



# 2019

Transformation  
Through  
Collaboration

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# Fundamentals



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# Collaboration for a Safe and Sustainable Future

## Message From Our CEO

The world faced urgent global challenges in 2019: geopolitical pressure to scale back bans on deforestation, the destruction and loss of biodiversity caused by forest fires, and an unpredictable climate and extreme weather affecting livelihoods.

Alongside this, our industry had to contend with a difficult commercial environment, with ongoing trade tensions, the impacts of swine fever, and general oversupply affecting markets, to name a few.

Yet despite the challenges, we not only advanced our transformational strategy, but also our work to improve transparency, traceability and sustainability across our business and value chains.

I am proud of the progress we have made in this work, which is essential to our long-term success and endurance – both as a company with a key role to play in providing sustenance for a growing population, and as citizens of the planet, which we all have a responsibility to protect.

### Protecting and Empowering Our People

Our people are central to our success and remain our priority.

LDC's Safety, Health and Environment (SHE) program continued to see many creditable successes, and we continued to invest in enhancements and new measures to keep our people safe and healthy, although it pains me to report the loss of three people at our sites in 2019 during the course

of their work. In addition to remedial action to ensure that these specific incidents do not happen again, we have stepped up efforts everywhere to make our SHE culture and policy a priority in everything we do, aiming for our goal of zero accidents affecting people, communities or the environment at LDC.

I also initiated a program of detailed policy changes in 2019, aiming to make LDC an increasingly inclusive place to work, where we respect and encourage diversity in all its forms. While some of our work has taken longer than expected, I am pleased to report positive progress in this area and look forward to seeing the program accelerate in 2020.

### Stronger Together

Recognizing that we can achieve greater impact through collaboration, forming partnerships with external stakeholders and experts became an increasingly important element of our sustainability efforts.

For example, we reinforced our governance of key issues by creating two new committees, to set new standards of transparency and accountability: an Environment Committee and a Human Rights Committee. Senior LDC executives sit on both committees to ensure leadership from the top, while external specialists also participate to provide their expertise, and contribute to, or challenge, our decisions. These include David Cleary, Global Agriculture Director of *The Nature Conservancy*; Lene Wendland, Chief, Business and Human Rights from the *Office of the United Nations High Commissioner for Human Rights*; and Benjamin Smith, Senior Specialist, Child Labour from the *International Labour Organization*.

Another collaboration highlight in 2019 was the part-time secondment of LDC's Global Sustainability Manager for Grains & Oilseeds to

the *Tropical Forest Alliance (TFA)*, to share expertise and support TFA in advancing multi-sectoral discussion about, and solutions for, a 'forest-positive' future. The initial focus will be on incentives for soy producers in Brazil to improve their productivity and conservation. The mutually beneficial relationship between LDC and TFA builds on our own 'No Deforestation, No Peat, No Exploitation' commitment and our industry-leading soy sustainability policy, which sets out LDC's intention to influence positive change – in our own value chains, in the sector and beyond.

Our partnerships also bore fruit in cotton, where we continued our trend since 2013 of growing the volume of cotton we purchase from sources certified by the *Better Cotton Initiative (BCI)*. With a 57% year-on-year increase in 2019, we exceeded our annual target and are well on track to meeting our longer-term goal to purchase 50% more Better Cotton in 2023 compared to 2018. Beyond our global partnership with BCI, we worked with several other experts and partners to tackle local issues in specific markets, such as child labor concerns in Burkina Faso, and various others outlined in this report. And while our initiatives are not always plain sailing or don't progress at the rate we had hoped, we persevere and help others to do the same.

These are just some of many positive strides across our business lines, achieved through the collaboration and partnerships that the *United Nations* calls for as the key to attaining its Sustainable Development Goals (SDGs).

### Transparency and Accountability

We also believe that transparency is key to progress toward the SDGs, and took steps to improve it in a number of areas in 2019. I would like to take this opportunity to thank the partners who offered us valuable feedback and held us to account. We are pleased to publish insights and views from several of them in this report, and look forward to continued collaboration in 2020 and beyond.

### We began public reporting on soy sourced from Brazil's Cerrado

As you will read in our new report section on Finance, one of our major efforts in this area was to link a significant portion of our financing with progress in improving our environmental profile. Measured through annual goals to reduce our footprint across several key performance indicators, this progress will be audited independently each year, and reported publicly.

As members of the *World Business Council for Sustainable Development's (WBCSD) Soft Commodities Forum (SCF)*, we also began twice-yearly reporting on soy sourced from the Brazil's Cerrado biome, publishing reports on the WBCSD's website. This is a first step along the road to traceability that we have already traveled with palm, where we have been publishing global sourcing figures since 2015, and for which we achieved 97% traceability in 2019. Although our soy traceability figures are not where we would like them to be, we believe this kind of accountability is crucial to progress – our own and in the wider sector.

### Rising to Future Challenges

Overall, 2019 was another challenging and rewarding year in the pursuit of our sustainability goals. Looking back on our eighth year of sustainability reporting, I am pleased to see that as we progressed our transformational growth plans, we were guided by our company purpose to create fair and sustainable value, for the benefit of current and future generations.

I would like to thank all our people everywhere for their commitment to that purpose, as well as our external stakeholders and partners for their contributions – insights, feedback and critiques alike – which encourage us to improve continually.

We still have much to do to reach the goals inherent in our purpose, especially now with the additional challenges posed by Covid-19. Moving into 2020, our priority has been to take every measure necessary to protect the health and wellbeing of our people as they continue to ensure the continuity of our operations during the pandemic. Their efforts and cooperation have allowed us to help keep customers and consumers around the world supplied with essential food and feed, and for this I am extremely grateful to, and proud of, them.

These and any other new challenges will not dampen our efforts. If anything, they strengthen our resolve, and we will continue to focus on forging the partnerships that we believe are central to achieving the SDGs, as we steer our course toward a safe and sustainable future.



Ian McIntosh  
Chief Executive Officer

## Performance Against Our 2019 Targets

22 completed  
11 in progress  
07 amended  
01 delayed  
02 missed  
28 newly set

# At a Glance



# Goals That Guide Us

The *United Nations' Sustainable Development Goals (SDGs)* present an opportunity to identify and implement business-led solutions to some of the world's greatest challenges, by advancing sustainable development.

Guided by our company purpose to create fair and sustainable value, we aim to be a leader in our industry in working toward these goals, whether through our own initiatives, or by working with other parties.



- 1 No Poverty
- 2 Zero Hunger
- 3 Good Health and Well-Being
- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water and Sanitation
- 7 Affordable and Clean Energy
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 13 Climate Action
- 14 Life Below Water
- 15 Life on Land
- 16 Peace, Justice and Strong Institutions
- 17 Partnerships for the Goals



## Deforestation, Conversion & Biodiversity

**Global Policy:**  
Our Environment (p30)

**Platforms:**  
Coffee (p62)  
Juice (p80)  
Palm (p84)  
Soy (p90)

**SDGs:** 2, 8, 12, 13, 15, 17



## Climate Change

**Global Policy:**  
Our Environment (p30)

**Platforms:**  
Coffee (p62)  
Freight (p76)  
Soy (p90)

**SDGs:** 1, 2, 12, 13



## Water Scarcity

**Global Policy:**  
Our Environment (p30)

**Platforms:**  
Coffee (p62)  
Cotton (p68)  
Juice (p80)

**SDGs:** 6, 12, 14, 15



## Safety at Work

**Global Policy:**  
Our People (p20)

**Platform:**  
Juice (p80)

**SDG:** 8



## Waste

**Global Policy:**  
Our Environment (p30)

**Platform:**  
Juice (p80)

**SDGs:** 1, 2, 12



## Economic Development

**Global Policy:**  
Our Communities (p52)

**Platforms:**  
Coffee (p62)  
Cotton (p68)  
Juice (p80)

**SDGs:** 1, 4, 5, 8, 9



## Human Rights

**Global Policy:**  
Our People (p20)

**Platforms:**  
Cotton (p68)  
Soy (p90)

**SDGs:** 4, 5, 8, 16



## Diversity

**Global Policy:**  
Our People (p20)

**SDGs:** 5, 10



## Land Rights

**Platforms:**  
Palm (p84)  
Soy (p90)

**SDG:** 16



## Partnerships for the Goals

**Global Policy:**  
Our Partners (p40)

**Platforms:**  
Coffee (p62)      Juice (p80)  
Cotton (p68)      Palm (p84)  
Finance (p72)      Soy (p90)  
Freight (p76)

**SDG:** 17



Training Indonesian smallholders to conserve biodiversity

Global businesses like ours can help bring about positive changes in many ways. In this section, we outline efforts to do so in each of our value chains, as well as the governance structure we have put in place to accelerate these efforts across the Group.

For LDC, success means contributing to creating an environment for doing business sustainably around the world, minimizing our environmental footprint, and maximizing our positive impacts on people and the planet.

### Progress Toward the SDGs

In 2019, we advanced our work to prepare a new Group-wide Sustainability Policy, due to be launched in early 2020 alongside employee training in how to implement it. This global policy will guide all our business platforms in their activities, and our regional teams in their community initiatives. The effects of Covid-19 have unfortunately delayed launch and training, and our operations therefore continue to be guided today by our existing Sustainability Policy and our complementary policies and conduct manuals specific to coffee, juice, palm and soy.

We also created two new committees in 2019, to reinforce governance and the oversight of two key areas: the environment and human rights.

As a result, our sustainability activities are now overseen by the following committees:

### Safety, Health & Environment (SHE) Committee

- Scope: Plans and oversees workplace safety, and the environmental footprint of our assets.

- Membership: LDC's regional SHE leaders, Platform Heads and Senior Leadership Team.

### Environment Committee

- Scope: Manages environmental impacts relating to our supply chains.
- Membership: LDC's CEO, COO, Head of Grains & Oilseeds Platform, Head of Sustainability and Head of SHE, external participant David Cleary, Global Agriculture Director for *The Nature Conservancy*, and occasional ad hoc attendees.

### Human Rights Committee

- Scope: Manages all issues relating to human rights, both within LDC and in our supply chains.
- Membership: LDC's CEO, COO, Head of Grains & Oilseeds Platform, Head of Sustainability and Head of SHE, external participants Lene Wendland, Chief, Business and Human Rights for the *Office of the United Nations High Commissioner for Human Rights*, and Benjamin Smith, Senior Specialist, Child Labour for the *International Labour Organization*, and occasional ad hoc attendees.

### Regional Community Committees

- Scope: Applies the community framework of LDC's sustainability policy in each region.
- Membership: Relevant Head of Region and regionally-selected employees.

The following shows how LDC's sustainability policy and governance structure applies across the main challenges we work to address.

## Deforestation, Conversion & Biodiversity

### The Challenge

Conserve forests and other high-conservation-value habitats, while meeting rising food and feed demand sustainably, despite diminishing arable land.

SDGs: 2, 8, 12, 13, 15, 17

### Our Policies

- LDC Sustainability Policy
- Coffee Supplier Code of Conduct
- Citrus Supplier Code of Conduct
- Palm Sustainability Policy
- Soy Sustainability Policy

### Oversight

Environment Committee

### Key Commitments

Global commitment to 'No Deforestation, No Peat, No Exploitation'.

### Direct Effect

Juice, citrus farming in Brazil – page 80

### Influence/Partnerships

- Coffee, training farmers and sourcing responsibly – page 62
- Community, training farmers, including with the *Louis Dreyfus Foundation* – page 55
- Cotton, training farmers – page 70
- Juice, Biodiversity and Conservation Plans, *Rainforest Alliance* certification activity, training farmers – page 82
- Palm, NDPE activity – page 84
- Soy, NDPE activity – page 90
- Sugar, *Bonsucro* certification activity – page 43

We invest in solar energy to reduce our emissions profile



## Climate Change

### The Challenge

Grow our activities with a lower climate impact, and help others to do the same.

**SDGs:** 1, 2, 7, 12, 13

### Our Policies

LDC Sustainability Policy

### Oversight

- SHE Committee
- Environment Committee

### Key Commitments

5% reduction in our global CO<sub>2</sub> emissions and energy consumption indexes between 2018 and 2022.

### Direct Effect

- Environment – pages 30-39
- Freight, fleet emissions and chartering decisions – page 76

### Influence/Partnerships

- Coffee, training farmers – pages 64-67
- Community, training farmers, including with the *Louis Dreyfus Foundation* – page 55
- Cotton, training farmers – page 70
- Finance, sustainability-linked syndicated Revolving Credit Facilities (RCFs) – page 72
- Freight, *Sustainable Shipping Initiative* activities – page 76
- Juice, training farmers – page 82



Improved irrigation practices are reducing water consumption by our citrus farms

## Water Scarcity

### The Challenge

Use less water at our citrus farms and all our processing assets, while ensuring wastewater is clean, and help others to do the same.

**SDGs:** 6, 12, 14, 15

### Our Policies

LDC Sustainability Policy

### Oversight

SHE Committee

### Key Commitments

5% reduction in our water consumption index between 2018 and 2022.

### Direct Effect

Environment – pages 30-39

### Influence/Partnerships

- Community, training farmers, including with the *Louis Dreyfus Foundation* – page 55
- Cotton, training farmers – page 70
- Finance, sustainability-linked syndicated RCFs – page 72
- Juice, training farmers – page 82

## Waste

### The Challenge

Eliminate waste from the value chain stages we control, including by investing in logistics to optimize origination and reduce post-harvest waste, and help others reduce waste.

**SDGs:** 1, 2, 12

### Our Policies

LDC Sustainability Policy

### Oversight

SHE Committee

### Key Commitments

5% reduction in our index for solid waste sent to landfill between 2018 and 2022.

### Direct Effect

Environment – pages 30-39

### Influence/Partnerships

Finance, sustainability-linked syndicated RCFs – page 72



We work to give farmers greater access to markets, such as cotton farmers in Turkey

## Economic Development

### The Challenge

Contribute to economic empowerment through job creation, education and by promoting access to international markets for producers in the origination regions where we are active.

**SDGs:** 1, 4, 5, 8, 9

### Our Policies

Sustainability Policy

### Oversight

Regional Community Committees

### Key Commitments

Establish a new framework for all community projects in 2019.

### Direct Effect

Global and business-wide, investing in development projects and creating jobs.

### Influence/Partnerships

- Community, training projects, including with the *Louis Dreyfus Foundation* – page 55
- Finance, creating greater access to markets for farmers – page 74

## Safety at Work

### The Challenge

Create a zero-accident work environment, by encouraging our employees, contractors and other stakeholders to adopt safer, healthier practices and lifestyles.

**SDG:** 8

### Our Policies

- Safety, Health & Environment (SHE) Policy
- Sustainability Policy

### Oversight

SHE Committee

### Key Commitments

Reduce accident frequency, gravity and severity indexes each by 5% year on year.

### Direct Effect

People – pages 20-29

### Influence/Partnerships

People, training employees and third parties – page 25

We advocate fair labor practices across our value chains



## Human Rights

### The Challenge

Use fair labor practices, eliminate child and forced labor from our supply chains, and respect diversity in all its forms.

**SDGs:** 4, 5, 8, 16

### Our Policies

- Group Code of Conduct
- Human Rights Protocol
- Coffee Supplier Code of Conduct
- Citrus Supplier Code of Conduct
- Palm Sustainability Policy
- Soy Sustainability Policy

### Oversight

Human Rights Committee

### Key Commitments

Do not employ any person under 16. Signatory to the *World Business Council for Sustainable Development's* CEO Guide to Human Rights.

### Direct Effect

- People – pages 20-29
- Juice, inclusion in seasonal work – page 80

### Influence/Partnerships

- Coffee, implementing Coffee Supplier Code of Conduct with suppliers – page 64
- Cotton, monitoring supply chain in Burkina Faso – page 71
- Palm, implementing Sustainability Policy with suppliers – page 86
- Partners, monitoring rice supply chain in Thailand and Vietnam – page 42
- Soy, implementing Sustainability Policy with suppliers – page 90



## Diversity

### The Challenge

Remove any discriminatory imbalances that exist for people working for LDC, and influence others to do the same.

**SDGs:** 5, 10

### Our Policies

- Group Code of Conduct
- Sustainability Policy

### Oversight

Human Rights Committee

### Key Commitments

- Signatory to the UN Global LGBTI Standards for Business
- Six targets for 2020, implementing global changes to ensure an inclusive work environment

### Direct Effect

- People, diversity and inclusion work – page 26
- Juice, inclusion in seasonal work – page 80

### Influence/Partnerships

- Coffee, training farmers in Colombia – page 57
- Community, partnership with the *Louis Dreyfus Foundation* and *Empow'Her* in Uganda – page 89
- Cotton, educating farmers in India – page 70

## Land Rights

### The Challenge

Respect the rights of all landowners in expanding our operations, and influence partners to do the same.

