation, which defends the human rights of children and adolescents in Brazil, with a particular focus on rights to education, health and protection.



We contribute to the development of Agroldeal, an innovative tool used to map and facilitate sustainable soy production expansion in South America.



We are a member of Better Cotton Initiative, a major multi-stakeholder initiative working to make sustainable cotton the norm.



We are member of BSR, a global not-for-profit organisation that works with more than 250 companies and other partners towards a fair and sustainable world. In 2019 we worked with BSR on human rights impact assessment of our global operations and key supply chains.



We are on the Strategic Advisory Group of Business for Nature, a global coalition of influential organisations and leading businesses taking action and seeking government commitments to reverse the loss of nature.



We are a member of the Cerrado Working Group (GTC), whose mission is to eradicate deforestation and native vegetation conversion in Brazil's Cerrado Biome, reconciling the production of soy with environmental, economic and social interests.



We are a member of Cotton made in Africa, an initiative that improves the living conditions of cotton farmers in Sub-Saharan Africa while promoting farming practices that protect the environment.



We are a member of the Getting to Zero Coalition, committed to decarbonising the shipping sector by bringing commercially viable zero-emission vessels into operation by 2030.



We are a member of the Green Grains Protocol of Pará, which bans financing or sourcing of soy associated with illegal deforestation or forced labour in the state of Pará, Brazil. We receive annual external audits to ensure our compliance with this commitment.



Our sustainability strategy is guided by the Environmental and Social Performance Standards of International Finance Corporation, one of our shareholders.



We are member of the Na Mão Certa (On the Right Track) Programme of the Childhood Brasil, which brings companies, government and NGOs together to eliminate the abuse of children and adolescents on Brazilian highways.



We joined the PCI Corporate Action Group with the objective to support concrete sustainable agriculture projects in Brazil's Mato Grosso State, on human rights, labour, the environment and anti-corruption.



With support from Proforest, we are building a clearer understanding of the environmental and social profile of our palm oil supply chain and defining actions to mitigate supply chain risks.



We are a member of the Roundtable on Responsible Soy (RTRS), a civil organisation that promotes responsible production, processing and trading of soy on a global level, to ensure socially equitable, economically feasible and environmentally sound soy production.



We are a member of the Roundtable on Sustainable Palm Oil, a not-for-profit organisation that unites oil palm producers, processors and traders, consumer goods manufacturers, retailers, investors and NGOs to develop and implement global standards for sustainable palm oil.



We are signatory to the Soy Moratorium and uphold its principle of not finance or source soy produced on deforested farmland in the Amazon after July 2008. We are audited by independent parties annually to ensure our compliance with this principle.



We are a member of the Soy Working Group (GTS), a multi-stakeholder group made up of producers, traders, civil society, government and retailers, working to ensure the Amazon Soy Moratorium's environmental protection achievements are maintained for the long term.



We are a Tropical Forest Alliance Steering Committee member. In this way, we join other members in supporting multi-stakeholder efforts towards ending deforestation in agricultural supply chains.



We are signatory to the UN Global Compact, which unites more than 10,000 businesses worldwide in a collective effort to respect its ten principles on human rights, labour, the environment and anti-corruption.



As a member of the World Business Council for Sustainable Development (WBCSD) and its Soft Commodities Forum, we partner with our sector peers to collectively monitor progress on transparent and traceable soy sourcing in Brazil's Cerrado.

# Join the conversation

[cofcointernational.com/sustainability](https://cofcointernational.com/sustainability)



[sustainability@cofcointernational.com](mailto:sustainability@cofcointernational.com)

Global Headquarters  
Route de Malagnou 101  
1224 Chêne-Bougeries  
Geneva, Switzerland  
Tel: +41 22 528 6888

 Got a concern? Report it:  
[integrityhotline@cofcointernational.com](mailto:integrityhotline@cofcointernational.com)  
[cofcointernational.com/integrity-hotline](https://cofcointernational.com/integrity-hotline)

