



**COFCO AGRI**

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JUNE 2017

# **COFCO AGRI 2016 SUSTAINABILITY REPORT UNGC COMMUNICATION ON PROGRESS**

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## **EXTERNAL ASSURANCE**

We use external assurance to provide reliable information on our performance for our intended readers. Internally, this helps improve the efficiency and comprehensiveness of our data management.

The company's Greenhouse Gas emissions figures for year 2016 were independently verified by the third-party organization TÜV Nord, according to the ISO 14064 standard.



# 2016 SUSTAINABILITY HIGHLIGHTS

## Environment, Health and Safety (EHS)



**6** sets of commodity specific EHS procedures in operation at 46 facilities.



**14** external audits conducted by SGS against IFC Performance Standards and **41** internal audits conducted against ISO14001 & OHSAS 18001 standards.



**320,526** employee and constructor EHS training hours - an average 25 hours per staff.



**35%** improvement on Lost Time Accident Frequency Rate compared to 2015.



**3 million** employee safety work hours reached at Qinzou and Longkou sites in China.

## Resource Efficiency & Climate



Over **15** reduction in energy consumption per ton of product.



**7,5%** employee and constructor EHS training hours - an average 25 hours per staff.



**90%** of all waste generated at our industrial operations, silos and port terminals was composted, recycled or reused.



**37%** of all energy consumption from renewable sources.



**100%** of global operations audited regarding their carbon emission data by third-party agency TUV NORD in accordance with the ISO 14064 standard.

## Biodiversity Management



**1,6 million** trees planted around our Brazilian sugar plantations since 2011.



**27 streams** at 40 different sites within the forest fragments of our sugar plantations were monitored on over 55 environmental metrics.

## Sustainable Sourcing



211 soybean, corn and cotton seed farms in the Brazil monitored on compliance with our Sustainable Sourcing Policy.



3,000 + coffee farms enrolled in our sustainable coffee certification programs.



3.45 kg GHG emission generated per 1 kg of coffee produced within our Brazil supply chain, as verified by independent third party, TÜV Nord.

## Livelihoods



151 social projects developed focusing on access to education, improving health and environment stewardship.



14,885 people directly benefitted from social projects - of which 95% were children.

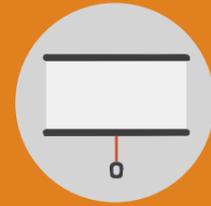
## Governance & Stakeholder Engagement



3 community risk assessments executed for the identified high-impact facilities to initiate community engagement plans.



26 risk assessments conducted at our global facilities and offices regarding our Code of Conduct and anti-corruption procedures.



100% of office employees received and passed interactive anti-corruption e-training.

**“COFCO is establishing a fantastic reputation. If you sustain people, you have to sustain the planet.”**

*Former Vice President Al Gore, WEF, Davos 2017*

# CEO MESSAGE

I am pleased to confirm COFCO AGRI's support of the UN Global Compact and its 10 principles on human rights, labour practices, environmental protection and anti-corruption. Since joining the UN Global Compact in 2014, we have been deepening our understanding of the ten core principles and how they could be fully incorporated in our everyday operations.

At a time of increasing socioeconomic instability and global environmental challenges such as climate change and water scarcity, the need to adopt responsible business practices continues to grow. During 2016, we upgraded and standardized our environmental, health and safety management systems across our facilities globally, developed and implemented responsible sourcing strategies with suppliers and implemented various initiatives to improve our energy efficiency. These efforts were part of our overall strategy to manage our operations better, to minimize impacts and to generate real value from sustainability.

This report – our second since becoming a signatory to the Global Compact – outlines our progress on the UNGC's 10 principles, as well as our overall approach to promoting sustainability within our business and along our value chains.

2017 marks the start of a new journey for COFCO AGRI, to be fully merged with the Netherland-based peer company NIDERA. As the CEO of the new company coming out of this merger - COFCO INTERNATIONAL Limited, I will ensure that we continue to implement the Core Principles of the UN Global Compact, together with other international standards that we are committed to, such as the IFC Performance Standards. We look forward to our continued progress.

Johnny Chi, CEO, COFCO AGRI

## OUR SUSTAINABILITY PRINCIPLES

### INTRODUCTION

Our global food system is under strain from population growth, climate change and water scarcity. The agriculture sector has a vital role to play in the pursuit of sustainable development due to its profound influence on people and the environment. Our sustainability approach is driven by the following principles:

- Contribute to global food security and safety by optimizing production and efficiency;
- Respect human rights, providing safe and productive work conditions for our staff;
- Measure, disclose and proactively reduce our environmental impact;
- Promote good environmental, health and safety, and labour practices throughout our supply chains;
- Contribute positively to the welfare of communities where we operate, by increasing access to education and improving labour practices;
- Cultivate partnerships through collaboration and transparency with key stakeholders in the service of shared goals.

## HUMAN RIGHTS (GRI 411, 412) (IFC ESAP ITEM 12)

At COFCO AGRI, we strive to provide an environment where everyone's rights are respected.

This commitment is principally applied through the implementation of our Human Rights Policy, which is informed by internationally recognised human rights within the Universal Declaration on Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.

We have also integrated the International Finance Corporation (IFC) Performance Standard on Labour and Working Conditions into our policies and procedures. With labour issues varying across countries, supply chains and cultures, compliance to these international standards ensures a harmonisation of requirements, due diligence and remedy of human rights issues. Where any non-conformities are discovered within our internal assessments against the IFC Performance Standards, corrective actions are prioritized to ensure continual improvement. This commitment to human rights ensures we often go one step beyond the requirements of local laws and regulations.

We place importance on the provision of effective remedy wherever human rights impacts occur through our employee and stakeholder grievance mechanism. Recognizing that the growth of our company depends upon how we treat people and communities, we make efforts to build the awareness and knowledge of our employees and stakeholders on human rights by encouraging them to speak up – without fear of retribution - about any concerns they may have. While our global grievance mechanism is still evolving due to the merger process with NIDERA, we will fully promote the channels through which individuals and communities affected by our operations can raise concerns.

## LABOUR (GRI 401, 402, 403, 404, 405, 406, 407, 408, 409) (IFC ESAP ITEM 2, 3, 11, 14, 15)

With varied business lines and an international footprint, our workforce is very diverse with regards to race, age, ethnic origin, religion and culture. Our Equal Opportunities Policy applies to every employee and commits COFCO AGRI to eliminating any forms of harassment, discrimination or victimization in the workplace. We respect employees' rights to freely associate, organize and bargain collectively, and we comply with national labour and employment law on employees' pay, work hours and conditions.

### EMPLOYEE TURNOVER AND TRAINING

The below data shows our 2016 employee turnover and rotation. These turnover figures include seasonal worker departures in our sugar operations in Brazil and a regional review of roles in South America due to a restructuring of our sugar business.

**TABLE 1: 2016 EMPLOYEE TURNOVER AND ROTATION DATA**

	FEMALE	MALE
<b>Total Number of Employees (average)</b>	<b>1,409</b>	<b>8,015</b>
<b>Number of Employees Hired</b>	<b>337</b>	<b>1,727</b>
<b>Number of Employees Leaving</b>	<b>365</b>	<b>1,409</b>
<b>Turnover Rate (%)</b>	<b>26%</b>	<b>18%</b>
<b>Rotation Rate (%)</b>	<b>-2%</b>	<b>4%</b>

Acknowledging the long-term benefits of helping our staff continuously develop their skills and expertise, we dedicated on average 60 hours per employee to training and capacity building in 2016 (Table 2). Of these, 25 hours focused on Environmental, Health and Safety (EHS) training - an essential part of our efforts to build a safety-aware culture.

Aside from EHS training, differing regions focused their capacity training on specific issues. To highlight three regions, in the Southern Cones (Argentina, Paraguay and Uruguay) we partnered with the Argentine-China Chamber to develop a training programme to support the long-term business success with a key trading partner. The training targeted learning and experiencing first-hand knowledge of culture, manners and ways of working for Chinese employees. A clear understanding of policies, work-life and philosophy was also part of this training. Secondly, in Europe, the Middle East and Africa, we provided training to several departments - Human Resources, Legal and IT - regarding data privacy and confidential information. Thirdly, in South America, we ran workshops on teamwork and leadership with a focus on work environment behaviour, communication skills and effective management approaches.

**TABLE 2: 2016 EMPLOYEE AND CONTRACTOR TRAINING HOURS**

<b>Total Employee Training Hours</b>	<b>5,000,000</b>
<b>Average Training Hours per Employee</b>	<b>75,000</b>
<b>Total Employee EHS Training Hours</b>	<b>3,000</b>
<b>Total Contractor EHS Training Hours</b>	<b>5</b>
<b>Total Employee &amp; Contractor EHS Training Hours</b>	<b>50</b>
<b>Average EHS Training Hours per Employee</b>	<b>50</b>

## OCCUPATIONAL HEALTH AND SAFETY

In 2016, we took significant steps to enhance our safety performance. Further development of health & safety management systems - in accordance with internationally recognized standards such as OHSAS 18001 and the IFC Performance Standards - was central to our progress.