**SDG:** 16

### Our Policies

Human Rights Protocol

### Oversight

Human Rights Committee

### Key Commitments

Complete an environmental and social impact assessment before building any new, or expanding any existing, asset.

### Direct Effect

Environment, policy on impact assessments – page 30



We work with a wide range of partners in our sustainability efforts

## Partnerships for the Goals

### The Challenge

Address all our challenges and meet all our sustainability targets.

**SDG:** 17

### Our Policies

- Group Code of Conduct
- Human Rights Protocol
- SHE Policy
- Sustainability Policy
- Coffee Supplier Code of Conduct
- Citrus Supplier Code of Conduct
- Palm Sustainability Policy
- Soy Sustainability Policy

### Oversight

All committees

### Influence/Partnerships

- Coffee – page 62
- Community – page 52
- Cotton – page 68
- Environment – page 30
- Finance – page 72
- Freight – page 76
- Juice – page 80
- Palm – page 84
- Partners – page 40
- People – page 20
- Soy – page 90
- Sugar – page 43

# Pillars of Sustainability



20  
30  
40  
52

Our People

Our Environment

Our Partners

Our Communities

# Our People



Colleagues in Namanve Mukono, Uganda

LDC employs an average of 18,000 people throughout the year, and engages several thousand contractors across our 180 assets around the world.

These numbers give us scope to contribute – directly and indirectly – to the *United Nations’* Sustainable Development Goals (SDGs) to eliminate poverty (SDG 1), create decent jobs and aid economic growth (SDG 8), and promote inclusive work environments (SDG 5).

Central to these efforts is our comprehensive Safety, Health and Environment (SHE) management system, alongside more recent initiatives to apply our commitment to a fair, non-discriminatory workplace, and to promote diversity and inclusion across our business.

## Committed to Zero

We remain committed to our long-term goal of creating a zero-accident work environment in all our locations, ensuring no harm comes to our people, to local communities or to the environment around us.

Our global SHE policy reflects this commitment, and all related investments and training continue to reinforce a culture of safety in the daily work of every employee and contractor working for LDC.

Our relentless focus on safety is reflected in our ambitious targets to reduce accident frequency, gravity and severity every year. Having made clear improvements to date, with significant reductions across the board since 2012, we have now reached a point where 10% annual reductions in each index are no longer realistic. To ensure our targets remain both attainable and ambitious, we have amended them to aim for a 5% reduction year on year in each index.

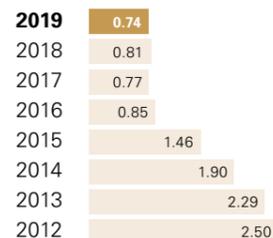
In 2019, we reduced accident frequency and gravity in line with the new targets, but unfortunately severity increased. This was primarily due to two fatalities in Brazil, and a series of minor incidents at a joint venture facility in Belgium.

## Frequency, Gravity and Severity Indexes



The frequency index shows the number of workplace injuries requiring medical attention, in relation to hours worked. The ratio expresses the number of employees in every 100 who experienced an injury needing medical attention during the year.

### Frequency



### Year-on-Year Change

# Down 8.5%

**2019: 0.74**  
2018: 0.81



The gravity index is a subset of the frequency index. It shows the number of workplace injuries serious enough to result in time away from work, in relation to hours worked.

### Gravity



### Year-on-Year Change

# Down 5%

**2019: 0.32**  
2018: 0.34



The severity index shows the number of days needed away from work due to injury, in relation to hours worked. It is expressed per 100 employees for one working year.

### Severity



### Year-on-Year Change

# Up 62.4%

**2019: 12.89**  
2018: 7.94

## Targets

### Reduce lost-time injuries to zero

Completion: **Ongoing**  
Progress: **Ongoing**

### Reduce frequency of workplace accidents by 10% year-on-year

Completion: **2019**  
Progress: **Amended**

### Reduce gravity of workplace accidents by 10% year-on-year

Completion: **2019**  
Progress: **Amended**

### Reduce severity of workplace accidents by 10% year-on-year

Completion: **2019**  
Progress: **Amended**

### Establish a global diversity & inclusion oversight committee

Completion: **2019**  
Progress: **Completed**

### Create a global diversity & inclusion policy framework

Completion: **2019**  
Progress: **Amended**

### Integrate diversity & inclusion materials in local employee onboarding process everywhere

Completion: **2019**  
Progress: **Amended**

### Create a global inclusive recruitment standard for LDC

Completion: **2019**  
Progress: **Amended**

### Establish global principles for promoting work-life balance

Completion: **2020**  
Progress: **In progress**

### Put in place a range of options to promote work-life balance and flexible working in each region and platform

Completion: **2020**  
Progress: **In progress**

### Refresh our employer value proposition and strategy

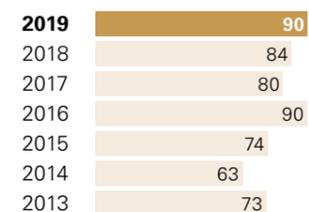
Completion: **2020**  
Progress: **In progress**

## Facilities With Zero Lost Time Injuries

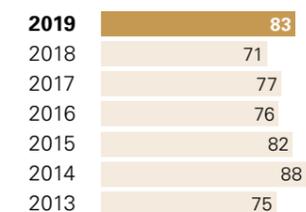
Our commitment to avoiding all accidents is also reflected in the proportion of assets that operate for an entire year without an accident resulting in time off work. This year, this remained at comparable levels to 2017 and 2018 overall, with improvements in most regions offset by the events in EMEA and North Latin America set out overleaf.

### % of Facilities Recording Zero Lost Time Injuries

#### Asia



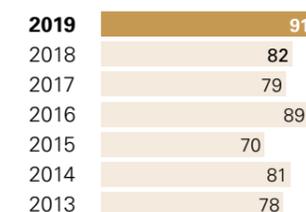
#### Europe & Black Sea



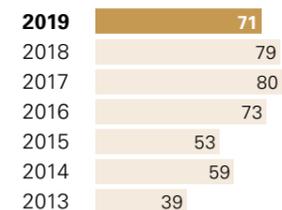
#### Middle East & Africa



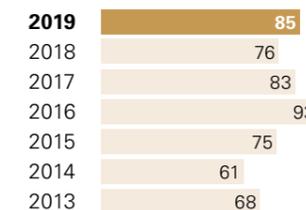
#### North America



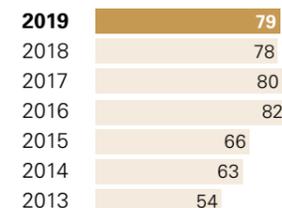
#### North Latin America



#### South & West Latin America



#### Global



# Fatalities

Despite our progress in safety, accidents still happen and, sadly, we have to report the death of two LDC employees and one contractor at our sites during 2019.

At Pedra Branca citrus farm in São Paulo State, Brazil, a lightning strike tragically killed one employee. It also injured two others, both of whom have fortunately recovered fully and returned to work. To prevent this from happening again, we have implemented a system to monitor climatic conditions to increase advance warning of rain and lightning, allowing our employees maximum time to reach shelter. This online system is accessible on computers and televisions at each farm, and by cell phone 24 hours a day.

In a separate incident at our oilseeds facility in Alto Araguaia, Mato Grosso State, Brazil, an employee died as a result of an electrical discharge from an unknown source. After a lengthy and detailed investigation that identified several potential causes, we acted to remedy all the possible hazards. This included developing and implementing a new electrical safety program at the site, as well as making various improvements to equipment.

Finally, a contractor at our oilseeds facility in Timbúes, Argentina, fell into an extraction area tank while cleaning it. The tank contained hot water, which caused multiple burns on his body. LDC brought in immediate medical attention, but the contractor did not recover from the injuries. After the event, we undertook a full review of our high-risk activities, among which work at heights, in order to improve LDC's fall protection program.



Harvest team at our orange groves in Monte Belo, São Paulo State, Brazil

# SHE 365

We work continually to make Safety, Health and the Environment (SHE) a priority at all levels of our business, 365 days a year.

We structure our efforts in four pillars:

- Occupational safety and health
- Process safety
- Environment
- Employee wellness

Our SHE policy sets expectations that every employee and contractor take personal responsibility for SHE in their daily work. Based on this, each site defines appropriate practices and procedures through our SHE management system.

SHE committees at global, regional and local level are responsible for ensuring that everyone working for and with LDC adheres to the system. Their role also includes defining priorities, assessing required resources and monitoring progress against targets.

### Developments in 2019

- We introduced SHE leadership training for all leaders involved in SHE decisions at plant level.
- We revised our SHE management system and established a system of crosschecking by specialists from other platforms or regions.
- Our process safety program was implemented for all high-risk activities at plant level.
- Recognizing the importance of data management, we introduced a global system to manage safety and environment data.

- We developed a SHE culture program and started measuring the level of understanding of, and engagement with, our SHE culture across the business, running our first SHE perception survey to identify areas for improvement. This was answered by 6,000 employees of all levels.

### SHE Day

On March 13, 2019 we celebrated the tenth anniversary of our annual Safety Day, reinforcing our safety-first culture. We marked the occasion by adding health and environment to the initiative, and renaming it SHE Day. Adopting the theme 'SHE365', we reminded every person at LDC to make SHE a priority all day, every day, all year round. Across our locations, over 11,000 employees and more than 3,000 contractors and joint venture partners took part in the day's events and activities.



# Diversity and Inclusion at LDC

With diversity as a core value, we expect people across our organization to respect each other and diversity in all its forms. We encourage diversity and inclusion in every part of our business, aiming to attract, develop and retain the best available talent everywhere.

Our work in 2019 involved progress toward a series of targets:

- We nominated our Global Diversity & Inclusion Oversight Committee in November 2019.
- We undertook a thorough data mapping of our current position, to understand differences between regions and functions in gender, nationality, ethnicity and age, with specific focus on:
  - Demographics
  - Performance management
  - Talent assessment
  - Profiles (who left the business over a given period, and why)
  - Employee satisfaction (measured through LDC's most recent 'People Survey' in 2018)
- We began developing a global LDC inclusive recruitment standard, exploring new interviewing and scoring mechanisms, and other tools to improve fairness, or prevent bias or discrimination in our recruitment process. Although details are yet to be finalized, and we must build the capacity of our HR teams to use the new tools, we aim to complete the standard in 2020.
- Efforts to establish global principles for promoting work-life balance are on track, with all preliminary work done in 2019.
- We asked each region to put in place specific frameworks to promote work-life balance and flexible working. These are not yet in place in most countries, but with Covid-19 making remote work a reality for many employees, we are accelerating this initiative toward completion in 2020.
- We are refreshing our employer value proposition and strategy, and should complete this in 2020.

With this mapping now complete, we are building our Global Diversity & Inclusion policy framework accordingly, aiming to have this in place by the end of 2020 (amending our original target for 2019).

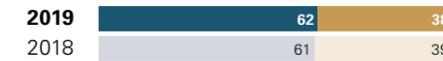
- Our HR teams worked to integrate diversity and inclusion materials into our employee onboarding process, with good progress in many countries. We are now targeting completion in 2020. They also launched e-learning courses to explain unconscious bias, and how to overcome it, to employees.

## Gender, by Region

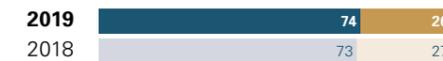
% of employees

- Male
- Female

### Europe, Middle East & Africa



### North America



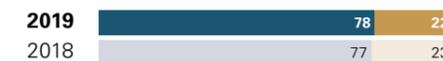
### North Asia



### South & Southeast Asia



### North Latin America



### South & West Latin America



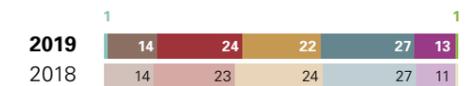
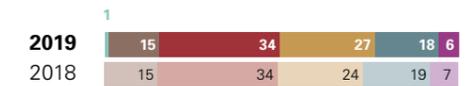
### Global



## Age, by Region

% of employees

- Under 20
- 20-29
- 30-39
- 40-49
- 50-59
- 60-69
- 70-79



## Nationality

% of employees



### Key

- Brazil
- United States of America
- Argentina
- China
- Russian Federation
- India
- Indonesia
- Ukraine
- Other

Working safely at our sugar refinery in Fujian, China



## 2020 and Beyond

Due to the global Covid-19 pandemic, our priority moving into 2020 has been to align processes and measures to ensure the safety and health of our people everywhere, while continuing to fulfill our role to keep essential food and feed supply chains moving globally. We will report on this in detail in our 2020 report.

Our aim to create a zero-accident work environment in all our assets will involve every individual, at every level of the organization, with a focus on our renewed targets of 5% year-on-year reductions in each of our safety indexes.

As outlined previously, we are taking a detailed, comprehensive, data-driven approach in pursuing our diversity targets, to ensure our actions are informed and fair to all employees. This will also help us track progress and measure our impact.

We will continue to work toward our ambitious targets for both workplace safety and diversity, improving conditions and quality of life for all our people – fairly and sustainably.

## New and Amended Targets

**Reduce lost time injuries to zero**

Deadline: **Ongoing**

**Reduce frequency of workplace accidents by 5% year-on-year**

Deadline: **2020**

**Reduce gravity of workplace accidents by 5% year-on-year**

Deadline: **2020**

**Reduce severity of workplace accidents by 5% year-on-year**

Deadline: **2020**

**Create a global diversity & inclusion policy framework**

Deadline: **2020**

**Integrate diversity & inclusion materials in local employee onboarding process everywhere**

Deadline: **2020**

**Create a global inclusive recruitment standard for LDC**

Deadline: **2020**

# Our Environment



By 2050, feeding a world population of nine billion will require 50% more agricultural production and 15% higher withdrawals of water<sup>1</sup>. The need to increase production may compete with the need to preserve land with high ecological value – land that is vital to our global ecosystem.

As a leading merchant and processor of agricultural goods, with a global network of processing facilities, logistic assets and limited farming operations, we have a responsibility to source and distribute products reliably and responsibly, helping reduce the environmental impact of our sector.

Our work focuses on several areas:

#### **Biodiversity**

Prevent habitat destruction that could be caused by our activities.

#### **Emissions and Energy Usage**

Target reductions in all areas of our business.

#### **Water**

Minimize freshwater use and ensure wastewater does not cause pollution, mainly at our processing sites.

#### **Solid Waste**

Save resources by reusing or recycling them, and avoid pollution by disposing of waste properly.

## **Financing Linked to Environmental Performance**

**In 2019, we took several big steps to connect our environmental performance with how we finance our company.**

As we renewed our regional syndicated Revolving Credit Facilities, for the first time we built in a sustainability-linked interest-rate mechanism aligned with our global commitment to reducing the environmental impact of our activities (more details in the Finance section, pages 72-75).

<sup>1</sup> The World Bank, 2017 (blog, <https://blogs.worldbank.org/opendata/chart-globally-70-freshwater-used-agriculture>)

## Biodiversity

We make the protection of ecosystems a priority, both in our daily business operations and when we expand into new activities, recognizing that losing land of high ecological value destroys habitats, has knock-on effects for climate change, affects water retention in soils and can disrupt local communities.

Having made our company-wide 'No Deforestation, No Peat, No Exploitation' (NDPE) commitment in 2016, we now work as follows:

- Before starting any new construction or expansion project, we conduct environmental and social impact assessments, for example, as we build new export logistics capacity in northern Brazil.
- When extending facilities or developing new ones, we replace any habitats we have had to build over.
- We create and follow Biodiversity Protection and Conservation Plans at our 32 Rainforest Alliance Certified™ citrus farms in Brazil, planting over 35,000 native trees around these in 2019 (see page 82).
- We train farmers in responsible agricultural practices that preserve habitats – for instance in coffee, working with NGOs and customers in a number of countries (see pages 64-67), in cotton, working with a certification entity in Zambia (see page 70) and in juice (see page 82).

Our NDPE commitment is a key focus for our palm and soy businesses, as detailed on pages 84 and 90 respectively.

## Targets

**Reduce electricity and energy consumption by 1% year-on-year**  
Completion: **2019**  
Progress: **Completed**

**Reduce CO<sub>2</sub> emissions by 1% year-on-year**  
Completion: **2019**  
Progress: **Completed**

**Reduce water consumption by 1% year-on-year**  
Completion: **2019**  
Progress: **Completed**

**Reduce solid waste sent to landfill by 1% year-on-year**  
Completion: **2019**  
Progress: **Completed**

**Reduce energy consumption by 1% year-on-year, each year from 2018-2022**  
Completion: **2022**  
Progress: **In progress**

**Reduce CO<sub>2</sub> emissions by 1% year-on-year, each year from 2018-2022**  
Completion: **2022**  
Progress: **In progress**

**Reduce water usage by 1% year-on-year, each year from 2018-2022**  
Completion: **2022**  
Progress: **In progress**

**Reduce solid waste sent to landfill by 1% year-on-year, each year from 2018-2022**  
Completion: **2022**  
Progress: **In progress**

# Environmental Performance



Our terminal in Port Cartier, Québec, Canada

## CO<sub>2</sub> Emissions Index (kg CO<sub>2</sub>e/MT)

### Europe, Middle East & Africa



### North America



### Asia



### North Latin America



### South & West Latin America

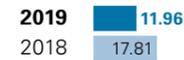


### Global

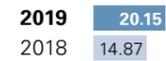


## Electrical Power Consumption Index (kWh/MT)

### Europe, Middle East & Africa



### North America



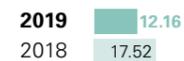
### Asia



### North Latin America



### South & West Latin America



### Global



In 2019, LDC significantly out-performed global annual reduction targets across all four of our environmental key performance indicators: CO<sub>2</sub> emissions, electricity and energy consumption, water usage and solid waste sent to landfills.

Some reductions are explained by external factors, but we can attribute much of them to our efforts to improve performance in 2019.

After a difficult 2018 baseline year, as reported last year, this puts us back on track to meet our global 5% reduction goals by 2022<sup>2</sup>.

Each of our business regions has targets to contribute to the company's global reduction goals, but also specific targets to generate efficiencies right down to asset level.

The following breakdown of our performance shows where opportunities arise to step up action across our global portfolio, while the case studies illustrate how efforts at individual sites boost performance.

## Water Consumption Index (m<sup>3</sup>/MT)

### Europe, Middle East & Africa



### North America



### Asia



### North Latin America



### South & West Latin America



### Global



## Solid Waste Index (MT/MT)

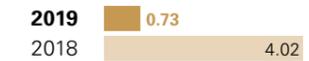
### Europe, Middle East & Africa



### North America



### Asia



### North Latin America



### South & West Latin America



### Global



<sup>2</sup> Our 2018 data was audited after the publication of our 2018 Sustainability Report, and some adjustments made. As a result, the figures included in this report for 2018 are different to those previously reported.



Each of our regions has specific targets to generate efficiencies right down to asset level

## Emissions Index (kg CO<sub>2</sub>e/MT) CO<sub>2</sub> Emissions

Our emissions index shows the quantity of CO<sub>2</sub> emitted per ton of feedstock crushed or processed, for each region we operate in. It is measured in kilograms of carbon dioxide-equivalent per metric ton of feedstock (kg CO<sub>2</sub>e/MT).

Compared to 2018, our assets processed 13% more feedstock, which helped reduce our emissions per metric ton of production. We also achieved significant reductions through efficiency savings at our assets.

For example, our cottonseed processing asset in Itumbiara, Goiás State, Brazil, found an alternative fuel source with a greater calorific value and lower emissions. By burning cotton linter in their boiler, rather than wood or cottonseed bark, they reduced emissions by 29%.

### Case Study Efficiency Savings in Action

Soybean oil is produced by extracting the oil from soybeans that have been cracked, heated and rolled into flakes. Following this process, the remaining soy flakes are heated to eliminate any residual hexanes before storage. This is done using hot air, in dryer-cooler (DC) equipment that uses steam to heat the air.

Our team in Tianjin, China, developed a way to reuse heated air to pre-warm air introduced into the DC system for the next batch. This way, air begins the process at a higher-than-ambient temperature, reducing the amount of steam needed to bring it to the required temperature. This initiative cut annual steam consumption by 12,000 tons, helping the site to reduce emissions by 5%, and also saved water.

**CO<sub>2</sub> Emissions**  
**Down 11%**  
2019: 38.61  
2018: 43.43



New solar panels at our oilseeds processing plant in Tianjin, China

## Electrical Power Consumption Index (kWh/MT) Electricity and Energy Consumption

Our electrical power consumption index shows the ratio of electrical power consumed to process feedstock in each region. For industrial facilities, this refers to feedstock processed, and in the case of a warehouse or logistic facility, we refer to feedstock handled. The unit of measurement is kilowatt-hours per metric ton (kWh/MT).

As with CO<sub>2</sub> emissions, the increased volume of feedstock crushed in our assets worldwide helped reduce our energy consumption. However, we made the majority of savings by changing to new, more efficient equipment, particularly engines, in various assets.

### Case Study Investing in Solar Energy

At our oilseeds processing facility in Tianjin, China, we installed photovoltaic panels on more than 18,000m<sup>2</sup> of unused rooftops in seven locations. These now supply 3% of the site's electricity, reducing our carbon footprint.

This is one of many more projects that have reduced overall electricity consumption at the site, such as the installation of frequency inverters in five fans at the crushing plant, saving around 950 megawatt-hours (mWh) annually.

**Energy Consumption**  
**Down 10%**  
2019: 17.57  
2018: 19.48

### Case Study Modernizing Equipment

Our Claypool plant in Indiana, US, uses a large volume of compressed air for its automated processes and air-powered tools. To supply this, the site used to operate two water-cooled compressors full time, which consumed more electricity than modern systems. In 2019, we replaced these with two new air-cooled compressors, which are much more efficient and economic, to the extent that the site mostly needs to run only one of these at a time.

The investment has generated total annual electricity savings of 741 mWh.



We improved waste collection systems at our juice facility in Bebedouro, São Paulo State, Brazil

## Solid Waste Index (MT/MT)

# Solid Waste Sent to Landfill

This index shows the amount of waste produced and sent to a landfill for every ton of feedstock crushed or processed. It is measured in metric tons per metric ton (MT/MT).

This year's major reduction in solid waste sent to landfill was due largely to measures introduced at our oilseeds processing asset in Balikpapan, Indonesia. Our teams there found a partner to recover all spent bleaching earth from the refining process, and residual ash from the coal boiler, for use in production at their cement factory. While this is common in the industry, our facility is located far from potential partners, so we were fortunate to find one to work with. With this approach, the plant no longer sends any waste to landfill, creating a 100% reduction. As Balikpapan is one of our largest assets, this had a massive impact on our global figures.

### Case Study

#### Waste Separation

Our juice facility at Bebedouro, São Paulo State, Brazil, took steps to improve collection systems for recyclable waste generated in its operations. Our teams painted the collection drums to identify clearly which materials should be put in each one, placing these in different areas throughout the site. In parallel, we ran an awareness campaign to reinforce the importance of recycling to local employees.

These efforts reduced waste sent to landfill in 2019 by 45% year on year, and also generated income for the site through the sale of collected materials to recycling companies.

**Solid Waste**  
**Down 57%**  
 2019: 0.56  
 2018: 1.30



We find ways to reuse water whenever possible

## Water Consumption Index (m<sup>3</sup>/MT)

# Water Usage

This index shows the ratio of water used for each metric ton of feedstock crushed or processed. It is measured in cubic meters per metric ton (m<sup>3</sup>/MT).

As with our other environmental key performance indicators (KPIs), the increased volume of feedstock crushed in our assets worldwide contributed in part to the reduction in our water consumption index. However, a significant proportion of the reduction was achieved through a combination of leakage control, water reuse and process improvements.

### Case Study

#### Recycling Clean Water

At various LDC sites around the world, our teams are identifying opportunities to reuse water, putting it through closed circuits, to reduce the need to draw clean water from a range of freshwater sources.

At our oilseed processing asset in Alto Araguaia, Mato Grosso State, Brazil, all wastewater treated in our plant is reused in cooling towers in the site's refinery and extraction areas, eliminating the

need to draw, treat and pump fresh water for that process. The site also has a system to collect rainwater. Combined, these initiatives helped reduce local water usage by 20% and electricity consumption by 1% in 2019.

Also in Brazil, at our cottonseed processing plant in Paraguaçu Paulista, São Paulo State, several pumps move cottonseed oil and other liquids throughout the site. Pump seals warm up while the pump is running, and the water used to cool those seals is also re-used for local cooling towers.

### Case Study

#### Wastewater Treatment

Where we cannot reuse water, we do all we can to improve the treatment of our wastewater.

In Argentina, our General Lagos team made efforts to improve the quality of wastewater from its biodiesel plant, directly in the areas where it is produced, embracing the concept of cleaner production. They identified and acted on many opportunities to minimize pollutants at intermediate points in the process, such as modifying operating parameters, and cleaning equipment more frequently.

Together, these initiatives achieved an 83% reduction in wastewater pollutants, with no need for investment in the treatment plant itself.

**Water Consumption**  
**Down 14%**  
 2019: 0.51  
 2018: 0.59

### Looking Ahead

We will continue to work toward 5% reduction between 2018 and 2022, in each of our four environmental KPIs, with the additional incentive of interest-rate reductions on regional syndicated Revolving Credit Facilities, now linked to our environmental performance.

You can read more about our sustainability-linked financing in the Finance section (pages 72-75), and about efforts to protect the environment in each of our business lines, in the sections dedicated to these.

# Our Partners



We recognize that we can have a greater impact by working with others

As a leading global merchant and processor of agricultural goods, we are well placed to exert a positive influence throughout the value chain.

We make the most of our position to learn from, train and work alongside other organizations and individuals – recognizing we can have a greater impact through collaboration, as advocated by Sustainable Development Goal 17: ‘partnerships for the goals’.

This section includes views from some of our partners on our efforts, which you can read about in the sections covering specific business lines:

- Coffee:** pages 62-67
- Cotton:** pages 68-71
- Finance:** pages 72-75
- Freight:** pages 76-79
- Juice:** pages 80-83
- Palm:** pages 84-89
- Soy:** pages 90-97

We also worked with financial sector partners to integrate sustainability into our financing model, and you will find more information on this in the Finance section on page 72.

# Collaboration in 2019

LDC took part in several valuable initiatives and interactions in 2019. These are set out in the table overleaf, and in each specific business section, while some are highlighted here.

## Rice

This year we organized an initial investigation into our suppliers' practices, following potential concerns about labor-related human rights issues in some rice-producing areas of Thailand and Vietnam.

To understand where in our supply chains, if at all, we might need to take action, our teams visited and reviewed the operations of a selection of suppliers in both countries, covering each stage of the supply chain, and interviewing various stakeholders.

### Thailand

In Thailand, we found little evidence of child labor risks at farm level, or of an extensive need for manual labor at all, since most tasks in rice cultivation are mechanized. We also investigated potential issues with migrant labor, given local labor shortages and well-publicized concerns about human trafficking from neighboring Myanmar and Cambodia. The employment terms and housing provided to the migrant workers we met were encouragingly good.

Overall, our initial observations were positive and we agreed to follow up with a detailed discussion of the situation with the local *International Labour Organization* (ILO) representative to verify our findings and provide more in-depth insight.

We investigated rice labor practices in Thailand and Vietnam



### Vietnam

Here also, we found no evidence of child labor or human rights issues. We met the local ILO representative, who confirmed this view. According to the ILO, 98% of children in Vietnam are in full-time education up to the age of 15, and their research into hazardous work in the country found no involvement of children at all. As in Thailand, they also found that mechanization has tended to eliminate poor labor practices. Unlike Thailand, no potential migration-related issues arose, with only some people commuting daily across the border from Cambodia to work in the agricultural sector, and no apparent concerns were raised.

We recognize that our findings, while encouraging, were not exhaustive, and we commit to continue to monitor the situation through the ILO and to schedule periodic reviews with partners in our supply chains in both countries.

## Sugar

As we do not grow sugar, we continued to support *Bonsucro* by encouraging our suppliers to adopt its standards and practices for sustainable sugar production, aiming to merchandize *Bonsucro*-certified sugar wherever possible.

Between 2017 and 2019, we increased the volume of *Bonsucro*-certified sugar we purchase and merchandize five-fold.

Our Geneva trading team and all our US facilities and trading entities are *Bonsucro*-certified and, three years on from our initial certification, we are working toward re-certification in June 2020.

In addition, our *Imperial Sugar* refinery in Savannah, Georgia, US, is regularly audited under the *Sedex Members Ethical Trade Audit* (SMETA) system, with the most recent audit in January 2020. This code covers:

- Labor standards
- Health and safety
- Environmental profile
- Business ethics

With customers increasingly requesting sustainability information, we continue to build up our capability to trace raw sugar arrivals back to mill level, though some suppliers still mix bulk sugar from multiple mills at their port warehouse before shipment.

# Stakeholder Engagement



Rice fields in Vietnam

Stakeholder Group	Engagement Method	Topics Addressed	Example Areas of Interaction
Communities	Open days, volunteering, training	Health, education, nutrition	<ul style="list-style-type: none"> <li>Community projects – pp52-61</li> </ul>
Customers	Meetings, web portals	Certification, project development	<ul style="list-style-type: none"> <li>Projects with <i>Jacobs Douwe Egberts</i> and others – pp64-67</li> </ul>
Donors	Calls, meetings, field visits	Project design and implementation	<ul style="list-style-type: none"> <li><i>Louis Dreyfus Foundation</i> partnership – p55</li> </ul>
Employees	Intranet, forums, training	Volunteering, safety training	<ul style="list-style-type: none"> <li>Safety, Health &amp; Environment Day – p25</li> <li>Global Diversity &amp; Inclusion Oversight Committee – p26</li> <li>Regional Community Committees – p11</li> </ul>
Financial Community	Meetings, regular calls	Annual and semi-annual progress discussions	<ul style="list-style-type: none"> <li>Reporting on environmental targets linked to syndicated Revolving Credit Facilities – p72</li> <li><i>European Bank for Reconstruction and Development</i> (EBRD) project finance – p74</li> <li>EBRD testimonial – p48</li> </ul>
Multilateral Bodies	Meetings, forums	Human rights, environment	<ul style="list-style-type: none"> <li><i>United Nations</i> (UN) testimonial – p50</li> <li>UN participation in our Human Rights Committee – p11</li> <li><i>Tropical Forest Alliance</i> (TFA) testimonial – p46</li> <li>TFA secondment – p93</li> <li>UN Green Commodities Program – p96</li> <li><i>Soft Commodities Forum</i>, on soy traceability – p92</li> </ul>
NGOs	Meetings, calls, secondments	Various topics across campaigns, progress reports, meetings, roundtable discussions	<ul style="list-style-type: none"> <li>Collaboration with <i>The Nature Conservancy</i> – p90</li> <li><i>Sustainable Trade Initiative</i> (IDH) collaboration – p70</li> </ul>
Peers	Meetings, calls	Pre-competitive collaboration opportunities	<ul style="list-style-type: none"> <li><i>Soft Commodities Forum</i>, on soy traceability – p92</li> </ul>
Suppliers	Meetings, forums, training	Certification, codes of conduct, environment, human rights	<ul style="list-style-type: none"> <li>Coffee suppliers – pp62-67</li> <li>Cotton suppliers – pp68-71</li> <li>Juice suppliers – pp82-83</li> <li>Palm suppliers – pp84-89</li> <li>Soy suppliers – pp90-97</li> <li>Sugar suppliers – p43</li> <li>Training farmers – pp55-59, 64-67, 70-71, 82-83, 86-87 and 93</li> </ul>

## Stakeholder Insights

### Collective Action in the Cerrado: LDC's Pivotal Role to Ensure Forest Resilience via Sustainable Soy



**Justin Adams**  
Executive Director  
Tropical Forest Alliance

**Covid-19 has intensified our species' existing stress points. Many of us are locked in at home, but companies like LDC retain a critical role in keeping complex supply chains moving to meet ongoing demand for food.**

While near-term attention is on the health crisis and economic fallout of the pandemic, the ability to keep food supplies moving is critical to avoid an even bigger humanitarian crisis. The *World Food Programme* is warning that the number of people suffering acute hunger could double to 265 million people in 2020 because of disruptions to food supply.

Yet as we move beyond immediate and near-term risks to the global economy, the longer-term risks of climate change and biodiversity loss remain. This was laid bare in the Annual Global Risk Report of the *World Economic Forum* in January. There are few sectors under greater scrutiny than food and agriculture, as a driver of both biodiversity loss and climate change, with the disruption that these may wreak on crop yields and supply chains.

The dilemma of how to feed a growing population sustainably, without undermining the productive capacity of our lands and waters, has never been greater.

If Covid-19 teaches us anything it is the importance of resilience. And if our response to the pandemic offers one insight, it is the limits of acting alone. No family, firm or even country can solve a global problem, whether pandemic or carbon emissions, by itself. Only through collaboration can we turn the tide. By harnessing our resources and linking our efforts – rising from local stewardship to business mobilization to intergovernmental coordination – *Homo sapiens* will more than endure; we can transform our fragile and lopsided system, and graduate into a more equitable and resilient civilization.

Collaboration defines the *Tropical Forest Alliance* (TFA), the leading global partnership to address commodity-driven deforestation. We have no choice. After all, TFA owns no forested hectares, enforces no laws, governs no voters and supplies no customers. Instead, we voluntarily persuade public and private forest stakeholders to engage with each other in new ways.