Under the supervision of the Global Health & Safety Director, every COFCO AGRI site has dedicated full time Occupational Health & Safety (OHS) staff who coordinate the implementation of health and safety management system and procedures. This is principally achieved through the provision of awareness and prevention tools, the systematic identification and management of risks, the implementation of safety procedures.

### AS PART OF THE IMPLEMENTATION OF OUR OHS MANAGEMENT SYSTEMS, WE UNDERTOOK SEVERAL INITIATIVES IN 2016:

- We structured, revised and updated our Occupational Health and Safety policies, guidelines and procedures for each commodity division (Grains & Oilseeds, Coffee, Sugar and Cotton) to form a manual of procedures specific to each commodity line. This exercise ensured a standardization of practices within divisions, irrespective of their location. All policies, guidelines and procedures are in accordance with the World Bank EHS General & Sector Specific Guidelines and the IFC Performance Standards, going above and beyond national and local legislative requirements.

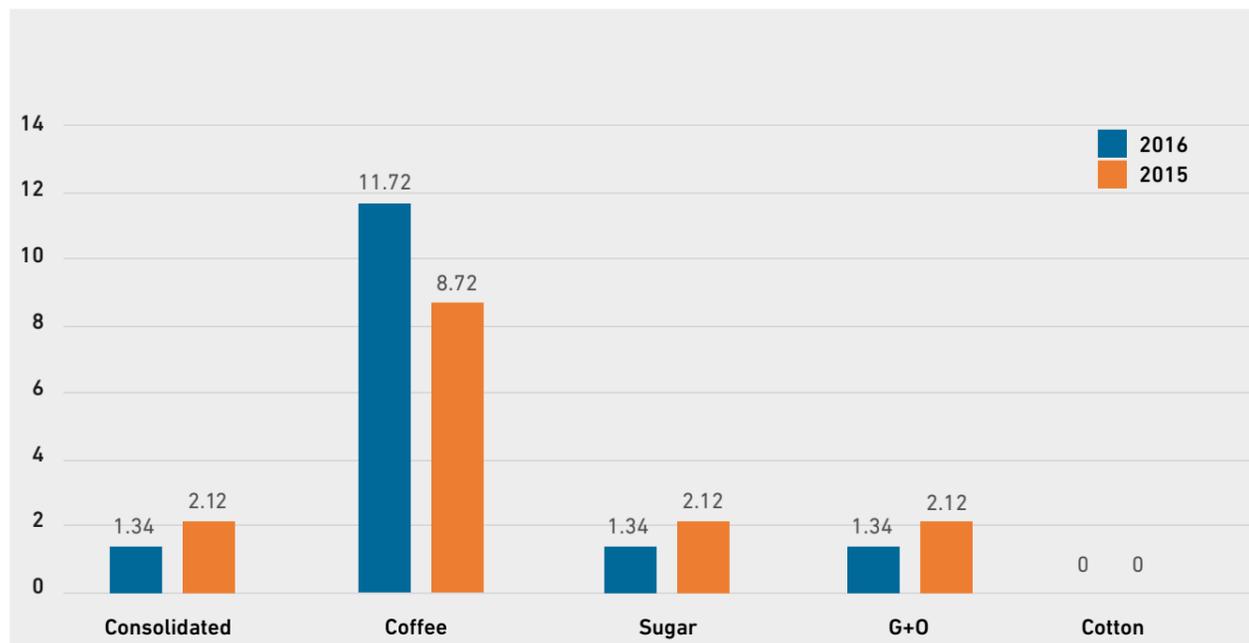
We contracted SGS to provide third-party assessments of our current health and safety performance. This was principally aimed at identifying possible hazards in the work environment and preventing future incidents. The risk assessments were carried out via 14 audits across 6 countries. The audits assessed our performance against the World Bank EHS General and Sector Specific Guidelines, the IFC Performance Standards and national laws and regulations and resulted in a series of corrective actions. The 323 identified corrective actions, having been ranked in priority, given a timeline for completion and supported by significant budgetary investments, were subsequently implemented. Of the 93 critical findings, 54% were completed by the end of December with 46% on-going and due to be completed by April 2017.

We conducted internal audits against OHSAS 18001 (and ISO 14001) at all facilities in LATAM, EMEA & APAC regions (38) to add further corrective actions to the findings from the SGS audits.

- We provided systematic occupational health and safety inductions and implemented our annual EHS training calendar to all employees and contractors, including the use of personal protective equipment (PPE), plant emergency organization, hazard work permit system and lock-out tag out (LOTO) of hazard energy sources procedure, amongst many others. The total health and safety training hours provided to employees in 2016 was on average 25 hours per employee. In 2017, we are targeting to have 2% EHS training time of all working hours for employees and 1.5% for contractors across all assets.
- We rolled out new software systems across the business to ensure consistent reporting of all incidents. Three further software systems were developed to manage our compliance to legal requirements, track our PPE compliance and our control of documentation, risks and corrective actions.
- We created a mandatory safety induction video to brief all employees, contractors and any third-party visitor entering our sites on general safety rules. While in its first stage, the awareness-raising video is translated in all local languages where we have operational sites and will be expanded to include a broader scope of safety awareness content in 2017.

All the above initiatives, together with many other facility-level safety programmes, have helped build a safer environment for our employees. Whilst fully understanding that safety principles and implementation is a long-term process which requires continuous improvement, our progress in 2016 is reflected in the improved Lost Time Accident Frequency Rate (LTFR) as compared to 2015 (2.12) as shown below.

### CHART 1: LTFR OF COFCO AGRI OPERATIONS (CONSOLIDATED AND BY BUSINESS CATEGORY)



### CHART 2: TOTAL GROUP SAFETY INDEX 2016



Safety Index (SI): = (Medical Aid Frequency Rate/7.5) + Lost Time Medical Aid Frequency Rate + (Severity Rate/5)

In 2016, we reached some significant OHS milestones at our facilities. For example, in Ukraine, Mariupol crushing plant reached 1 million employee safety work hours in February 2016 and in China, two facilities, Qinzhou and Longkou, achieved 3 million employee safety work hours in June and July 2016 respectively.

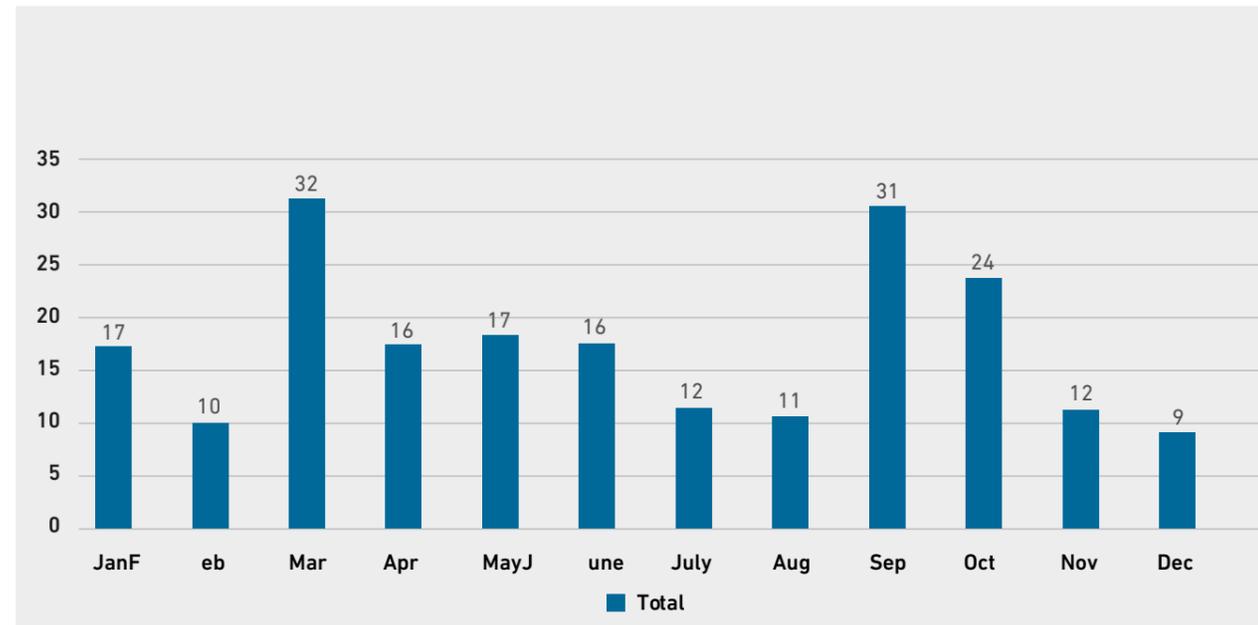
Our commitment to provide a safe and healthy workplace extends to all on-site contractors and service providers who are governed not only by the COFCO AGRI Occupational Health & Safety Policy, but also our Contractor Entry Procedure. Prior to working with a contractor, we verify their performance on Occupational Health & Safety via a strict due diligence process which also sets out our OHS requirements. These requirements are in line with the World Bank EHS General & Sector Specific Guidelines and IFC Performance Standards. All contractors are surveyed annually as a minimum, involving the evaluation of OHS statistics over the last 3 years.