Time grows short. We lost 166 million hectares of tropical forests globally between 2001 and 2018 to expanding commodity production – 46% of the total forest loss. This is an area the size of France, Spain, Germany and Italy combined – an unimaginably large loss. Soy and palm oil expansion alone accounted for over 19 million hectares. Global demand for these commodities keeps growing, and NGO pressure campaigns have escalated. Yet forest country governments and producers increasingly resent demands from northern countries for “sustainable, clean, deforestation-free production,” if customers are unwilling to pay producers extra to conserve or restore their land.

Traders like LDC sit at the intersection of these dilemmas and will be under ever-increasing scrutiny and pressure to solve the complexities. The conversation on soy production in Latin America remains one of the most heated and fractious debates. LDC's soy sustainability policy, launched in 2018, is amongst the strongest of its peer groups. A clear path to zero habitat conversion is to be applauded. Nonetheless, beyond leading by example, there is more LDC and its peers must do in at least three arenas.

The first is transparency. Even without a global agreement in place, the letter and spirit of national laws make it ever-more critical that buyers be able to trace the origin of every soy shipment. LDC's tracing and monitoring of 97% of its palm suppliers is a first step forward and one to build on. High-tech distributed ledgers like blockchain that trace products back to individual molecules unlock a new frontier. The new *Covantis* joint venture recently launched by major traders, including LDC, should allow all stakeholders in the soy sector to secure a digital platform that minimizes risk exposure yet improves market efficiency. It is certainly a platform worth watching and encouraging, to advance sectoral transparency. Advancing transparency is the foundation for trust amongst all stakeholders.

Building on that foundation requires innovative finance. We need incentives that motivate farmers to expand production on to already cleared lands or conserve even more native vegetation than the law requires. LDC and other traders are experimenting with innovative schemes but we need solutions that go further across a broader landscape or across the whole sector. With an increasing interest in nature-based solutions from many sectors and growing calls for nature to be at the heart of a green recovery, there may finally be opportunities to advance Payment for Ecosystem Services in a meaningful way.

Finally, any enduring solution will include diverse stakeholders, between public and private sector as well as up and down the value chain, including small producers whose voice has too often been ignored. Reaching those widely dispersed frontier communities can take extra time. But the additional effort to do so secures a clean economic outcome that is socially equitable – and built to last. By engaging in constructive advocacy, LDC and other market leaders not only support agricultural development and rural livelihoods, they also help eliminate deforestation from supply chains.

For all these reasons, we are delighted that LDC formally joined the TFA in 2019 and has now seconded its Global Sustainability Manager for Grains & Oilseeds, Cristina Hastings Newsome, to the TFA Secretariat for 2020, to help accelerate action in oilseed supply chains.

The company is well positioned to look beyond its own assets and shape decisions that benefit multiple stakeholder groups. This is at the core of the Collective Action Agenda that we launched in March 2020, highlighting where and how companies and other stakeholders can work together to advance the broader agenda.

As LDC knows, deforestation is complex, and mass collaboration is never fast, easy or simple. Yet from field to fork, the value of the work transcends any P&L statement to reveal the meaning and purpose of sustainable business.

# Toward Climate-Smart Agricultural Value Chains



**Craig Davies**  
Associate Director  
Energy Efficiency & Climate  
Change Team  
European Bank for Reconstruction  
and Development (EBRD)

**There is increasing awareness of the implications of climate change for economies and businesses, and of the need to internalize information about climate change in financial and business decision-making.**

This shift is being reinforced by recommendations and emerging regulatory frameworks from influential bodies such as the *Financial Stability Board's Task Force on Climate-related Financial Disclosures* (TCFD), the *Network for Greening the Financial System* (a coalition of more than 40 central banks and financial supervisors), the *EU Commission's Sustainable Finance Action Plan*, and a number of national regulatory and supervisory bodies. EBRD supports companies in this adjustment to their business models and internal corporate governance, in order to align their business operations with low-carbon and climate-resilient pathways, in line with these emerging best practices.

For companies that already routinely upgrade the technologies they use to minimize greenhouse gas emissions, the next step is to start looking more closely at the broader

corporate behaviors that need to be adjusted – which includes asking more detailed questions about climate risk management, so more decision-useful information is gathered and better-informed decisions can be made.

In order to optimize business performance, economic output, and financial stability in the face of the necessary decarbonization of the global and local economy, and of the inevitable physical impacts of climate change, EBRD is providing resources and technical support to its clients to integrate the required practices and procedures to make this shift. An excellent example of this is the EBRD's provision of a US\$100 million financing facility to LDC, a partner of the EBRD since 2000, to facilitate the company's regional expansion in Bulgaria, Egypt, Kazakhstan, Poland, Romania, Tajikistan, Turkey and Ukraine.

Focusing on two of LDC's key value chains in the EBRD region – cotton in Turkey, and grain in Ukraine – this expansion will give many regional small and medium-sized grain and cotton farmers in the EBRD region access to LDC's supply chains, which is important for their development and planning activity. As part of their cooperation with LDC, small farms will also receive training on modern agronomic practices in order to improve the quality of their produce. The programme will support cross-border trade flows and the expansion of the agricultural commodities market.

The investment will also foster the adoption of an enhanced climate corporate governance approach for LDC in line with TCFD guidelines – an approach seen as the next evolution of corporate thinking about climate action. This will include the development of new tools for climate-related risk management and associated decision-making, as well as climate scenario stress testing of grain harvests in Ukraine and cotton harvests in Turkey. A key part of the ongoing LDC-EBRD cooperation is the development of these new tools.

These two countries and agricultural value chains – which in LDC's case incorporate hundreds or even thousands of farmers and intermediaries, providing

a significant demonstration effect – were chosen from within the EBRD regions of central and eastern Europe, central Asia and northern Africa for the specific challenges they represent.

The cotton value chain is an interesting case for physical climate risk tests, especially in relation to water stress, because cotton is a thirsty crop that uses a lot of water, and Turkey is a country with less and less water. Focusing on grain in Ukraine is likely to be interesting from the point of view of risks associated with decarbonization. Grain production is to some degree carbon-intensive – fertilizers used are made from natural gases, and emissions are involved in their production, and then there are all the logistics and trucks – and Ukraine is a carbon-intensive country, much of whose electricity largely comes from burning coal.

As a key player in these two sectors, which represent significant climate change challenges, LDC is committed to addressing these challenges and creating a showcase of ways to integrate climate-related information in decision-making in line with best practices. Once the new tools for risk management are developed, the expectation is that they can also be applied elsewhere in the LDC network – maybe even in Colombia's coffee farms.

EBRD will increasingly work with clients like LDC on improving climate corporate governance, and encourage the integration of climate-related information and risk assessments into business planning. The theme is becoming a major organising principle for the EBRD's green finance work. Four years into its five-year *Green Economy Transition* approach, under which it pledged to raise green finance from 25 to 40 per cent of its total investments by the end of 2020 – a goal it looks set to meet comfortably – the Bank is set to raise its ambition further for the next five years. Climate corporate governance will play a big part.

# Addressing Human Rights Needs Leadership From the Top



We strive to empower people throughout our value chains



**Lene Wendland**  
Chief, Business and Human Rights, Development and Social and Economic Issues Branch  
Office of the United Nations High Commissioner for Human Rights

Any big multinational corporation is faced with the challenge of where and how to prioritize action to prevent and mitigate risks of causing harm to people. For a company like LDC, which operates in countries, and with commodities, that are often associated with human-rights risks, the challenge of identifying and prioritizing where to act is particularly acute.

This challenge is even greater in light of the Covid-19 pandemic, which has added additional layers of human-rights risks to many of the company's business activities. The United Nations Guiding Principles on Business and Human Rights (UNGPs) provide a framework for how to meet this challenge.

All companies, whatever their size or sector, have a responsibility to respect human rights across their operations, and throughout their supply chains and other business relationships. This responsibility is set out in the leading *United Nations* (UN) standard for business and human rights –

the UNGPs – which was unanimously endorsed almost ten years ago by the UN Human Rights Council.

The UNGPs set out a clear roadmap for companies to 'know and show' that they operate with respect for human rights. Firstly, all companies should have a clear policy commitment to respect human rights, approved at the most senior level of the company. The 'tone from the top' of the company is necessary to signal both internally and externally the seriousness with which a company takes its commitment to human rights, and to ensure that efforts to embed the commitment into operational policies and procedures are acted upon.

In LDC, the implementation of the company's human-rights policy is overseen by a Human Rights Committee chaired by the CEO and comprising senior members from across the business. This high-level oversight of how the company's human rights commitment is implemented sends a strong message of LDC's commitment to embed human rights into core business decisions.

Secondly, the UNGPs set out a process for human-rights due diligence to enable companies to identify, prevent, mitigate and account for how they address their actual or potential impacts on human rights. This four-step process involves identifying and assessing impacts, acting on findings, tracking effectiveness of measures taken to mitigate risk, and communicating how human-rights impacts are being addressed.

Finally, the UNGPs stipulate that where companies find they have caused or contributed to human-rights harm, they should provide for, or cooperate in, remediation.

Human-rights due diligence can be included within broader enterprise risk-management systems, provided that it goes beyond simply identifying and managing material risks to the company itself, to include risks to people.

While companies are expected to identify and address *all* human-rights risks, the UNGPs recognize that where a big company like LDC has large

numbers of entities in its value chains, it may be unreasonably difficult to expect it to conduct due diligence across all of them. Where that is the case, the company should identify general areas where the human-rights risks are most significant, whether due to the operating context or where certain commodities pose particular risks, and prioritize these areas for human-rights due diligence.

Similarly, where it is necessary to prioritize responses to identified human-rights risks or impacts, the company should first try to prevent and mitigate those that are most severe. In other words, where prioritization is necessary, LDC should focus on the areas of its business that raise the most severe human-rights issues.

For many companies there is a temptation to prioritize human-rights issues that may be more easily addressed, or where an issue is in line with the company's broader CSR and sustainability priorities. However, supporting and promoting human rights does not offset the responsibility to respect human rights in business processes and operations and, hence, to firstly prevent and address the most severe human-rights risks that a company is associated with.

Human rights situations are dynamic. This fact has been brought into stark relief by the Covid-19 crisis, which has radically changed the operating context of most companies in the world, and not least a commodities company like LDC. This requires an urgent assessment of the human-rights impacts of the crisis, prioritizing the most severe impacts, particularly on the most vulnerable populations in its value chain, for attention and action.

With its strong policy commitment on human rights, which is informed by the UNGPs and overseen by top managers, LDC is well positioned to respond to the human-rights challenges presented by the crisis.

# Our Communities



Many of our projects support farming communities through training in sustainable agriculture practices

At LDC, we encourage our 18,000 employees around the world to suggest or get involved in projects that support and improve the lives and welfare of the communities we operate in.

In this way, we aim to contribute to the *United Nations'* Sustainable Development Goals (SDGs) relating to education, poverty, health and life on earth. We do this by working with local experts who understand the context of these communities, to help create jobs, train people to improve their livelihoods, support health and education projects, empower vulnerable populations and protect the environment.

## LDC Projects in 2019

### Environmental Education and Clean-ups in Brazil

In place since 2014, our education program 'Together for the Environment' encourages elementary school pupils to adopt good environmental practices, through activities that they can replicate easily at home.

Students visit our Rainforest Alliance Certified™ farms in the states of São Paulo and Minas Gerais, learning about recycling and sustainable agriculture, and helping to plant native seedlings. At the end of the program, each child receives an illustrated booklet with tips on responsible consumption and recycling, and information on sustainable orange juice production, as well as a certificate, a gift T-shirt and a 'magic' seed that spells the word 'nature' when it sprouts.

Also in Brazil, several of our teams volunteer to clean up areas near our assets. In 2019, for example, 50 employees and their families cleaned over 2.5km of beach in Santos, São Paulo State. Another 45 volunteers cleared waste on Ilha do Amparo, in the bay of Paranaguá, Paraná State.

### Mentoring US Students

Colleagues at our office in Wilton, Connecticut, US, support a number of local educational charities.

For example, every year a group of LDC employees each mentors a child between the ages of 6 and 18, supporting them in their studies, helping them shape their future plans and acting as role models. Eight mentors participated in this initiative in 2019 through the Norwalk Mentor Program, whose work we also sponsor.

## Update on Vipingo School in Kenya

**Our 2018 Sustainability Report highlighted a new project to provide healthy breakfasts at Vipingo School in Kilifi County, Kenya.**

Launched formally in March 2019, our local team has since delivered food to the school every month to give its students, many of whom would ordinarily eat just one meal daily, a nutritious breakfast each morning. In partnership with the local government, we also restored the school's lighting system to guarantee a well-lit learning environment at all times.

Encouragingly, the school teachers reported that student absences have decreased and academic performance has improved. In addition to continuing to provide the school with food, in 2020 we plan to donate furniture and computers, and to support the construction of a new classroom and head teacher's office.

## Flood Response in Paraguay and Argentina

**Major floods in May 2019 along the Paraguay River caused widespread destruction of homes, and mass evacuations in Paraguay and Argentina.**

Several local LDC teams rapidly coordinated efforts to collect and deliver food, blankets and hygiene products to over 30 displaced families as part of emergency relief efforts.

A participant in our coffee training project in Indonesia



**Louis Dreyfus**  
Fondation d'entreprise

## Partnering with the Louis Dreyfus Foundation

**Our employees can also seek support for projects from the *Louis Dreyfus Foundation*, which we work closely with to increase the impact of initiatives, especially those supporting smallholder farmers to improve their livelihoods through more sustainable farming.**

In turn, Foundation projects count on the expertise and support of local LDC employees around the world, and complement our own community programs. We outline some of our projects with the *Louis Dreyfus Foundation* below, with plans to increase our collaboration in 2020.

### Coffee Vocational Training in Indonesia

**In the Batu Brak district of West Lampung, a major coffee-growing region in the country, we are training the next generation of coffee farmers in sustainable farming practices, as well as financial and post-harvest management.**

The project promotes coffee farming as a career among the younger generation of coffee farmers in these rural communities, and equips them with industry knowledge and farming skills that can help them build sustainable, meaningful livelihoods as modern coffee farmers after high school.

The initial pilot taught 90 young people about the Lampung and global coffee markets, as well as best practices in coffee farming, financial management of coffee farms and post-harvest management. It has significantly improved their outlook on their future as farmers. We hope to both extend and make the program permanent, with its own vocational center, and have started discussing these possibilities with the local government.



Inspiring future generations of farmers in Colombia and Brazil

## Educating Future Coffee Farmers in Colombia and Brazil

One key to a sustainable coffee industry is to encourage the next generation of farmers to take over, rather than look for other work.

Our projects in Minas Gerais State, Brazil, and Huila District, Colombia, aim to do just this, promoting the coffee business to young people as an economically attractive prospect. We do this by teaching best practices in coffee production, soil fertility, pollution and waste management, efficient use of agrochemicals and post-harvest activities such as drying and storage.

In 2019, LDC agronomists delivered 88 training sessions, both classroom and practical, to 230 students across the two locations. We also invited trainees to visit our coffee assets, including a warehouse and a mill. Alongside this, agronomists visit farms monthly to monitor progress, offer further advice and provide maps, signs and first-aid kits to help farmers in training comply with health and safety standards.

In 2020, we plan to deliver training to 290 students, adding a demonstration plot in Huila District where students can plant new coffee seedlings and cultivate them.

## School Renovation in Argentina

CEREC high school serves the indigenous Qom community in the Chaco province of Argentina, in an area that is hard to access, being 20km from any main road.

The community's traditional agriculture generates low yields and limited income, a situation made worse by erratic rainfall patterns. With limited employment opportunities, many of the local youth tend to leave to seek work elsewhere.

The school program provides a general education, but also focuses on agricultural techniques, agri-enterprises and self-sufficiency practices in agriculture. It needed to renovate its facilities and become more financially self-sustaining, which is the objective of our project with the school. We funded infrastructure repairs, which created jobs, and helped scale up the school's agricultural production so it can sell produce in addition to feeding pupils.

In 2019, the school was able to establish facilities for beekeeping, fruit and vegetable cultivation, and goat and poultry rearing. The team also fully weeded the school's seven

hectares of land, installed perimeter fencing and constructed a 160,000-liter water reserve.

As well as directly supporting the 163 current students and teachers, the project has indirectly benefited approximately 1,200 of their family members, and other schools in the area now see CEREC as an excellent model to follow.

## Creating Sustainable Ecosystems in Indonesia

In Sumatra, agriculture is the main economic activity but is threatened by environmental degradation and poor farming practices.

Working in the provinces of Aceh, North Sumatra and West Lampung, our project helps farmers mitigate these risks by teaching them good agricultural practices (GAPs) and agroforestry techniques to improve their farm ecosystems. Alongside training, we give farmers fruit trees to plant on their farms, to create more shade for coffee plants and an additional source of income. These measures aim to secure the quality and long-term availability of coffee, while improving farmer livelihoods.

Agricultural practice training reached 2,691 farmers in 2019, 489 took part in the agroforestry training, and 100,000 trees were planted.