# GRIEVANCES MECHANISM

In 2016, we changed the service provider responsible for our grievance mechanism. This was designed to ensure we had harmonisation globally with regards to our approach to receive and respond to grievances and also allows for a simpler integration with Nidera in 2017. COFCO AGRI's new grievance mechanism is operational in Brazil and Colombia at present, accounting for over 70% of our employees globally. Within our other countries of operation, the system is being set up to either replace their existing grievance mechanisms or provide a new service altogether.

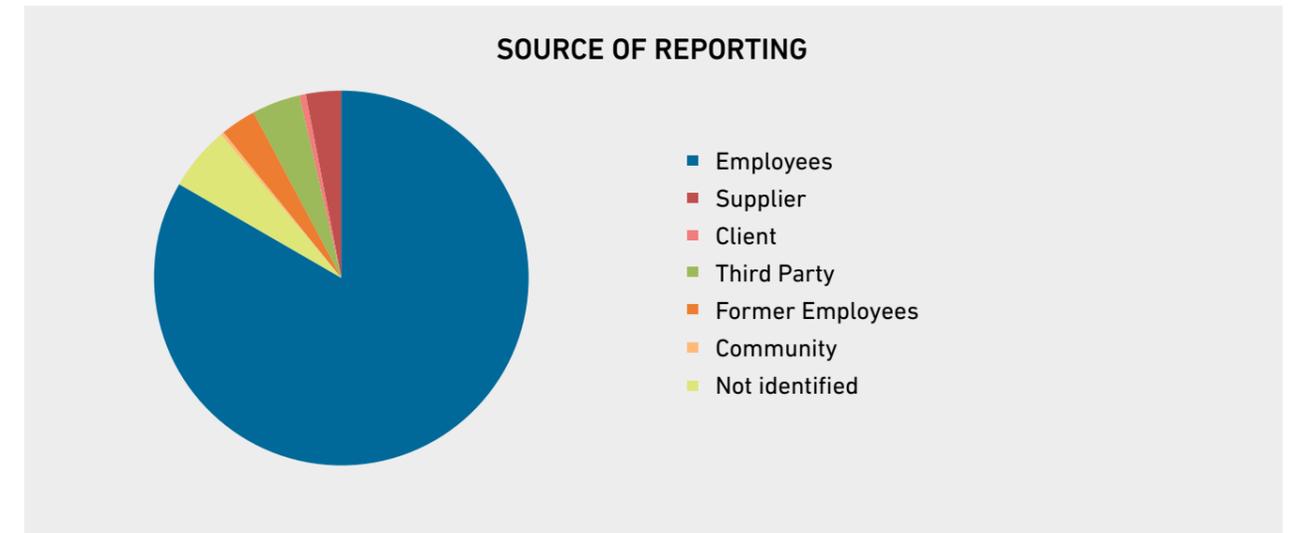
In 2016, a total of 214 concerns were received in South America (Brazil, Argentina, Paraguay, Uruguay and Colombia). This is almost the same as the previous year (210) with 85% of all grievances coming from employees.

**CHART 3: NUMBER OF GRIEVANCES RECEIVED ON A MONTHLY BASIS DURING 2016 IN BRAZIL**



Brazil accounts for 70% of our global employees and of the 207 cases received in 2016, 167 were related to the Treatment of Workers, 16 related to Health, Safety and Environmental issues and 9 related to Business Integrity. Within the Treatment of Workers, the most common issues were conflicts between managers and employees and violations of standards and procedures. In light of the high amount of grievances under this category, an Ethics Committee was set up to better manage the underlying causes of these concerns.

**CHART 4: NUMBER OF GRIEVANCES BY SOURCE**



# MANAGING OUR ENVIRONMENTAL IMPACT

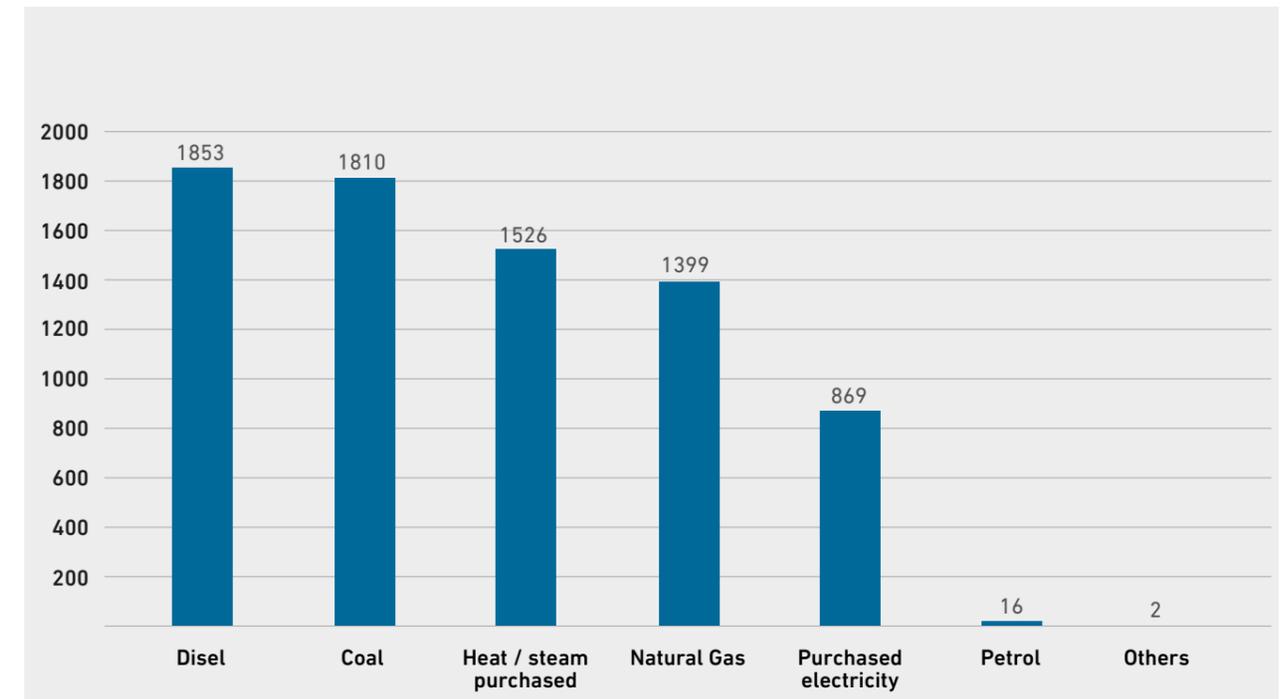
(GRI INDICATORS LISTED PER CATEGORY BELOW)  
(IFC ESAP ITEM 16, 17, 18)

## ENERGY EFFICIENCY AND RENEWABLES (G4-EN3, G4-EN5)

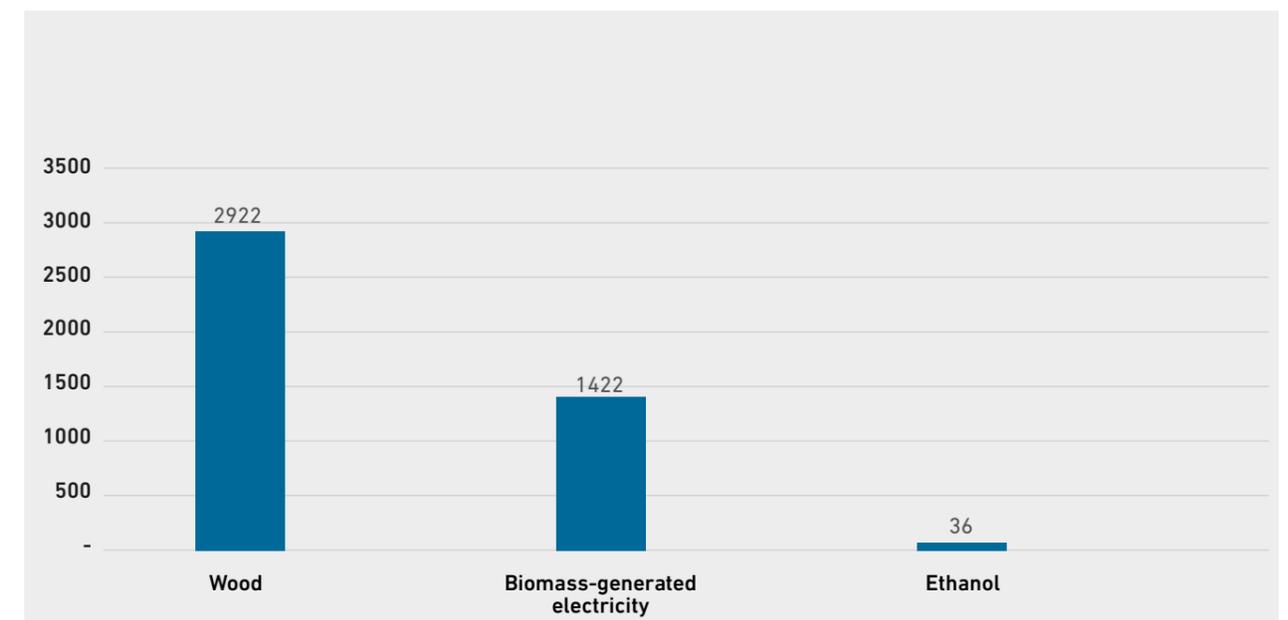
In 2016, we continued our efforts to improve the energy efficiency of our operations and where possible, opt for cleaner energy. Our Qinzhou soy crushing plant in China upgraded to more energy efficient motors, following a similar project at Nantong the previous year. Our soy crushing plant in South Africa optimized their production process by re-tasking unnecessary heat exchangers and improving insulation. Our Timbues plant in Argentina replaced fuel oil with biodiesel produced onsite to run the boiler. Our sugar mills in Brazil furthered the replacement of petrol with bioethanol to fuel vehicles. Many of our coffee and grains warehouses installed LED light bulbs.