A GAPs training workshop for coffee farmers in Sumatra, Indonesia





Young shade trees ready for planting in Uganda

The project also helped to renovate coffee plantations for 241 farmers who trained in GAPs and, in North Sumatra, farmers in four villages have also built their own coffee plant nursery with assistance from our agronomists. Alongside this, 100,000 coffee seedlings were distributed to project beneficiaries between 2018 and 2019.

We will continue coffee nursery and seedling activity in 2020, and extend it to supplement training in Aceh province.

## Update on Vocational Education in Côte d'Ivoire

**Our 2018 Sustainability Report reported on the start of work to build and set up the running of an agri-school in the Savanes district of northern Côte d'Ivoire, to improve access to agricultural education in an area where the government wants to prioritize agricultural development.**

After completing planning and supplier selection, we are pleased to report that the school officially opened in October 2019, in Niofoin village, inaugurated by members of national and regional government and our Chairperson, Margarita Louis-Dreyfus.



Agroforestry training in Uganda

The school welcomed 32 students in its first year, and has capacity to teach up to 70. It has six buildings, including a classroom, boarding houses, an office, a kitchen and housing for staff, and is equipped with solar panels, latrines and a water tank with solar pump.

Its curriculum balances core subjects such as mathematics and written skills, with professional modules from agronomy to farm management. Practical learning takes place on demonstration plots and small farms attached to the school. We hope this marks the beginning of an exciting new chapter in socio-economic development for the region.

## Update on Agroforestry for Sustainability in Uganda

**This project has been an ongoing partnership between LDC, the Louis Dreyfus Foundation and social business PUR Projet since 2014.**

In 2019 it expanded into Uganda, targeting smallholder farmers in the *Rwenzori Farmers Cooperative Union*, who operate in a heavily deforested area and struggle with the adverse environmental and economic effects of climate change.

The project trains farmers in good agricultural practices to help regenerate the region's degraded forest ecosystems, helping make farming viable for the long term, and improving farmer livelihoods.

The main activities in 2019 were:

- **Agroforestry:** Canopy management being a major issue in Uganda, we focused on planting trees for shade, to protect coffee trees and other plants, and for fruit, to provide a secure food source. We also planted fodder grass to prevent soil erosion.
- **Agricultural practices:** We introduced a comprehensive training curriculum based on the cooperative model, to encourage local ownership. 'Lead farmers' receive intensive training and then oversee a group of 30 other farmers. The leads are also responsible for demonstration plots, visiting members of the group and organizing sessions to review practices.

In 2019, the project planted 60,000 trees on around 244 farms, and trained 800 farmers. In 2020, the aim is to involve more women farmers, as it has been more difficult to involve women here than previously in Ethiopia. Initial steps to improve women's inclusion included completing a gender diagnostic in partnership with NGO *Empow'Her* and, in 2020, will involve training on gender equality for technicians.

# Responsible Business



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# Responsible Business

## Coffee

Coffee is a source of income for millions of people around the world, and smallholder farmers in remote rural areas account for more than 70% of global coffee exports, worth over US\$20 billion annually<sup>1</sup>.

The effects of climate change, however, are making production more difficult, with ageing plants and the increasing age profile of farmers adding to the challenge. If no action is taken, production may sink below existing levels by 2050<sup>2</sup>.

We source from thousands of smallholders around the world, often through numerous intermediaries, and so have a complex supply chain, but we see a strong, common willingness to act among all stakeholders. Yet despite this shared drive and increasing initiatives to support coffee producers and secure their livelihoods, the coffee supply chain still faces many of the same issues with economic and environmental sustainability.

Many projects provide support at local level but are difficult to scale up. Some countries such as Brazil and Vietnam have a proven organization in place, but smaller producing countries such as Mexico, Nicaragua and Honduras still suffer from a lack of overall infrastructure. Moving into 2020, the Covid-19 epidemic is also hampering initiatives and activities, where gatherings are not possible for training.

Nevertheless, as leading global merchants of green coffee from all major origins, we are committed to helping smallholder

coffee growers to address these challenges and run more sustainable and profitable farms. By doing so, we help to advance the *United Nations'* Sustainable Development Goals (SDGs) on alleviating poverty (SDG 1), gender equality (SDG 5), economic development (SDG 8), protecting life on land (SDG 15) and climate change (SDG 13).

### Responsible Sourcing

The *International Chamber of Commerce* defines responsible sourcing as "a voluntary commitment to take into account social and environmental considerations when managing relationships with suppliers."

Accordingly, at LDC we define our approach to responsible sourcing as the concrete and tangible manifestation of sustainability in coffee production and merchandizing. And while it is not mentioned in the definitions above, we know that we cannot expect to buy responsible coffee without proposing a responsible price to coffee farmers.

For these reasons, our 2018 report introduced the three complementary streams of our approach to responsible sourcing. These are:

1. Boosting production of certified and verified coffee.
2. Supporting coffee farmers through projects that tackle specific local issues.

3. Sourcing responsibly – that is, from farmers who adopt environmentally, economically and socially sustainable practices, irrespective of verification.

In 2019 we continued our efforts across all three streams, while fine-tuning our approach and setting ourselves the target to have 70% of the coffee we purchase qualify as responsibly sourced by 2025. We will publish our definition of responsibly sourcing in our updated Code of Conduct for coffee suppliers in 2020 (see overleaf), and purchases of responsibly sourced coffee will come from suppliers who have agreed to abide by that Code.

1 Hivos (2018), *Coffee Barometer 2018* (citing Oxfam (2002), *Mugged. Poverty in your coffee cup*)  
 2 World Coffee Research (2017), Annual Report 2017, *Creating the Future of Coffee*

We aim for 70% of coffee we purchase to be sourced under our code of conduct by 2025

We supported production of 1.6 million bags of certified or verified coffee in 2019

Our training and projects have supported 35,000 smallholders to date

Responsible sourcing is key to our sustainability approach



## Targets

### Set and publish targets for our responsible sourcing program

Completion: **2019**  
 Progress: **Completed**

### Stream 1: Certification and Verification

Although it is only one of many, certified and verified coffee is a good indicator of sustainability in coffee, and in 2019 we supported the production of 1.6 million 60kg-bags of certified or verified coffee across our main origins: Brazil, Colombia, Ethiopia, Honduras, Indonesia, Mexico, Uganda and Vietnam.

The main certification and verification programs we work with are *4C*, *Café Practices*, *UTZ/Rainforest Alliance*, *Fairtrade* and *Organic*. Certification schemes do generate a positive response and demand from consumers in North America and Western Europe, and we are happy to support these standards in spreading best practices within the coffee value chain, although we often struggle to find a route to market at a premium price for this added-value coffee.

### Case Study: Collaboration With Cooperatives in Chiapas, Mexico

Over the past decade, we have built a strong relationship with the cooperative *CAFEMEX*, which brings together more than 1,000 coffee farmers producing around 900 tons of green coffee. Currently certified or verified under *Fairtrade*, *Organic* and *CAFÉ Practices* standards, *CAFEMEX* hopes to include *UTZ/Rainforest Alliance* for the next crop.

We provide technical assistance to these farmers, including specific training to help them meet the requirements of these organizations. Their practices are not necessarily better in a 'multi-certified' farm than under one certification, but it does bolster economic sustainability by giving them the opportunity to sell to a wider range of customers.

### Stream 2: Supporting Farmers Through Projects

Making global supply chains more sustainable will take more than a focus on certification. As described in our case study for Colombia (below), we work directly with farmers in the field, to reach farmers who may not have access certification. Our many programs across the countries we originate from – many of them through collaboration with value chain partners – have supported more than 35,000 coffee smallholders to date.

### Case Study: Cauca region, Colombia, with JDE and USAID

This new partnership will support 450 coffee smallholders in Cauca province, Colombia, aiming to increase their productivity by 30% as well as coffee quality. Combining training sessions with ongoing technical assistance, three agronomists dedicated to the project each visit at least 75 farmers each month.

Farmers receive a soil analysis and fertilization plan to help optimize yields, as well as post-harvest support to help them improve coffee washing and fermentation processes. The project also has a major focus on empowering women farmers, with at least 35% of beneficiaries being women, and on training younger people as the next generation of coffee farmers.

### Case Study: Sidama Zone (SNNP), Ethiopia, with Strauss Coffee

In 2019, we started this project in Ethiopia to help women farm coffee by facilitating the daily tasks culturally attributed to them – in this case by providing better cooking stoves and training on how to use them.

We also provided technical assistance to coffee smallholders through training in good agricultural practices (GAPs).

The project's success has been beyond our expectations, recognizing women's role in coffee farming, improving gender equality in our coffee supply chain and creating a positive social environment in coffee farming communities. In 2019, 250 farmers benefited from the GAPs training, 15,000 seedlings were distributed and 100 cookstoves provided.

*"Together we managed to form a project plan based on the real needs of the community... and it is one of the most successful ones in our portfolio of projects. A new project in Ethiopia in early 2020 is in its early stages and looks promising."*

**Rafi Camhi**  
Business Operations & Performance Excellence Manager  
*Strauss Coffee*

### Stream 3: Sourcing Responsibly

In 2015, we launched our coffee supplier Code of Conduct. We have distributed this to all suppliers across our main origins, and are currently updating it to comply with changing industry requirements, with the input of our partners – including independent certification organizations, customers and suppliers.

The new Code of Conduct will contain the following sections:

- Environment
- Social
- Fairness
- Ethics
- Management

The aim is to engage all our coffee suppliers in improving practices within the coffee value chain based on the standards set out in this document, and we are confident that they will take part.

### Case Study: Assuming Responsibility

In Indonesia, coffee smallholders face an extremely difficult situation, with very small plantations, low productivity, low income, low access to farming inputs, limited knowledge of good farming practices and significant climate change effects.

Taking all of this into account, since 2015 we have been working with Sumatran coffee growers to help them plant vegetable and fruit trees, nourish their soil and diversify their sources of income. Today we have 2,700 farmers participating in the program, which, in late 2019 alone, planted 100,000 native trees.

Between 2015 and 2019, we trained 11,823 farmers in GAPs, 16% of them female, across three Sumatran provinces: Aceh, Lampung and North Sumatra. In Lampung, we also planted 408,744 trees across 1,284 hectares, benefiting 1,459 farmers.

As the project is still ongoing, results data will be updated in a 2020 survey, but our most recent analysis surveyed a sample of 2,783 farmers trained in GAPs between 2015 and 2017 in Lampung, representing 55% of the farmers trained in the province. These smallholders had an average 1.70 hectares of coffee farm and an average age of 40, and were using agrochemicals such as pesticides and fertilizers.

Compared to a baseline taken before the training, results showed that the amount of pesticide used was down

by 10% on average at six to nine months after training, and that improved techniques and early results of tree planting have led to a 5% average increase in yields.

### Looking to 2020 and Beyond

We will publish our updated Code of Conduct in 2020, setting out our definition of responsible sourcing, and defining a method to verify suppliers' compliance. This will provide the framework for our 2025 targets for purchasing coffee from suppliers who have agreed to the 2020 version of our code of conduct.

Where necessary, we will support and train the farmers and suppliers we work with, to help them identify gaps and meet the requirements of our updated supplier Code of Conduct.

We will also pursue our projects with value chain partners and other experts and stakeholders, continuing to engage with and train farmers, and addressing specific local issues.

## New Targets

**Publish updated coffee supplier Code of Conduct**  
Completion: **2020**

**Produce methodology to verify suppliers' compliance with updated Code of Conduct**  
Completion: **2020**

**Design training to support suppliers in complying with updated Code of Conduct**  
Completion: **2021**

**Source 70% of all the coffee purchased from suppliers who agreed to the 2020 version of our coffee supplier Code of Conduct**  
Completion: **2025**

**Trace 20% of coffee purchased from suppliers who agreed to the 2020 version of our coffee supplier Code of Conduct to farm level**  
Completion: **2025**

# Our Collaborative Coffee Initiatives

## Mexico

**Renovating Coffee Trees From Oaxaca and Chiapas States (Since 2016)**

7,500 beneficiaries

**Increasing the Resilience of Mexican Coffee Farmers (2020-2023)**

900 beneficiaries

**Arabica: 2,753 MT**

## Colombia

**Toward Sustainable Coffee Farming for Present and Future Generations (2020-2023)**

1,600 beneficiaries

**Arabica: 1,729 MT**

**Providing Farmers with Technical Training and Drying Capacity (2019-2021)**

50 beneficiaries

**Arabica: 168 MT**

## Colombia & Brazil

**Coffee Education for Future Generations (2018-2021)**  
Huila and Minas Gerais

436 students & 75 farmers

**Arabica: 696 MT**

Total volume sourced from LDC projects = **49,318 MT**

Total beneficiaries since 2015 = **35,161**

## Ethiopia

**Supporting Women to Succeed in Coffee Farming in Sidama and Yirgacheffe (2019-2022)**

1,250 beneficiaries in Sidama  
1,500 beneficiaries in Yirgacheffe

## Ethiopia & Uganda

**Preserving and Regenerating the Coffee Ecosystem (2018-2021)**

1,850 beneficiaries

**Arabica: 200 MT Uganda  
260 MT Ethiopia**

## Vietnam

**Developing Models of Sustainable Landscape and Capacity (2016-2021)**

6,000 beneficiaries

**Robusta: 37,000 MT**

## Indonesia

**Increasing the Earning Capacity of Smallholder Farmers (2018-2021)**

3,500 beneficiaries

**Robusta: 1,400 MT**

**Regenerating Indonesia's Robusta and Arabica Coffee Ecosystem (2015-2021)**

10,500 beneficiaries

**Arabica: 2,033 MT  
Robusta: 3,079 MT**

0 1,000 km

# Responsible Business Cotton

As a natural fiber, cotton is significantly more sustainable than synthetic alternatives such as polyester, and producers and processors justifiably promote it as a responsible way to clothe the world's growing population.

Cotton supply chains are complex, however, and present a number of challenges in relation to both human and environmental issues.

Leveraging the influence and resources of our industry-leading position, we work to address some of these challenges – especially those relating to *United Nations' Sustainable Development Goals (SDGs)* on:

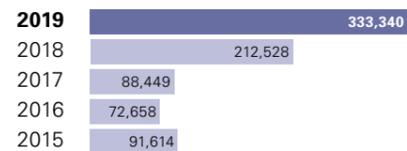
- Decent work and economic development (SDG 8) – by improving working conditions and productivity, particularly at farm level.
- Human rights and gender equality (SDGs 4, 5 and 16) – by eradicating child and forced labor, and improving the position of women in smallholder farming communities.
- Responsible production and water scarcity (SDG 12) – by helping farmers cut back on water consumption and chemical use.

As these issues arise mostly in agriculture, which is a part of the supply chain that we do not manage directly, we work with other organizations and experts to address them. Partners include the *Better Cotton Initiative (BCI)*, the *International Labour Organization (ILO)*, the *Cotton Trust Protocol (CTP)* and the *Association of Cotton Merchants in Europe (ACME)*, among others.

### Encouraging Responsible Production

Because we process cotton from traders and ginners – and in Zambia from thousands of smallholder farmers who supply the gins we operate there – the best way to influence production methods is by supporting BCI in its important efforts to drive progress in the industry. In particular, we promote its sustainability standards through regular training for smallholder farmers, through work with BCI on local projects, and by increasing purchases of certified Better Cotton year-on-year.

### Purchases of Better Cotton 2015-2019 (MT)



We currently originate Better Cotton from 13 different countries, including cotton produced under the *Cotton Made in Africa (CMIa)* initiative, which BCI recognizes within its scheme.

Our annual and five-year targets to increase the volume of Better Cotton we purchase are progressing well, and we will keep up efforts in this area going forward.

### Supporting the Cotton Trust Protocol

The *National Cotton Council (NCC)* represents all participants in the US cotton value chain – from farmers to ginners and merchants – in promoting US cotton to national and international markets.

In 2019, the NCC launched the CTP to increase awareness that US cotton producers farm responsibly. In particular, the initiative aims to show how producers harness innovation to farm quality cotton, while using land more efficiently and reducing their environmental impact.

We purchased over 300,000 tons of Better Cotton in 2019



## Targets

**Increase Better Cotton purchased compared to 2018 by 10%**  
Completion: **2019**  
Progress: **Completed**

**Increase our Better Cotton Initiative partnership to 700 farmers in Kazakhstan**  
Completion: **2019**  
Progress: **Delayed**

**Train 10,000 farmers in Maharashtra, India**  
Completion: **2019**  
Progress: **Completed**

**Train 100,000 farmers in Zambia**  
Completion: **2020**  
Progress: **In progress**

**Increase Better Cotton purchased over previous year by 10% using 2018 as a baseline**  
Completion: **2020-2023**  
Progress: **In progress**

**Purchase 50% more Better Cotton than in 2018**  
Completion: **2023**  
Progress: **In progress**

Better Cotton purchased up 57% over 2018

We assisted in developing the CTP's sustainability standards

We trained 10,000 smallholder farmers in India

With our Cotton Platform's Global Head of Marketing on the *Cotton Trust Protocol* (CTP) board, we supported the development of the protocol's standards for sustainable cotton and continue to help increase grower membership through a pilot scheme. We are also using our inventory management and logistic capabilities to help CTP make bales of its certified cotton fully traceable.