All these efforts have delivered positive results - the total 2016 energy consumption of COFCO AGRI assets stands at 11,854,181 GJ, showing a 4% reduction from 2015. While our annual production includes a year-on-year increase of 11%, it means over 15% improvement of production energy efficiency. Furthermore, 37% of the total energy consumption was from renewable sources (ethanol, wood, biomass-generated electricity). Below are respective breakdowns of non-renewable and renewable energy consumption:

**CHART 5: ENERGY CONSUMPTION FROM NON-RENEWABLE SOURCES  
(UNIT: 1000 GJ)**

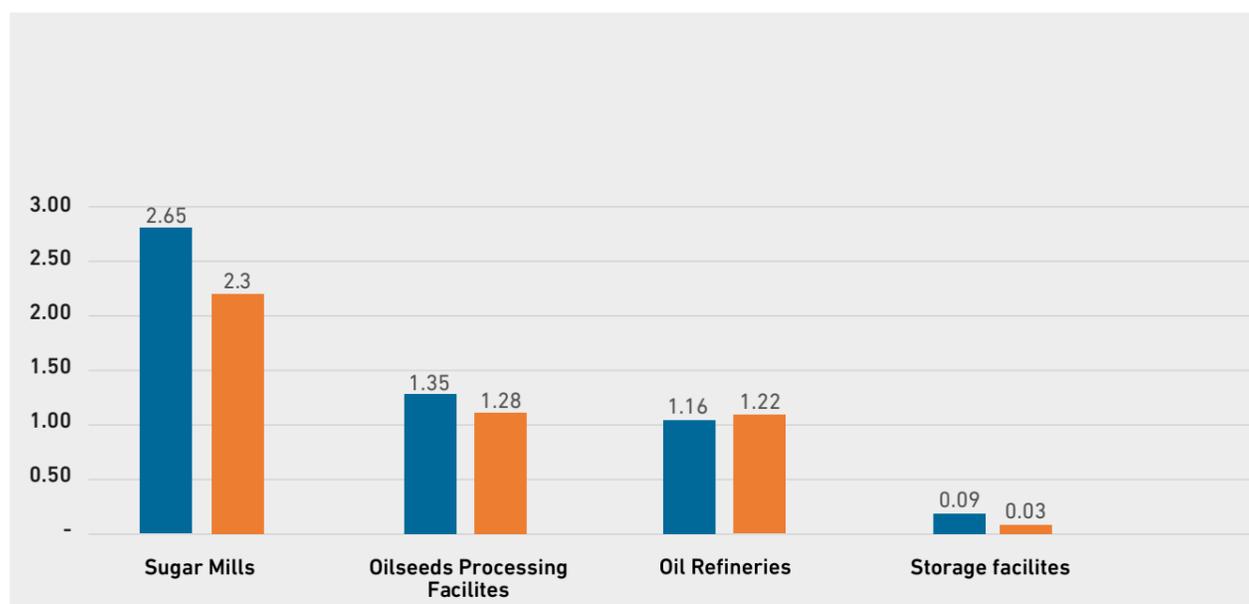


**CHART 6: ENERGY CONSUMPTION FROM RENEWABLE SOURCES  
(UNIT: 1000 GJ)**



Below is the energy efficiency rate (fuel, electricity, heat and steam) for both processing and storage for 2015 and 2016.

**CHART 7 : ENERGY EFFICIENCY PER TON OF PRODUCTION ( UNIT : GJ/TON )**



### Production for:

- Sugar mills: the total amount of sugar and ethanol produced
- Oilseeds processing facilities: the total amount of oilseeds crushed
- Oil refineries: the total amount of refined oil produced
- Storage facilities: the total amount of commodities stored

## GREENHOUSE GAS EMISSIONS (G4-EN15, G4-EN16, G4-EN18)

Aware of the significance of agricultural emissions in the global greenhouse gas emissions mix, we continue to take concrete steps in monitoring and reducing our carbon footprint. The carbon emissions data of our industrial operations, silos and port terminals are audited and certified by third-party agency TÜV NORD in accordance with the ISO 14064 standard. This ensures sound data management and credibility.

In 2016, we further expanded the scope of our emissions tracking, to include our farming operations in Brazil. This provides a more complete picture of our key carbon emission sources globally.

In 2016, the total GHG emissions of all COFCO AGRI assets in which COFCO AGRI has operational control - industrial facilities, storage, port terminals and farming operations – stands at 811,335.58t CO<sub>2</sub>e (851,902.4 t CO<sub>2</sub>e including a 5% buffer).

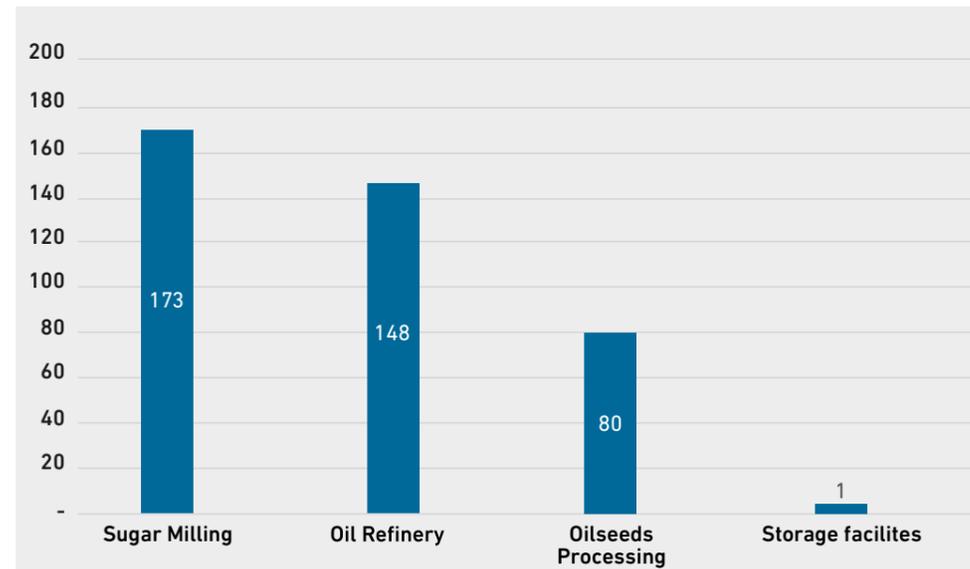
**TABLE 3 : COFCO AGRI EMISSIONS BREAKDOWN**

2016 GHG Emission of COFCO International Assets				
	t CO <sub>2</sub> e, GHG -all scopes, Scope 1	t CO <sub>2</sub> e, GHG -all scopes, Scope 2	t CO <sub>2</sub> e, GHG -all scopes, Scope 3	t CO <sub>2</sub> e, GHG -all scopes, All
<b>Amount of fuel consumed by on-site equipment</b>				
Diesel	6,566.43	0	1,391.42	8,129.23
Coal	170,618.62	0	26,706.53	197,325.15
Natural Gas	79,430.99	0	10,786.95	90,217.94
Wood	10,642.55	0	6,554.40	17,196.95
Purchased Bagasse	51,563.46	0	31,756.23	83,319.69
<b>Quantity of refrigerant / cooling agent used</b>				
R134A	1,537.88		0.00	1,537.88
R22	3,164.53		0.00	3,164.53
R407	191.32			191.32
R410	189.59			189.59
<b>Fertilizer use emissions</b>				
Soil emissions	50.33			50.33
<b>Energy consumption</b>				
Amount of electricity consumed		121,362.61	31,147.75	152,537.42
Heat / steam purchased		86,776.58	11,166.70	97,947.53
<b>Amount of fuel consumed by on-site vehicles</b>				
Ethanol	0.18	0	17.53	17.71
Diesel	131,143.17	0	27,082.27	158,225.44
Petrol	1,112.70	0	217.66	1,330.35
Propane / LPG	126.28	0	15.87	142.15
Flex Fuel	15.82	03	.32	19.15
<b>Total</b>	<b>456,353.84</b>	<b>208,139.19</b>	<b>146,838.21</b>	<b>811,335.58</b>

In addition to managing the carbon footprint of our global operations, our coffee team has gone one step further to measure and offset the carbon footprint of their coffee production within our supply chain in Brazil and Colombia, under the "Responsible Footprint Initiative".

The GHG emissions intensity for COFCO AGRI's various operations is presented in the chart below:

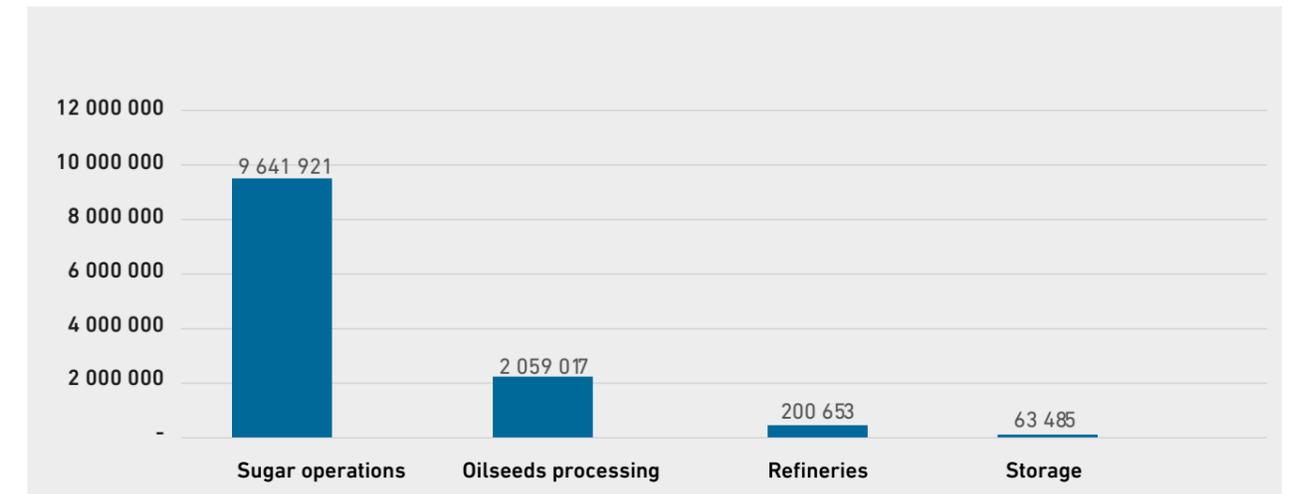
**CHART 8 : GHG EMISSION INTENSITY OF COFCO AGRI OPERATIONS ( UNIT : KG CO2E / TON OF PRODUCTION )**



## WATER AND WASTEWATER (G4-EN8, G4-EN22)

In 2016, we continued to optimize our water and wastewater management. Our Brazilian sugar mills installed a water reuse system to reduce the need for fresh water input in the production process and reduce wastewater discharge. Our Standerton and Rondonopolis crushing plants also completed optimization of the condensation process to reduce water input. The total water consumption in 2016 stands at 11,965,077 tons, with the chart below showing water withdrawal by different categories of our operations.

**CHART 9 : 2016 WATER CONSUMPTION BY OPERATION CATEGORY ( UNIT : TON )**

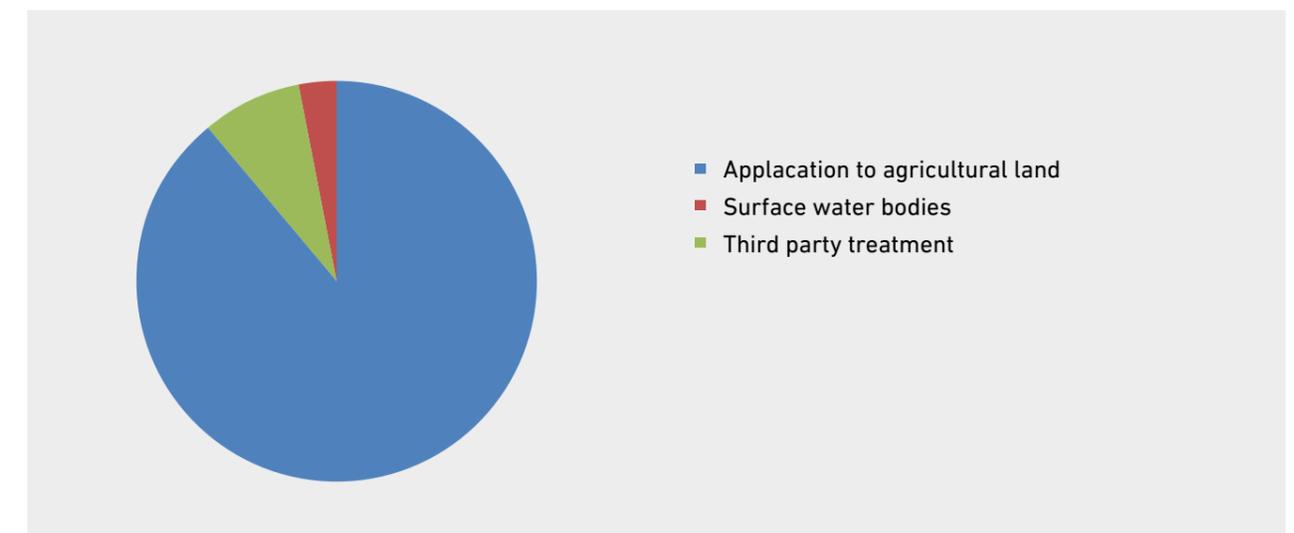


Out of the total water consumption, over 59% comes from surface water (for example rivers and lakes), followed by 33% from ground water and 8% municipal water.

Wastewater generation and discharge primarily takes place at our industrial sites. At all our industrial facilities, we have onsite wastewater treatment facility to ensure the final wastewater discharged meets national and local legislative requirements.

In 2016, over 6.6 million tons of after-treatment wastewater was discharged. From this total, 89% of the treated wastewater was applied to agricultural land, ensuring this water went back into the system to create or enhance wetlands and riparian habitats. The below breakdown shows how this wastewater was recycled and discharged.

**CHART 11 : WASTEWATER DISCHARGE DESTINATIONS**

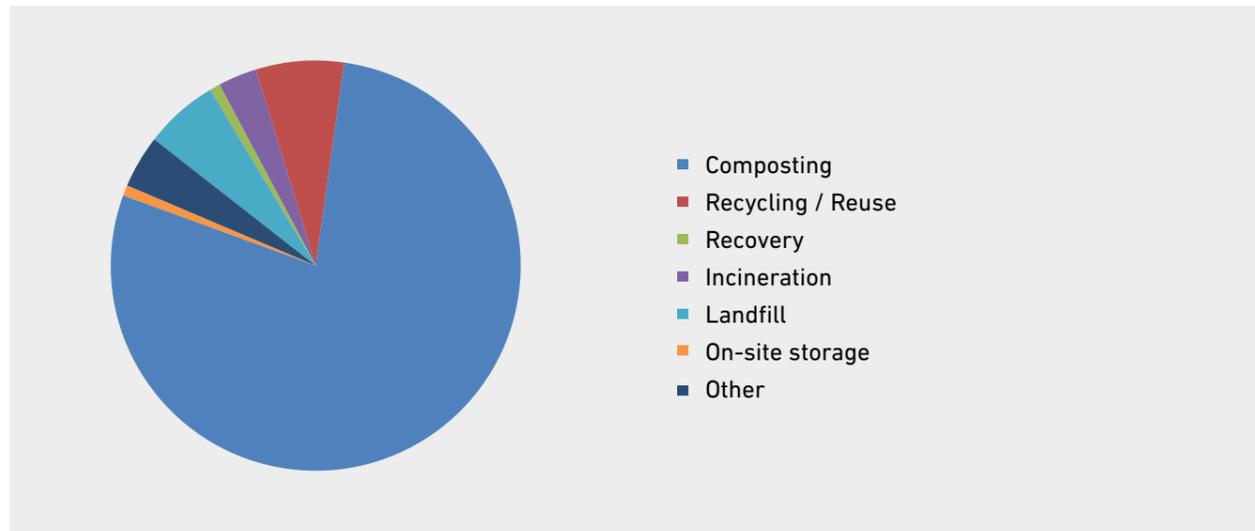


## WASTE (G4-EN23)

Waste management remains one of our key focuses with respect to environmental management. As we made big strides towards ISO 14001 compliance at our global facilities in 2016, we have further strengthened our waste management efforts to “produce less, recycle more, dispose responsibly”. As an example, our warehouses in Ukraine started to use grains & oilseeds cleaning waste and hulls for incineration in the dryers, and reduced the need for natural gas. Our soy crushing plant in South Africa arranged for more non-hazardous waste to be reused and recycled, including metal scraps and bleaching clay waste.

Out of all the waste generated in 2016, over 90% was either composted, recycled or reused. Below is the breakdown of hazardous and non-hazardous waste treatment in 2016.

**CHART 12: WASTE TREATMENT BREAKDOWN IN 2016**



## BIODIVERSITY EFFORTS AT OUR SUGAR

To minimize our environmental impact and ensure a healthy ecosystem from where we source sugarcane, we have planted more than 1.6 million seedlings of native plants in the vicinity of our Brazil operations since 2001.

A 2016 external assessment to measure the environmental effects of our activities evaluated vegetation, water quality, and the abundance of native animal species in an area spanning 1,789 hectares. Finding no significant impacts, the audit requested several precautionary actions, including creating control lines and fire breaks, installing educational signage to avoid road accidents with animals and removing invasive plants on the edges of forest fragments.