We hope to report on the growth of this new scheme in our 2020 report.

#### Working With BCI in Kazakhstan

In our 2018 report, we described our ongoing role as implementing partner for the *Better Cotton Initiative* (BCI) in Kazakhstan, aiming to increase the volume of Better Cotton produced there, while raising the country's sustainability profile with spinners around the world.

We began with four agronomists dedicated to this project in the Makhtaaraal region, and today employ eight. Through them, we reached 550 farmers by the end of 2019, up from 334 in 2018 but short of our ambitious target of 700. Our target was delayed to 2020, as we had to focus more on helping farmers already within the program than we had expected.

The project helps farmers apply BCI principles, entitling them to certification, and then monitors compliance through audits. In 2019, over 9,500 tons of certified seed cotton were produced in the region, compared with 6,000 tons in 2018. We expect volumes to exceed 12,000 tons in 2020.

#### Progress in India

In 2018, we began a project to train 10,000 smallholder cotton farmers in Maharashtra, India, in sustainable agricultural practices. Working with the *Better Cotton Growth and Innovation Fund*, funded by the *Sustainable Trade Initiative* and Indian cotton ginner *Puneet Enterprises*, we aim to help these farmers tackle challenges such as gender inequality, dependence on credit and unpredictable weather conditions.

By the end of 2019, we had trained all 10,000 farmers in techniques such as intercropping for biodiversity, proper use of fertilizers and responsible pest control methods, and on how women can participate fully in farming.

Many participants have already benefited from the training. Comparing a randomly selected sample of 100 participants to a control group of farmers over the same period, participants' yields are up by 24%, water consumption is 41% lower and cost of cultivation has decreased by 30% on average. Even with no difference in sale price, participants' incomes have increased by 25% on average.

In 2020, we aim to reach 5,000 more farmers, taking the total project reach to 15,000 farmers and their families, across 107 villages in the region.

#### Advances in Zambia

After difficult beginnings in 2013, our ginning project in Zambia with *Cotton Made in Africa* (CMiA) restarted in 2018, when we took full control of the local ginning operation, with five gins and 90,576 smallholder suppliers, and reopened the local partnership with CMiA.

Funded by *Cotton House Africa*, the new project aims to train 100,000 farmers on agricultural best practice over three years, helping them improve their livelihoods while reducing their environmental impact.

By the end of 2019, we had trained 85,549 farmers, 24% of them female, putting us on track to exceed our overall target by the end of 2020. We also started what we call 'super farmer' training, which has so far identified 233 smallholder farmers who will receive additional support to increase the size (in hectares) and efficiency of their holdings, helping them grow from smallholders to emergent commercial farmers, and later to become established commercial farmers.

In addition to training, we provided other practical and financial support. For example, as farmers often lack funds for advance payment of vital supplies such as seeds, herbicides and fertilizers, and are in locations too remote to reach sales outlets, we started a scheme to pre-finance and deliver these items to them. In 2019, we supplied over 65,000 farmers in this way, taking payment from them only after harvest time, by deducting amounts due when buying their cotton.

We also introduced measures to improve the overall health and wellbeing of farmers and their workers. We are

building a medical clinic at our ginnery in Mumbwa, to reduce the distance many have to travel to health facilities. In 2020 we are implementing many measures to prevent the spread of Covid-19, and will report on this in our 2020 Sustainability Report.

#### Update on Labor Issues in Burkina Faso

We reported last year that our attention had been drawn to child labor concerns in Burkina Faso, despite sourcing only CMiA cotton from that country. Since then, we have established regular dialogue with our suppliers and the *International Labour Organization* (ILO), including both central and in-country teams, to understand progress on farmer engagement regarding child labor.

Alongside this, and CMiA's work with local farmers on the issue, we are closely monitoring the ILO's 'Clear Cotton' program, which runs until 2022 and aims to eliminate all child and forced labor in Burkina Faso and other countries.

#### Looking to 2020 and Beyond

Despite the challenges presented by Covid-19, we continue to work to meet our 2020 targets, since small meetings remain permitted so long as hygiene measures are taken and social distancing is respected.

We will also continue to increase the volume of Better Cotton we purchase, and to monitor and engage on issues arising in specific markets or supply chains, individually and with our partners.

## New and Amended Targets

**Increase our BCI Kazakhstan partnership to 700 farmers**  
Completion: **2020**

**Train 5,000 more farmers in Maharashtra, India**  
Completion: **2020**

# Responsible Business

## Finance

The way we finance our operations has the potential to transform the impact we have on the wider world, by supporting our work to address sustainability challenges, and our contributions to the *United Nations'* Sustainable Development Goals (SDGs) associated with them.

While we continue to look into how our Finance function can best implement this approach for our daily operations, in 2019 we made significant strides with regard to our environmental impact.

### Financing as a Catalyst for Change

We finance some of our day-to-day funding needs through a series of regional syndicated Revolving Credit Facilities (RCFs), with two RCFs taken out, on a staggered schedule, by each of our three regional hubs – in EMEA, North America and South and Southeast Asia. These are typically renewed one year ahead of maturity date.

In 2019, for the first time, we introduced a sustainability-linked pricing mechanism into each RCF we renewed, connecting the interest rate with our performance in meeting annual reduction targets for our environmental key performance indicators (KPIs):

- CO<sub>2</sub> emissions
- Electricity and energy consumption
- Water usage
- Solid waste sent to landfill

The pricing mechanism reduces the interest rate on each RCF for each year we hit these targets for our largest 25 assets, which represent over 80% of our environmental impact, and increases the rate if we do not meet the targets. This serves to unify efforts across the whole company.

### How This Worked in 2019

Over the course of the year, we built the sustainability-linked pricing mechanism into four of our six primary RCFs:

- May 2019: renewed a US\$750 million RCF in North America
- August 2019: renewed a US\$650 million RCF in Asia
- December 2019: renewed two US\$400 million RCFs in EMEA

Each transaction was led by a different group of Joint Lead Arranger banks, including:

- *ABN AMRO*
- *Bank of America*
- *BNP Paribas*
- *Crédit Agricole Corporate and Investment Bank*
- *DBS*
- *HSBC*
- *ICBC*
- *ING Bank*
- *MUFG*
- *OCBC Bank*
- *Rabobank*
- *Société Générale*
- *Sumitomo Mitsui Banking Corporation*
- *SunTrust*
- *UOB*

### Environmental Performance at Assets Linked to Financing

	2018	2019
Energy (kWh/MT)	36.19	35.54
Emissions (kg CO <sub>2</sub> e/MT)	80.36	78.00
Water (m <sup>3</sup> /MT)	0.63	0.59
Solid Waste (MT/MT)	1.40	0.83

Having met our 2019 targets for all environmental KPIs, the interest rate reduction will apply on each RCF from April 2020.

In addition to our RCFs, we signed a pre-export financing agreement for US\$250 million, linking our Juice Platform financing with environmental, safety and certification performance for the first time.

Four of our six RCFs now include sustainability-linked pricing mechanisms

We hit our sustainability-linked pricing targets in 2019

EBRD financing will facilitate market access for farmers



We are linking our financing model with environmental goals

### What our Finance Partners Say

Participating banks are united in the view that this kind of financing incentive can successfully encourage corporations to make environmental improvements, and we hope to set an example for others in our sector to follow. These are the views of a sample of our financial stakeholders on the new arrangements.

*“LDC has shown a concerted effort to reduce the environmental footprint in all its operations and activities. Material KPIs were selected and annual improvement targets were agreed upon. To ensure a company-wide commitment, LDC also agreed to a pricing mechanism in its corporate facilities that provides for incentive pricing if and when these targets are met. ING is proud to be an important partner for LDC’s sustainability activities in the Americas region.”*

**Matthew Rosetti**  
Managing Director – Trade and Commodity Finance  
ING Bank

*“We were pleased to advise and support LDC on its first sustainability-linked loan, which recognizes and encourages its strong commitment to sustainability goals throughout its operations. In the course of working with LDC, it was clear to see that its sustainability ambitions were shared across the company. Connecting these commitments to a financing framework reinforces LDC’s environmental objectives to its staff internally and supply chain externally – a win for LDC, its stakeholders, and ultimately the planet.”*

**Hervé Duteil**  
Chief Sustainability Officer, Americas  
BNP Paribas

*“The agribusiness sector is facing key environmental and climate issues. As a leader in the industry, LDC has demonstrated its willingness to address these issues by incorporating sustainability targets into its Revolving Credit Facilities, including GHG emissions, energy consumption, waste and water reductions. Crédit Agricole CIB has been very pleased to accompany LDC in the structuring process, and to contribute to raising awareness on these major challenges.”*

**Nathalie Sarel**  
Executive Director  
Crédit Agricole CIB

*“Through its sustainability-linked loan structure, LDC truly shows its commitment to the integration of sustainability in its entire operation. The ambitious and meaningful sustainability targets included in the loan are a vivid example of how LDC aims to create fair and sustainable value in everything the company does. Rabobank considers continuous development in the area of sustainability to be of paramount importance, and therefore fully supports LDC’s sustainability commitments.”*

**Maarten Biermans**  
Head of Sustainable Markets  
Rabobank

### Special Projects

In some situations, we work with financial institutions to bring financing to areas and situations where local entities find it difficult to access competitive financing.

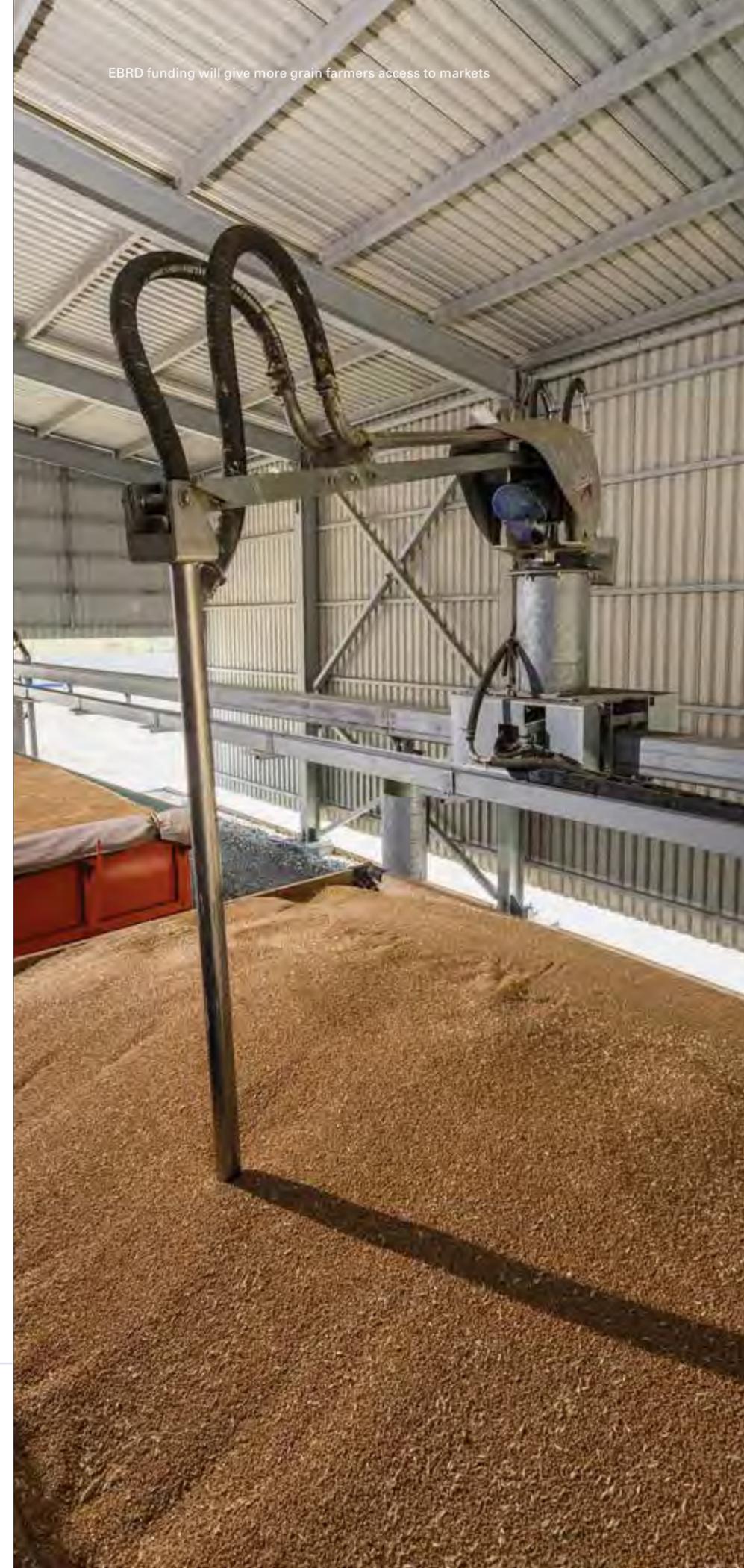
For example, in 2019 we secured a US\$100 million credit facility from the European Bank for Reconstruction and Development (EBRD) to expand our operations in Bulgaria, Egypt,

Kazakhstan, Poland, Romania, Tajikistan, Turkey and Ukraine. The credit line will support our operations and help us expand, giving internal market access to farmers growing a range of commodities, through our network. As part of our agreement with EBRD, we will adopt the voluntary corporate governance approach to climate set out in the guidelines of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures. This involves developing new tools for climate-related risk management, conducting climate-scenario stress-testing of grain harvests in Ukraine and cotton harvests in Turkey and, ultimately, disclosure of these risks to stakeholders.

### Looking to 2020 and Beyond

We will continue to look for ways to align business financing with sustainability goals, through future RCFs or otherwise. Specifically, if the continuing effects of Covid-19 permit negotiation to proceed as planned, we aim to introduce similar sustainability-linked interest-rate mechanisms into the RCFs we expect to renew in 2020, through both our North America and Asia hubs.

EBRD funding will give more grain farmers access to markets



## New Targets

**Include sustainability-linked interest-rate mechanism in a second Revolving Credit Facility through our North America hub**  
Completion: **2020**

**Include sustainability-linked interest-rate mechanism in a second Revolving Credit Facility through our Asia hub**  
Completion: **2020**

# Responsible Business

## Freight

As high volumes of traded goods continue to travel by sea, it is vital that we address the environmental impacts of shipping.

Ocean freight remains the most environmentally friendly way to move large volumes of cargo at scale. However, marine diesel exhaust still accounts for much of the transport sector's sulfur oxide (SO<sub>x</sub>) emissions, and for a significant portion of nitrogen oxide (NO<sub>x</sub>) and complex particulate matter releases. In addition, marine carbon dioxide (CO<sub>2</sub>) emissions account for about 2% of global greenhouse gas (GHG) emissions<sup>1</sup>.

As one of the world's largest chartering companies, we can make a difference in the drive to create a more sustainable shipping industry and, in so doing, advance the following *United Nations' Sustainable Development Goals (SDGs)*:

- Climate change (SDG 12) – by reducing GHG and other emissions.
- Life below water (SDG 14) – by reducing marine pollution through good ballast-water management.

- Decent work (SDG 8) – by providing safe, healthy working environments and promoting the rights of those working on ships.
- Peace, justice and strong institutions (SDG 16) – by contributing to the responsible governance of our oceans.

### Promoting Change in the Industry

As responsible freight operators, we fully support the *International Maritime Organization's (IMO)* environmental protection regulations, particularly those on reducing SO<sub>x</sub> and GHG emissions, as well as those on ballast-water treatment.

We continue to look for innovative design solutions that will help gradually decarbonize maritime freight in line with IMO goals, namely:

- 40% reduction of CO<sub>2</sub> emissions per ton-mile by 2030.
- 70% reduction by 2050.

We are also committed to meeting the IMO's 2024 timeline to have enhanced ballast-water management systems in place for all vessels, in order to considerably reduce the pollution of marine ecosystems caused by the release of insufficiently treated ballast

water into the ocean. On this subject, we are pleased to report that no oil spilled from our chartered vessels in 2019, including from refueling and bunkering.

In 2019, we started tracking the new *Getting to Zero Coalition*, established by the *Global Maritime Forum*, *Friends of Ocean Action* and the *World Economic Forum*, which sets goals toward its highly ambitious aim: to get commercially viable deep-sea vessels, powered by zero-emission fuels, operating by 2030. We are monitoring the coalition with a view to contributing more actively.