Our environmental monitoring included further analysis of water quality at 40 different sites covering over 55 parameters for 27 streams within the forest fragments and plantation area. The results showed water quality to be in compliance with environmental legislation, allowing for a rich diversity of marine life.

Our ongoing efforts to preserve the banks of waterways and forests surrounding our sugar operations are an integral component of our mill and plantation environmental and social management system. This management system incorporates the IFC Performance Standard 6 regarding Biodiversity Management and the Conservation of Natural Resources, as well as the Bonsucro Production Standard regarding responsible sugarcane production.

# SOURCING WITH INTEGRITY

## (GRI 411, 412) (IFC ESAP ITEM 12)

To meet the increasing demand for agricultural products, we work with a variety of stakeholders to collectively find ways to partnerships with our suppliers enables the transfer of best practices between both parties on sustainable agriculture.

## COFFEE

As one of the leading green coffee merchants globally by volume, our long-term business success depends upon the sustainability of supply and the wellbeing of the coffee producers we partner with.

### ● SUPPLIER CODE OF CONDUCT

We are working to supply coffee in a socially responsible and environmentally conscious manner through a code of best supply chain practices. Our Coffee Supplier Code of Conduct helps identify and address environmental and social risks to ensure that our activities meet ethical standards and are sustainable in the long run. Our Code has been distributed to our suppliers in Brazil, Colombia and Vietnam. Accompanying the Code, we have developed training modules to support farmers' compliance to the Code to help improve their overall farm management.

### ● TRAINING AND CERTIFICATION

Within our three key sourcing countries - Colombia, Brazil and Vietnam - we enrolled over 3,000 suppliers into our verification and certification programs. Farmers join our programmes voluntarily with the commitment to adopt best agricultural practices, improve social welfare conditions for children, women and farm workers, while also preserving soil health, water resources and the rich biodiversity. Training modules employ hi-tech analyses of water, weather patterns and soil, including detailed assessments by COFCO AGRI agronomists, which empower farmers to better understand and optimize crop management.

For COFCO AGRI, the verification program offers a guaranteed supply of traceable beans sourced from sustainable coffee farms; for the farmers, it translates into practical and tangible life improvements, such as a higher income and a better harvest.

### ● CARBON NEUTRAL COFFEE

In line with our overall strategy to reduce our carbon footprint, we undertook a carbon assessment of our coffee supply chain in 2016. By collecting primary data from several of our key coffee farms and warehouses, we measured the total amount of greenhouse gas emissions for 1 kg of coffee from Brazil to be 3.45 kg and 1kg of coffee from Colombia to be 2.86 kg.

An independent third party, TÜV NORD was contracted to verify the data. In early 2017, the production emission will be offset via "insetting" projects that support the conservation of coffee ecosystems and the use of renewable energy in Brazil. Once these steps are complete, we will provide a new carbon neutral coffee supply to the market.

Following the establishment of carbon inventory, we are now working to empower farmers on climate-smart coffee production and agro-forestry, helping farmers to benefit from the conservation of ecosystem services on their farms and the production of a resource efficient product.

## SUGAR

Using GPS mapping to analyse the geographical area from which we source sugarcane in Brazil, we concluded that none of our leased plantations and suppliers are situated in environmentally sensitive, biodiversity-rich areas. Furthermore, our mapping analyses and risk assessment discovered that our sugar operations and suppliers were not located near any areas in which Indigenous people inhabit.

The GMAP risk assessment also indicated labour and working conditions issues which needed to be monitored via the Brazilian Forced Labour List and Embargoed List. We began developing the internal processes and overall system and in order to verify our suppliers' human rights and labour performance in 2017.

In late 2016, we began a capacity building project with Alianza du Terra. Currently in its pilot phase, we identified two sugar suppliers who will receive support from Alianza de Terra regarding best sugarcane cultivation practices. The training consists of environmental and social criteria, including, for example, the responsible management of ecosystem services, the safe handling and application of agrochemicals and an assessment of the main health and safety risks.

## SOYBEANS

Within our soybean supply chain, we recognise the need to work collectively with stakeholders to address the key sustainability challenges of land use change and deforestation.

COFCO AGRI has been a long-term member of the Soy Working Group, formed by members of the government, private sector and civil society in Brazil. This working group jointly identifies ways to reduce deforestation and ensure sustainable practices in the soybean supply chain in Brazil.

# SOY MORATORIUM

In 2006, we joined industry peers and NGO partners to initiate the Soy Moratorium in Brazil. This led to our commitment to cease all soy purchases from farmers who grow soy on land in the Amazon Biome that had been deforested after July 2006. The Soy Moratorium was recently aligned with Brazil's Forest Code, with a new cut-off date of July 24, 2008. As such, we do not purchase soy from farms in the Amazon Biome that were deforested after this date.

As a signatory to the Soy Moratorium, we are committed to screening all suppliers in accordance with the Soy Moratorium criteria. In addition, since March 2016, we have been screening 100% of pre-financed suppliers on a strict set of standards to ensure we comply with the highest possible social and environmental standards. This screening includes official Embargoed Areas, Indigenous Areas, Deforested Areas, Conservation Units and Brazil's Forced Labour List.

# SUSTAINABLE SOURCING POLICY

While the Moratorium focuses only on the Amazon Biome, our sourcing extends to other regions of Brazil, including the 200-million hectare Cerrado. This forested savanna is so rich in biodiversity it is home to an estimated 5% of the world's fauna.

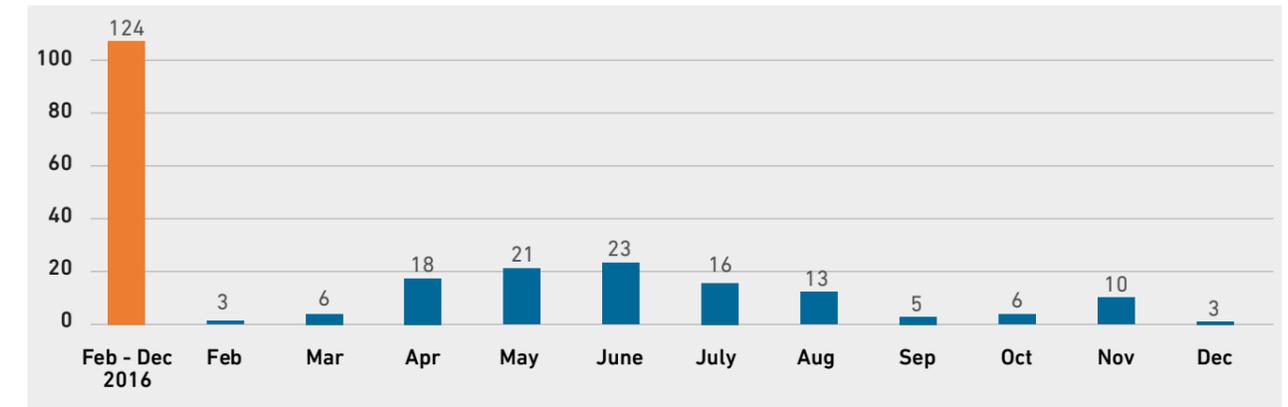
In recent years, the Cerrado, has suffered from increasing exploitation in which vast areas of forest has been converted into large cattle ranges and soybean monocultures. It is estimated that more than half of the Cerrado's forests have been destroyed, resulting in its status as an area of equivalent conservation importance to the Amazon basin and one of the world's 25 most endangered environmental hotspots.

In light of this, we have put in place a Sustainable Sourcing Policy which covers both the Amazon and Cerrado regions. This policy and accompanying set of procedures uses a GPS mapping system which we identifies the exact location of the properties of our suppliers to help us evaluate their environmental and labour credentials against our policy. 174 properties owned by more than 115 of our pre-financed suppliers in the Amazon and Cerrado biomes were screened on the criteria within our Sustainable Sourcing Policy in which 59% of the suppliers originated from the Cerrado biome and 41% from the Amazon biome. Given our sourcing of corn and cotton seeds from these regions, we also screened these suppliers as the below breakdown shows.

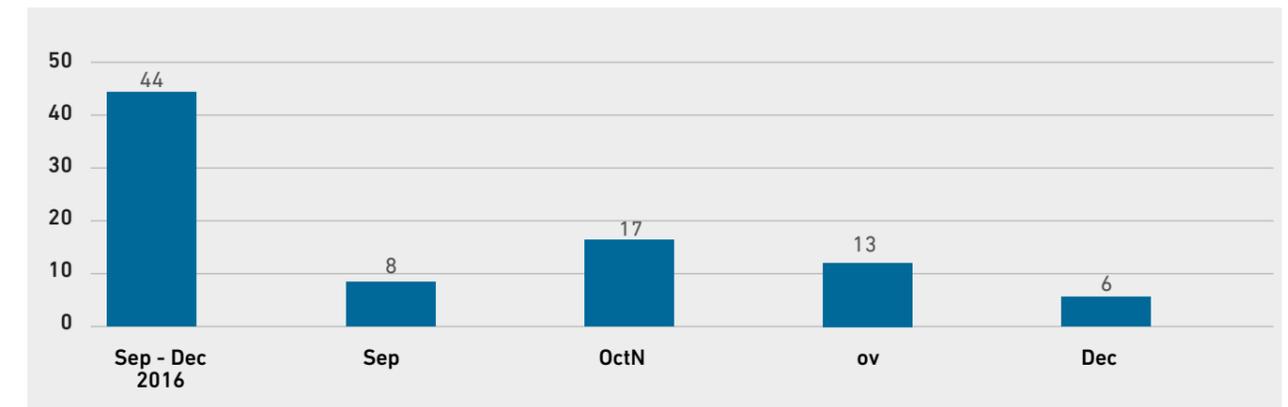
To ensure the thorough implementation of this Policy, we conducted classroom training to 65 employees in Credit, Origination and Legal departments in 4 cities- Sorriso, Rondonópolis, São Paulo and Maringá – with certificates of completion provided to participants after passing a final test.