Because we believe that these goals are only achievable through collaboration among international industry bodies, shipyards and ship owners, we are members of the *Sustainable Shipping Initiative (SSI)*. As such, we participated in the SSI's decarbonization working group, tasked with exploring alternative fuels and means of propulsion for vessels, including biofuels, liquid natural gas (LNG), solar power and wind turbines, all aiming to move away from today's polluting fuels.

<sup>1</sup> Source: International Energy Agency, *Commentary: International Maritime Organization agrees to first long-term plan to curb emissions* (April 13, 2018, <https://www.iea.org/newsroom/news/2018/april/commentary-imo-agrees-to-first-long-term-plan-to-curb-shipping-emissions.html>)

The MV *Sheng May*, one of our new eco-efficient vessels



## Targets

**Complete research on how LDC can make an impact on human rights at sea**  
Completion: **2019**  
Progress: **Completed**

**Reduce CO<sub>2</sub> emissions from LDC's fleet by 5% per ton-mile (comparing 2019 actual emissions to 2018 notional data)**  
Completion: **2019**  
Progress: **Missed**

**Set target for LDC fleet emissions reduction per ton-mile for 2022**  
Completion: **2019**  
Progress: **Completed**

**Complete study on chartering wind-propelled vessels**  
Completion: **2019**  
Progress: **Completed**

**Complete study on chartering dual LNG/gasoil propelled vessels**  
Completion: **2019**  
Progress: **Completed**

**Contribute to SSI study on ships of the future**  
Completion: **2019**  
Progress: **Completed**

1,093 ships chartered  
(vs. 799 in 2018)

8.09 average vessel age in years  
(vs. 8.12 in 2018)

53.8 million tons of cargo shipped  
(vs. 56.3 million in 2018)

Another important issue is the decommissioning and disposal of ships at the end of their effective life, to ensure that we recycle the residual materials as responsibly as possible. Accordingly, in 2019 we joined the *Ship Recycling Transparency Initiative*, which aims to increase responsible recycling through voluntary disclosure on ship demolition, enabling shipping stakeholders to make informed decisions on business partners.

### Our Fleet and its Performance

Vessel age and emission ratings are all indirect indicators of their emissions impact.

Our chartered fleet of over 200 vessels serves global destinations, for both our own business and for third-party customers, and has an average age of 8.1 years, compared to an industry average age of 10.2 years for bulk carriers and 12 years for Handy- and MR tankers.<sup>2</sup>

We have engaged *Lloyd's Register* maritime engineering experts to assess the emissions from both our time charter and voyage charter fleets, and to help complete our studies on LNG fuel and wind propulsion.

As part of steps toward greater transparency on our emissions impact, in 2019 we improved the way we calculate our emissions by introducing Energy Efficiency Operational Indicator (EEOI) measurement on top of the Existing Vessel Design Index (EVDI)<sup>3</sup> values that we were previously reporting.

The results are as follows:

- Applying EVDI, emissions per ton-mile reduced by 4% from 2018 to 2019.
- Applying EEOI to time-chartered vessels<sup>4</sup> we saw a 4% reduction between 2017 and 2019, but a slight increase from 2018 to 2019 due to a reduced number of Capesize voyages in 2019. These Capesize vessels represent the most fuel and emissions efficient segment of the fleet by virtue of their size.

In future, reported comparisons will use both EVDI and EEOI measurements, with 2017 as a baseline. Our target is to reduce emissions per ton-mile by 15% compared to 2017 by the end of 2022, applying both EEOI and EVDI.

We also abide by strict chartering, compliance and vetting policies to charter safe and efficient vessels. Our fleet continues to be independently rated by *RightShip* using its proprietary Quality Index, which evaluates vessels across 50 risk factors, including environmental and safety assessments. In 2019, we received an average score of 3.97 stars, improving from 3.84 in 2018 and better than the global industry average of 3 stars.

### Fleet Improvement

We have a multi-track approach to optimization and innovation efforts for the fleet we operate.

### New Vessels

We steadily renew our fleet each year, moving to younger, more efficient vessels, including the integration of some of the first Tier III vessels with NO<sub>x</sub> emission control.

In 2019, we took delivery of four new-generation vessels with emission reduction technology. The new-built deliveries are a mix of Capesize, Newcastlemax and Kansarmax vessels.

### Data, Tracking and Efficiency

We collaborate with top-tier ship owners, shipyards, equipment makers and weather routing companies to optimize our fleet performance.

We continue to build up our fleet monitoring and satellite tracking experience, as we collaborate on new integrated data innovations to stay at the cutting edge of this ongoing transition, to monitor, predict, and ultimately reduce the impact of our shipping operations.

<sup>2</sup> Source for industry averages *Clarksons*, April 2020

<sup>3</sup> EVDI is measuring a ship's design theoretical CO<sub>2</sub> emissions per nautical ton-mile and is reported by *RightShip*. EEOI measures actual emissions more closely than EVDI's theoretical design efficiency measure by gauging the effects of actual voyage planning practices and technical improvements on board a vessel.

<sup>4</sup> Time-chartered vessels are those whose operation LDC has control over, whereas LDC has no significant influence over the operation of voyage-chartered vessels.

### Studies on Sustainable Shipping

In 2019, we completed our study on chartering wind-propelled vessels, conducted jointly with industry leaders. This covered assisted propulsion systems and, in parallel with ship owners, the most viable sailing routes for maximum efficiency, taking into account restrictions on dimensions to allow seamless port operations.

We also completed a study on chartering LNG dual-fuel vessels, developing a detailed ship specification for a reduced emissions LNG-fueled tanker, in collaboration with a ship owner and shipyard. Independent assessment by *Lloyd's Register* has predicted that, according to current IMO regulations, this LNG-fueled design would deliver a 25% reduction in CO<sub>2</sub> emissions compared to a conventional ship consuming Very Low Sulphur Fuel Oil operating on our trade routes. This means that the design is significantly more efficient than current regulations and already exceeds IMO requirements that enter into force in 2025.

We also participated in the SSI's biofuel working group, which [published its conclusions](#) at the end of 2019.

Our investigation into how we could help protect human rights at sea also concluded in 2019, and we are now working with the *International Labour Organization* (ILO) to introduce their insights and methods to the SSI, allowing all stakeholders to consider the SSI's role in bringing about change across the industry in this important area.

### Looking to 2020 and Beyond

As we improve our fleet performance monitoring, notably through accrued digital live tracking, we are setting new targets to reduce CO<sub>2</sub> emissions per ton-mile from 2019 levels every year through to 2022.

Following the conclusion of our studies, we will continue to work in partnership with the SSI, ILO and other organizations to help drive toward the industry's environmental and human rights goals.

## New Targets

Contribute to ongoing SSI studies on ships of the future

Completion: **2020**

Reduce our fleet emissions per ton-mile by 15% compared to 2017, using EVDI measurement

Completion: **2022**

Reduce our fleet emissions per ton-mile by 15% compared to 2017, using EEOI measurement

Completion: **2022**

79.5% of time-chartered vessels with A-D GHG rating (vs. 76% in 2018)

4.26 grams CO<sub>2</sub>/ton-mile (vs. 4.47 in 2018, using EVDI on all chartered vessels)

2.2 billion tons of CO<sub>2</sub> emissions based on our time charter operations (vs. 2.37 billion in 2018)

3.97 star average *RightShip* rating (vs. 3.84 in 2018)

81% of vessels 4-5 star *RightShip*-rated (vs. 76% in 2018)

# Responsible Business

## Juice

LDC is one of the world's largest juice processors and merchants, with more than 30 years of experience in the business.

Our 38 citrus farms in Brazil cultivate fruits that we process and merchandize as citrus juices and by-products to destination markets around the world.

We have developed sustainable practices across all these operations, working with many stakeholders in advancing the *United Nations'* Sustainable Development Goals (SDGs):

- Decent work and economic development (SDG 8) – by creating jobs, training our people and investing continually to keep them safe.
- Deforestation, conversion and biodiversity (SDG 15) – by taking steps to preserve indigenous wildlife around our facilities.
- Responsible production and clean water (SDG 12) – by reducing water consumption and optimizing use of crop-protection products.

Our 2019 [Juice Sustainability Report](#) describes our work in detail, with some of the key highlights outlined here.

32 Rainforest Alliance Certified™ farms

Our 'Programa Compartilhar' trained 51% more farmers than in 2018

82% of fruit sourced from third parties came from 'Progama Compartilhar' participants

### Promoting Inclusion in Seasonal Work

The safety and health of our seasonal workers remains a priority for us, but in 2019 we also focused on new steps toward greater inclusion in seasonal work, providing fair conditions for all.

As orange harvesting is a manual activity, we hire between 5,000 and 6,000 seasonal pickers each year, depending on the size of the crop. This workforce was previously hired from cities close to our farms, but our 2018 socio-economic study showed that around 47% of seasonal workers actually came from states outside Brazil's Citrus Belt.

As a major employer we aim to go beyond legal obligations in our efforts to be a positive influence on communities around our operations.

Accordingly, in 2019 we supported seasonal workers from outside the Citrus Belt by covering all transportation costs to and from their home, providing lodgings and other benefits, and setting up a team specifically to organize these arrangements.

### Integrated Pest Management

As a responsible producer, we manage our citrus farms according to environmental best practice, regulations and legislation, but Brazil's predominantly tropical climate presents phytosanitary challenges.

Our agronomists and environmental engineers work together to overcome these sustainably, and our integrated pest management standards help us to choose environmentally responsible phytosanitary products. Since 2017, we have also adopted the ProMIP application, developed to provide real-time information on pests, to control them without unnecessary use of crop protection products.

As part of our response to consumer requirements, all our farms and third-party suppliers also follow *ProteCitrus* guidelines on maximum residue limits for pesticides.

Our citrus farms employ over 5,000 seasonal workers at peak harvest season



## Targets

**Secure Sustainable Agriculture Initiative Platform (SAI) Gold Grade verification for a total of 29 farms**

Completion: **2019**  
Progress: **Completed**

We exceeded our target for SAI Platform Gold Grade verification in 2019

### Progress in Certification

Certification helps us work toward an increasingly sustainable juice value chain, while assuring customers and consumers that the juices and citrus by-products they buy are produced responsibly.

### Rainforest Alliance

Our operations are Rainforest Alliance Certified™ – both at farm level and for chain of custody – meeting strict standards that cover effective planning and management, biodiversity and natural resource conservation, improved livelihoods and human wellbeing.

We met our 2019 target to bring the total number of citrus farms certified by the Rainforest Alliance to 32, which represents 84% of all the farms we manage. In fact, we achieved this number in 2018, when the number of certified farms was incorrectly reported as 29, owing to how the farms had been grouped for the purpose of reporting to the Rainforest Alliance.

#### Expansion of Rainforest Alliance Certified™ farms in the last five years

2019	32
2018	15
2017	11
2016	5
2015	1

To ensure supply chain traceability, our processing plants and port terminal in São Paulo State, Brazil, and our destination terminal in Ghent, Belgium, are all Rainforest Alliance Certified™. We also use formalized Rainforest Alliance processes in our environmental education with local communities, and for training third-party suppliers.

*“Santa Sofia Agropecuária began producing oranges and then started cultivating lemons for export. We realized that certifying our properties would make us competitive and bring great benefits, such as the protection of biodiversity, worker wellbeing and advantages for local communities. LDC played a fundamental role in the certification process, with a trained team to support us, and thanks to this we earned Rainforest Alliance certification. We are now satisfied that Santa Sofia is able to contribute to sustainable agriculture.”*

**Luiz Eduardo Dumont Adams De Salvo S Raffaelli**  
Citrus producer in São Paulo State, Brazil

### Sustainable Agriculture Initiative (SAI) Platform

We verified additional farms as SAI Platform Gold Grade, the highest standard in its farm sustainability assessment evaluation tool, bringing the total to 32. This means we exceeded our target for 29 farms to attain Gold Grade.

### Biodiversity and Conservation

Beyond certification, we take great care to preserve wildlife and biodiversity at our juice farms, creating Biodiversity

Protection and Conservation Plans that include measures to:

- Create ecological corridors between forest areas, within and outside of farms.
- Reduce road traffic near conservation areas.
- Conserve soils.
- Prevent fires.
- Control invasive species.
- Monitor greenhouse gas emissions.
- Train employees in environmental best practice.

Plans are in place at 32 farms, with approximately 9,100 hectares marked for conservation. 84% of this land is designated for medium or advanced conservation, offering great benefits for wildlife, such as feeding and breeding areas. We are currently developing plans at remaining farms, aiming to complete three more in 2020.

### Sharing Best Practice

As an industry leader, we have a key role to play in encouraging third-party fruit suppliers to adopt sustainable production practices, in line with our own policies as well as industry and legal requirements.

Since 2015, we have done this through our ‘Programa Compartilhar’, through which we enable fruit suppliers from various locations in São Paulo State to discuss new technologies, traceability, biological control, sustainable farm management, and responsible use of

crop-protection products and fertilizers. More than 180 people, representing 101 fruit suppliers, took part in program meetings in 2019, which represents a 51% increase compared to 2018, with the result that 82% of all third-party fruit sourced in 2019 came from program participants.

To enrich discussions, we invite external experts to speak at program meetings. In 2019, guest speakers came from Fundecitrus, Empresa Brasileira de Pesquisa Agropecuária (Embrapa) and Instituto Agronômico de Campinas.

We also continued to take the opportunity of these meetings to encourage existing fruit suppliers to sign our Code of Conduct for raw material suppliers, which provides guidelines on human rights, health and safety, business integrity and environmental protection. Signing the code of conduct is mandatory for all new suppliers.

### 2020 and Beyond

In the coming year, we are looking to expand our ‘Programa Compartilhar’ to include training for growers in Paraná State for the first time, and to increase overall participation.

We also aim to obtain SAI Platform Gold Grade verification for three more farms, and implement Biodiversity Protection and Conservation Plans at those locations.

While our plans may be affected by the restrictions and effects of the Covid-19 pandemic, we will nevertheless aim to complete this work if possible, safety and health measures allowing.

# New and Amended Targets

**Run ‘Programa Compartilhar’ training in Paraná State**  
Completion: **2020**

**Increase the number of ‘Programa Compartilhar’ participants by 10%**  
Completion: **2020**

**Secure SAI Platform Gold Grade verification for three additional citrus farms**  
Completion: **2020**

**Complete biodiversity protection and conservation plans for three additional citrus farms**  
Completion: **2020**

# Responsible Business

## Palm

Some forecasts estimate that global demand for vegetable oils will be double today's levels by 2050<sup>1</sup>. Used in cooking, food production and other industries, palm oil is already the most widely used edible vegetable oil, and its production is expected to quadruple in the same period.

Although palm oil yields are four to ten times higher per hectare<sup>2</sup> than for any other oil, challenges remain in meeting growing demand responsibly, without causing deforestation and destruction of ecosystems high in carbon stock and of high conservation value.

Palm oil being an essential source of revenue for many farmers, our challenge is to find fair and sustainable solutions that create shared value in palm supply chains. We therefore partner with many different stakeholders to find balance in meeting sometimes competing needs, working toward the *United Nations'* Sustainable Development Goals (SDGs) on hunger (SDG 2) and responsible consumption and production (SDG 12), by aiming to:

- Preserve forests, which play a vital role in the global ecosystem.
- Maintain and encourage biodiversity.
- Help farming communities improve their incomes sustainably.

- Help communities to continue living in forested areas.

### Our Activities in Palm

Although we do not own palm plantations, we:

- Source palm from third-party mills, refine it at our facilities in Indonesia, and distribute the oil to customers.
- Source oil from third parties to sell onward through our commercial office in Singapore.

We work with many different operators, and palm oil sourced by our Singapore teams often involves several intermediary layers in the supply chain. We view this as an opportunity to influence these suppliers to comply with our 'No Deforestation, No Peat, No Exploitation' (NDPE) policy, launched in 2016. Where we make direct purchases through third-party mills, we work to influence those suppliers through NDPE training programs and regular engagement.

In addition to raising awareness in this way, we make sourcing transparency a priority, aiming ultimately to trace palm oil back to mill level and beyond. We report on this regularly – in this report and on various online platforms, including [our website](#), which is updated

with information regarding our sourcing profile and locations.

### Transparency, Traceability and Monitoring

Traceability is a vital part of encouraging supply chain practices to improve. Since 2015 we have aimed to trace all our palm oil back to mill level and report on this, working with our suppliers in parallel to help them adopt our NDPE commitment.

In the second half of 2019, we achieved 100% traceability to mill level for palm sourced directly for our two refineries in Indonesia, and 96% traceability to mill for indirect sourcing (that is, traded oil that was not processed by our own refineries). Our aim for the coming years is to maintain 100% traceability for direct sourcing to our refineries and, in 2020, to improve indirect sourcing traceability even nearer to 100%.