**CHART 13: NUMBER OF ENVIRONMENTAL AND SOCIAL ASSESSMENTS BY COMMODITY:**

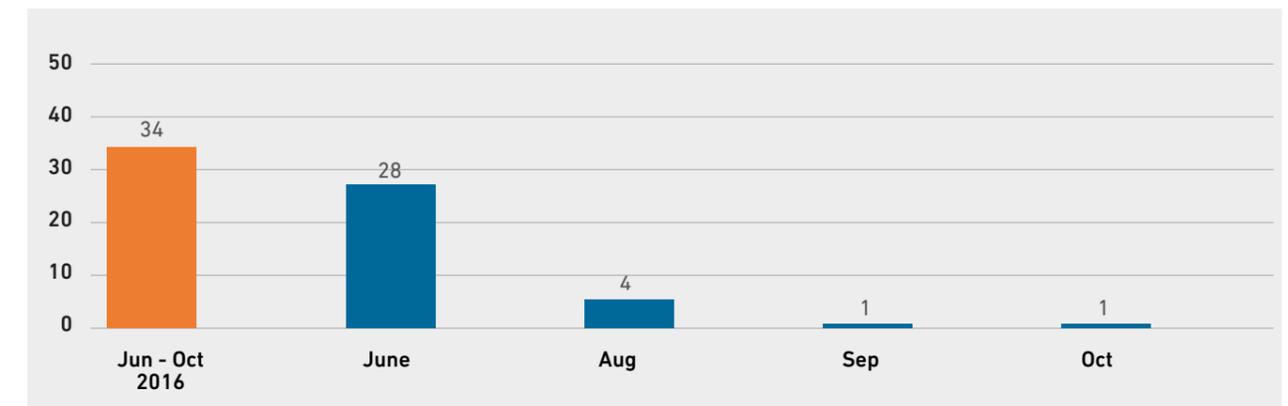
## Soybeans



## Corn



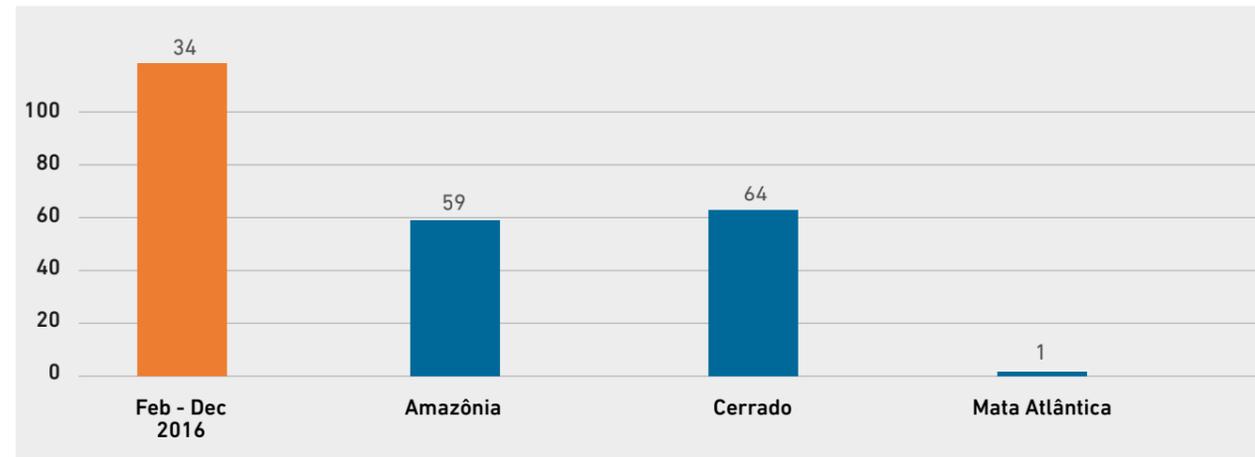
## Cotton Seeds



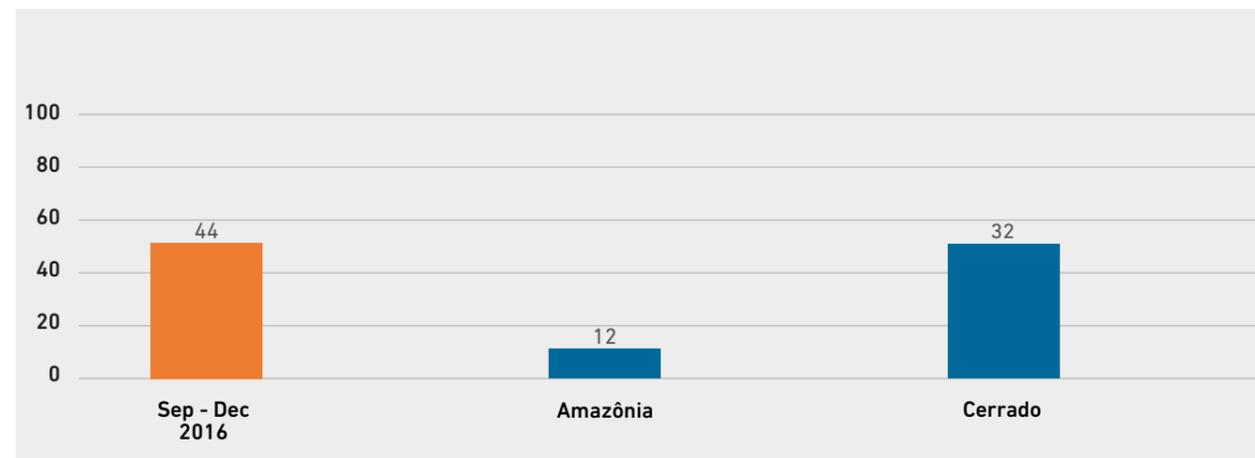
In total, we conducted 202 environmental and social due diligence assessments, helping ensure we did not buy from any suppliers who did not meet our strict criteria.

**CHART 14: NUMBER OF SOCIAL AND ENVIRONMENTAL ASSESSMENTS BY AREA/BIOME:**

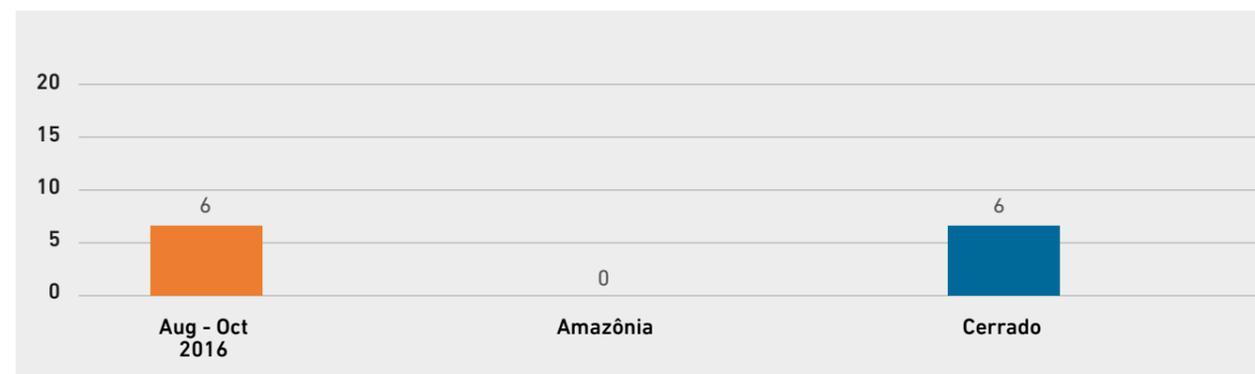
**Soy**



**Corn**



**Cotton Seed**



In total, we conducted 202 environmental and social due diligence assessments, helping ensure we did not buy from any suppliers who did not meet our strict criteria.

## TAKING ACTION ON NON-COMPLIANCE

As part of our commitment, we take action with suppliers regarding their non-compliance to our sourcing policy. In 2016, we terminated business with 6% of screened suppliers who were not in compliance with our policy. These suppliers must provide assurance that they have corrected their non-conformities before we agree any new sourcing contracts with them.

## TECHNICAL ASSISTANCE AND CERTIFICATION

We work with soybean suppliers on training and certification programmes. In 2016, we partnered with Alianza da Terra to develop a platform to improve the farming practices of soybean suppliers within our supply chain.

The Producing Right Platform (PRP) promotes sustainable agricultural practices regardless of the farm size, type of production or location. It focuses principally on agroforestry practices, the reduction of deforestation and safe application of chemicals and fertilizers. In total, 14 soybean properties will receive technical support in our initial stage of the programme.

During 2016 we also worked hard to increase the trading volume of independently verified soybeans, including Roundtable on Responsible Soy (RTRS), the International Sustainability & Carbon Certificate (ISCC) and the Biomass Biofuels and Sustainability Voluntary Scheme (2BSvs).

# COMMUNITY ENGAGEMENT

## (GRI 413) (IFC ESAP ITEM 6, 13)

Since 2007, we have been developing social programmes where we operate to ensure our presence is a positive one for local communities. Our social investments aim to improve the livelihoods of local communities through three key action pillars: education, health and environment stewardship. These result in specific projects ranging from gender training to encourage diversification of farmer incomes, to financial management and banking meetings to support better financing and credit management.

## OPEN DIALOGUE

In January of every year, we organise social dialogues with identified stakeholders located around our operations and within our supply chains. In addition to individual stakeholders, these dialogues invite participation of NGO representatives, local mayors and governmental secretaries within the Education, Health or Culture departments.

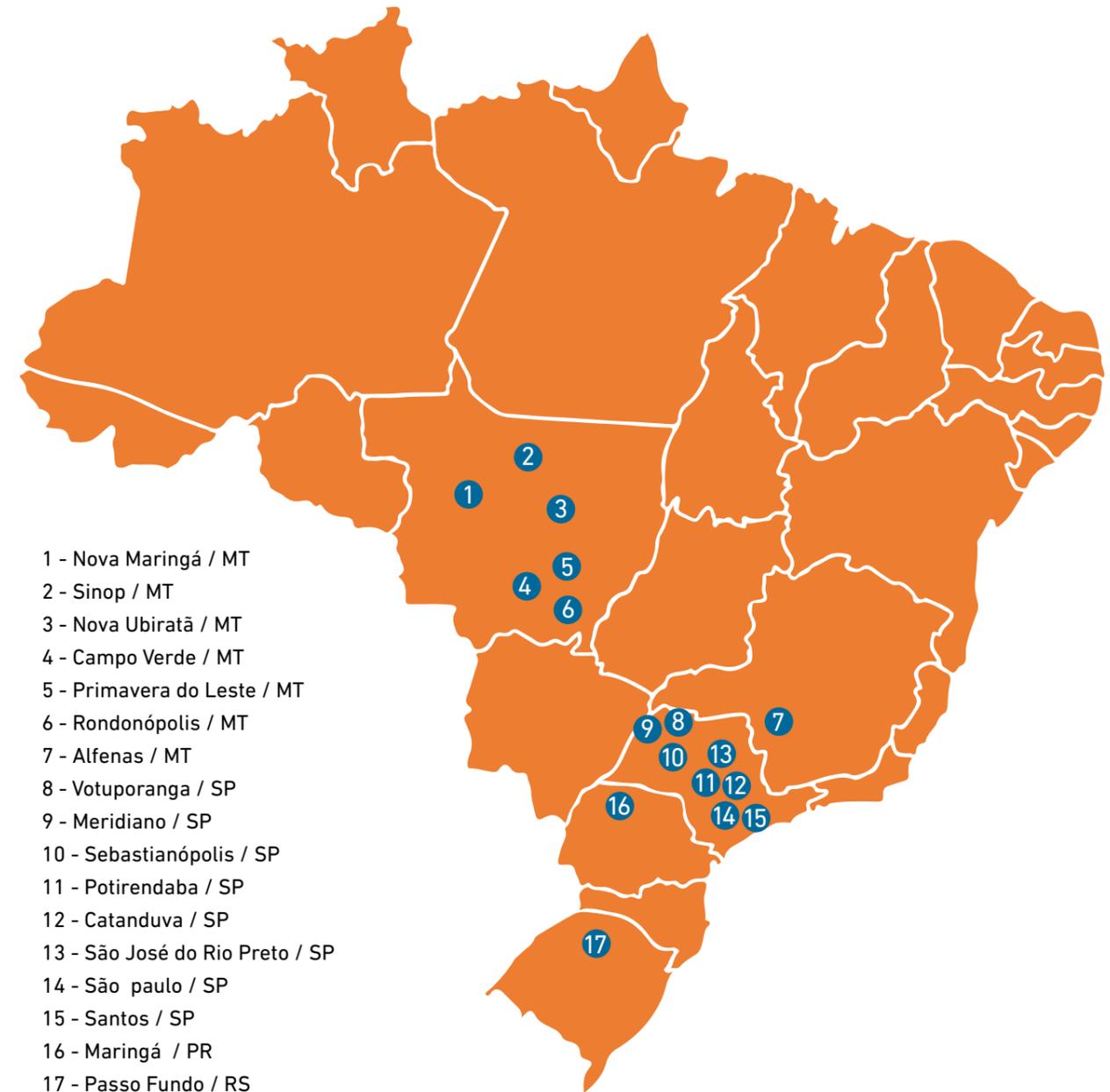
Interaction with these stakeholders allows all parties to identify risks and impacts that may be caused by our activities openly and transparently, and results in our Social Action Plan for the year. In Brazil, for example, dialogues were held in 13 locations - Meridiano, Sebastianópolis, Potirendaba, Catanduva, Votuporanga, Catiguá, Tabapuã, Novais, Ida Iolanda, Nhadeara, Ibirá, Valentim Gentil and Alfenas - covering 93% of our operational presence.

Specific projects are developed to address the identified concerns. These projects are maintained through partnerships among the private sector, government agencies, trade unions and civil society organizations.

## SOCIAL INVESTMENT STRATEGY

During 2016, we initiated new social investment programmes, while continuing with existing ones in our key countries of operation. These included, for example, a children's education programme regarding biodiversity, a girl's shelter project and a recycling initiative raising awareness about waste management. Within Brazil, we developed 151 social initiatives with 73 organizations which directly benefited 14,885 people. Of this total, 95% (14,243) were children.

MAP 1: LOCATIONS WHERE COFCO AGRI HAS SOCIAL INITIATIVES IN BRAZIL IN 2016



## COMMUNITY RISK ASSESSMENT AND STAKEHOLDER ENGAGEMENT PLANS

Whilst our facilities are predominantly located in industrial areas, we do have a small number which have neighbouring communities close by. At three identified facilities in Brazil and China, we commissioned SGS to perform a community impact assessment against IFC Performance Standard 4 'Community Health, Safety and Security' and World Bank EHS Guidelines. This assessment consisted of onsite inspections, community consultations and interviews with local government agencies and NGOs to identify what potential environmental and social impacts these facilities potentially pose and a course of action for their management.

Following the assessments, we are in the process of developing Stakeholder Engagement Plans for these facilities to formalise a proactive process to engage with key stakeholders. This helps drive further facility improvements to minimize community impacts and strengthen our relationship with key stakeholders.

## STAKEHOLDER GRIEVANCE MECHANISM

Our other forms of interaction with communities include our COFCO News magazine and Stakeholder Grievance Mechanism. For more information regarding the 2016 stakeholder grievances in countries where our grievance mechanism has been operational, please refer to section "Grievances Mechanism".

## ANTI-CORRUPTION (GRI 205)

Our corporate Code of Conduct spells out specific obligations with regards to combating corruption, money laundering, fraud and financial crimes. In addition to the Code, our Traders Guidelines and Anti-Money Laundering Policy impose specific obligations on risk governance, compliance and anti-corruption.

## ONLINE TRAINING AND COMMUNICATION

In 2016, all employees have been apprised of our anti-corruption policies and procedures with 100% of white collar office employees receiving global anti-corruption training. The interactive e-learning training required staff to complete an online course which helped familiarize them with the laws that criminalize bribery and corruption, helping employees think critically about the legal consequences of their actions.

In 2016, all new employees undertook mandatory compliance training on our policies, with existing employees provided with refresher training on responsible business practices such as conflicts of interest, anti-bribery or the use of entertainment and gifts.

In 2016, we performed 26 audits at our premises, which accounts for 31% of our global facilities and offices. These included a risk assessment of the control environment aimed at identifying possibilities of fraud, bribery and corruption, as well as specific review of instances of reported frauds or cases of bribery and corruption.

## AWARDS

Our corporate Code of Conduct spells out specific obligations with regards to combating corruption, money laundering, fraud and financial crime. In 2016, COFCO AGRI won several awards regarding our sound environmental and social practices. These included, for example, the FIESP Award Environmental Merit Award for our Greener Future Project and the Save the Children Award for being a "Child Friendly Company". Our Greener Future Project began in 2007 to help educate children in the region surrounding our Sugar Mills operations on the importance of preserving the environment and biodiversity and was awarded against 56 projects submitted by 46 companies. In Brazil, we received the Save the Children 2016 award as recognition of our efforts to promote and defend children's rights in the communities from which we operate. In addition to the Code, our Traders Guidelines and Anti-Money Laundering Policy impose specific obligations on risk governance, compliance and anti-corruption.