1 RSPO, *A Shared Vision – 100% Sustainable Palm Oil in Europe: A Snapshot of National Initiatives*, 2015  
2 *ibid.*



We are helping smallholder farmers in South Sumatra to build resilience through sustainable yield improvements

## Targets

**Trace back to the mill 90-100% of the palm supplied to us**  
Completion: **2019**  
Progress: **Completed**

**Maintain detailed risk assessments of all our main suppliers**  
Completion: **2019**  
Progress: **Completed**

**Conduct and sponsor at least two technical workshops on NDPE commitments with key suppliers**  
Completion: **2019**  
Progress: **Completed**

**Develop methodology for traceability to plantation level for high-risk areas**  
Completion: **2019**  
Progress: **Completed**

**Report publicly twice a year on traceability, mill lists, and engagements conducted through the LDC grievance process**  
Completion: **2019**  
Progress: **Completed**

Traceability to mill level for 100% of palm supplied direct to our refineries

Traceability to mill level for 96% of indirectly sourced palm in H2 2019

Now targeting traceability to plantation level

## Traceability to Mill Level (%)

### Indonesia Refineries

H2 2019	100
H1 2019	100
H2 2018	100
H1 2018	100
H2 2017	100
H1 2017	100
H2 2016	100
H1 2016	100
FY 2015	100

### Singapore Commercial

H2 2019	96
H1 2019	93
H2 2018	90
H1 2018	89
H2 2017	87
H1 2017	86
H2 2016	75
H1 2016	79
FY 2015	66

### Global

H2 2019	97
H1 2019	95
H2 2018	94
H1 2018	93
H2 2017	92
H1 2017	92
H2 2016	85
H1 2016	91
FY 2015	81

We also have targets for tracing our direct sourcing to plantation level. In 2019 we finalized the methodology for this level of traceability, which will require our first-tier fresh fruit bunch (FFB) suppliers to provide data allowing us to trace supplies to the location of the relevant plantations. We have set traceability targets for first-tier FFB suppliers to our refineries at 60% for 2020, and 95% for 2022.

We maintain risk assessments on all our suppliers, applying *Global Forest Watch's* (GFW) independent evaluation of risk levels associated with the specific activities of each mill that supplies our refineries. We combine this information with reviews of any grievance reports made against suppliers (see opposite), and have now commissioned additional satellite monitoring services to monitor our full sourcing activities in Southeast Asia.

In 2019, we achieved field verification of 'No Deforestation, No Peat, No Exploitation' (NDPE) implementation for three direct suppliers.

### Collaboration for Sustainable Palm

Working with our suppliers to ensure they understand, adopt and comply with our palm sourcing policies, and particularly our NDPE policy, is key to our efforts to encourage more sustainable practices in palm supply chains.

We do this through a range of activities, such as making compliance with our policy part of supplier contracts, publicizing our policies through workshops, and providing training and technical assistance to suppliers, especially smaller producers or those we consider higher risk.

In 2019, our efforts can be summarized as follows:

- We have contractual supplier commitments to NDPE and to our sustainability policy for over 80% of the palm we source, both directly and indirectly. Including our policy in all contracts is extremely difficult due to spot or one-off purchases, but this remains our ambition.
- 40% of the mills supplying our refineries have participated in engagement workshops on how to use our self-declaration tool to show compliance with our policy.
- Where possible, we engaged our higher-risk supplier groups to help them understand our grievance protocol and process. We also continued to remove suppliers with significant NDPE grievances from our approved supplier list, while grievances are being resolved.
- Working with the *Louis Dreyfus Foundation*, we trained over 250 smallholder farmers in good agricultural practices, focusing on quality, cooperative farming structures and yield improvement techniques, aiming eventually for certification.
- 34% of our direct suppliers attended training on environmental and social themes, as part of our technical assistance for implementing NDPE commitments.

We have ambitions to increase our engagement and training offer, with a 2020 target to train 60% of the mills we use for direct sourcing in using our self-declaration tool or an equivalent, and to train another third of our direct suppliers on implementing NDPE.

We also have procedures in place for cases where suppliers are said to have breached our policies. We run a rigorous grievance process to examine these cases, reviewing allegations, publishing detailed updates online and allowing feedback. We make every effort to work with these suppliers to change their approach, but the ultimate sanction is to stop trading with them if those efforts fail.

### Case Study: Smallholders in South Sumatra

Keen to support the resilience of smallholder farmers in Indonesia, who account for approximately 40% of palm plantations by area<sup>3</sup> and yet often have the lowest yields, we train these farmers to improve their yields sustainably and without resorting to deforestation.

Having trained over 250 smallholders in 2019, in partnership with the *Louis Dreyfus Foundation*, we aim to train a further 750 in 2020 and another 1,000 by 2022.

Alongside individual farmers, we also trained a local cooperative and upgraded its infrastructure, for instance with facilities to store chemicals and wash personal protective equipment. These actions aim to help smallholders secure sustainability certification with *International Sustainability & Carbon Certification* (ISCC) or *Roundtable on Sustainable Palm Oil* (RSPO) by the end of 2020.

## Toward Improved Labor Practices

We are stepping up our efforts to improve labor practices in the palm sector, in relation to human rights.

In 2019, this involved:

- Monthly engagement with an indirect supplier in Latin America who has documented concerns.
- Work with several stakeholders in East Kalimantan, Indonesia, including local governments, NGOs and other palm oil companies, to draft guidelines on the use of seasonal labor, with a trial implementation planned in 2020 at one of our palm oil suppliers.
- Independent third party on-site audits at several supplier mills, representing 34% of all crude palm oil supplied to our refinery, to examine both human rights and NDPE elements. We will review the results and, where necessary, define plans to address issues with relevant suppliers.

<sup>3</sup> "Oil palm and biodiversity: A situation analysis by the IUCN Oil Palm Task Force", *International Union for Conservation of Nature*, 2018

### Progress in Certification

While certification is an important tool, it is only one of many necessary efforts to ensure our sourcing is sustainable, as sales volumes depend heavily on customer demand.

Nevertheless, we continue to source and distribute palm oil that complies with RSPO and ISCC standards, as part of our commitment to 'No Deforestation, No Peat, No Exploitation' (NDPE).

In 2019, we increased certified palm oil sales by 52% year-on-year, and by 2,320% compared to 2012.

### Environmental Awards

Since 1995, the Indonesian Ministry of Environment and Forestry has used 'PROPER', a rating system for company environmental performance, to rate facilities on compliance with environmental regulations based on a color-coded rating, ranging from gold for excellence, green or blue for compliance, and red to black for poor performance.

In 2019, our Lampung refinery participated in the scheme for the first time and received a blue rating. We will continue to work to improve the environmental performance of our refineries, integrating the 'PROPER' criteria into our management system.

### Looking to 2020 and Beyond

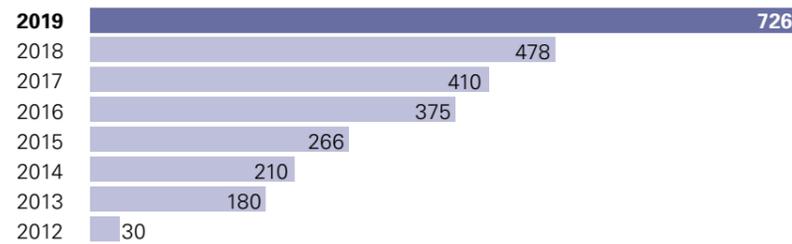
Continuing to improve traceability remains a high priority, and we are introducing methods and targets for traceability to plantation level, supported by remote sensing monitoring, especially for direct suppliers to our refineries.

We also aim to increase engagement with, and practical assistance to, our suppliers, as we work to move our verification, monitoring and grievance processes toward our ultimate NDPE goal.

We are also targeting expansion of smallholder-specific training on good agricultural practices (GAPs), building on the successful pilot with the *Louis Dreyfus Foundation* described in this section.

Subject to logistic challenges caused by Covid-19, which may affect our program in 2020, we have set the targets on the facing page to drive our future activities.

### ISCC and RSPO Certified Volumes (KMT)



## New Targets

**Maintain 100% traceability to mill level for palm sourced directly to LDC refineries**  
Completion: **2020**

**Above 97% traceability to mill level for palm traded by LDC but not sourced for its refineries**  
Completion: **2020**

**Achieve 60% traceability to plantation level for first-tier FFB suppliers for palm sourced directly to LDC refineries**  
Completion: **2020**

**Source 90% of all volumes from sources certified by either RSPO or ISCC, or from suppliers who are either contractually bound to comply with our palm sustainability policy, or have their own NDPE commitments of at least equal rigor to our policy**  
Completion: **2020**

**Train a further 750 South Sumatran smallholder palm farmers in GAPs**  
Completion: **2020**

**Train a further 1,000 South Sumatran smallholder palm farmers in GAPs**  
Completion: **2022**

**Achieve 95% traceability to plantation level for first-tier FFB suppliers for palm sourced directly to LDC refineries**  
Completion: **2022**

# Responsible Business

## Soybeans

As the world's most efficient source of protein per hectare<sup>1</sup>, an important human food and animal feed ingredient, and source of biofuel, soybean production has expanded tenfold in the last 50 years<sup>2</sup> to meet increased demand which is expected to continue growing rapidly.

It is crucial that the world meet this growing demand – which follows rising global consumption of meat and food in general – without further deforestation or use of land with high conservation value for soy cultivation.

To achieve this, it is crucial that all soy value chain actors work together toward more sustainable soy production and, ultimately, the *United Nations'* Sustainable Development Goal 12 on responsible consumption and production.

### Soy Sustainability, Mapping and Tracing

Although we also source soy from North America, the main sustainability risks we face are with soy purchased from Argentina, Brazil and Paraguay, the main concern being to minimize damage to areas rich in biodiversity, such as the Cerrado, Gran Chaco and Amazon biomes.

In 2018 we launched our global Soy Sustainability Policy, detailing our commitment to work with all our supply chain stakeholders to prevent the conversion of native vegetation in areas of high ecological value, and reinforcing our 'No Deforestation, No Peat, No Exploitation' commitment.

In 2019, we publicized the policy with all our major suppliers operating in areas deemed to be at higher risk of deforestation, and will communicate it to more suppliers in 2020.

Our work toward more sustainable soy supply chains, includes:

- Incentivizing producers to preserve native vegetation, regardless of existing entitlements.
- Mapping supply chains.
- Ensuring traceability for direct sourcing activities in Brazil, Argentina and Paraguay.
- Protecting key areas through partnerships, for example with:
  - Fellow members of the *Soft Commodities Forum* (SCF) in the Cerrado.

– *Cámara de la Industria Aceitera de la República Argentina* (CIARA) and *The Nature Conservancy* in the Gran Chaco.

- Sourcing certified sustainable soy where possible, and where demand exists.

In addition to detailing progress on our efforts in Brazil, Argentina and Paraguay in this report, we also update our sourcing profile regularly on [our website](#).

1 European Soy Monitor, 2019  
 2 WWF, *The Growth of Soy, Impacts and Solutions*, 2014  
 3 As at December 31, 2019

Starting in 2019, we report twice-annually on soy sourcing from Brazil

Just 0.25% of our total Brazil volume comes from high-priority areas of the Cerrado<sup>3</sup>

We launched preferential financing to incentivize producers not to convert native vegetation

Storing and transporting soybeans in Pederneiras, São Paulo State, Brazil



## Targets

**Report Brazilian soy origination figures twice through SCF platform**

Completion: **2019**  
 Progress: **Completed**

**Launch a long-term credit financing facility that incentivizes expansion to existing pasture and degraded land**

Completion: **2019**  
 Progress: **Completed**

**Trace 100% of direct purchases in Brazil to farm level**

Completion: **2019**  
 Progress: **Missed**

**Map areas suitable for soy farming expansion in northern Argentina, to avoid deforestation**

Completion: **2019**  
 Progress: **Amended**

**Communicate our Soy Sustainability Policy to all major suppliers in high-risk municipalities**

Completion: **2019**  
 Progress: **Completed**

**Progress in Brazil**

With a focus on mapping our supply chain to ensure alignment with our ‘No Deforestation, No Peat, No Exploitation’ commitment, progress in 2019 was as follows.

**Data Transparency**

Because we believe that transparency is key to encourage sustainable practices, we publish our progress on public forums with a view to continuous improvement.

For example, as part of the *Soft Commodities Forum* (SCF) we work to trace and report on soy procured, directly or indirectly, from the Cerrado, particularly in 25 municipalities defined as high-priority areas. Starting in June 2019, we will publish sourcing figures twice yearly, including the following from 2019:

- Percentage of our Brazilian soy sourced from the Cerrado: 25.6%.
- Percentage of our Cerrado-sourced soy that comes from the 25 municipalities identified as high priority: 1.0% (which is 0.25% of our total Brazil volume).
- Percentage of direct and indirect purchases from those 25 municipalities: all our purchases are directly from farmers.

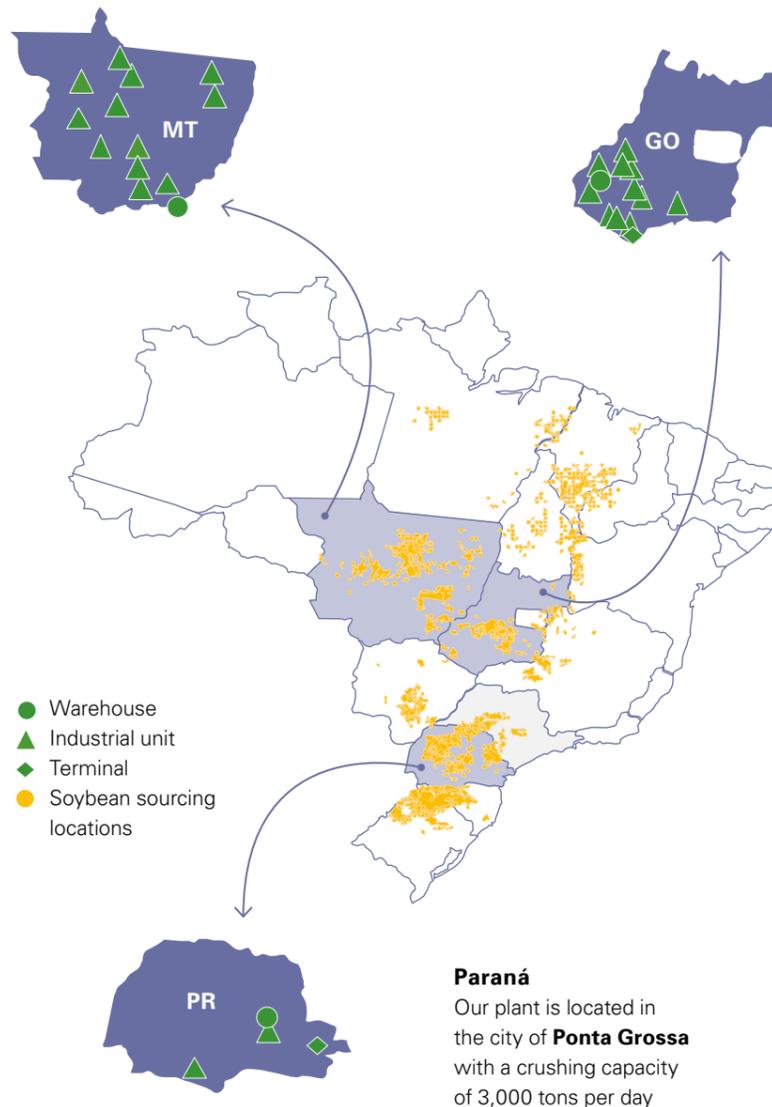
**Warehouses and Crushing Plants in the Main Soybean Productive Areas, Outside the Main Deforestation Frontiers**

**Mato Grosso**

Our plant is located in the city of **Alto Araguaia** with a crushing capacity of 3,000 tons per day

**Goiás**

Our plant is located in the city of **Jataí** with a crushing capacity of 2,000 tons per day



**Incentivizing Sustainable Farming**

In 2019, we launched a preferential long-term financing line to incentivize producers to expand on already-cleared areas, instead of converting native vegetation. The financing line has certain conditions attached, developed in partnership with *WWF-Brazil*, requiring producers to:

- Commit at group level, i.e. covering all their farms, to leaving native vegetation intact.
- Comply with all legal, social and environmental criteria, including the Brazilian Forest Code.

Although market conditions in 2019 meant the facility had limited uptake, we expect uptake to increase in 2020.

**Traceability in Direct Sourcing**

Of the soybeans we process in Brazil, we source approximately half of these directly from producers.

Following the SCF's definition, we consider that in terms of traceability to farm:

- Farms where soy was produced must have an *Environmental Rural Registry* (CAR, in Portuguese) number.
- The GPS coordinates of the farms where soy was produced must be available.

While we aimed for full traceability to farm level by end of 2019, we missed the target for significant technical reasons. Federal and state databases make it difficult to link the group-level supplier to the many farms they hold a CAR number for.

We attained traceability to farm for over 30% of all directly sourced volumes in Brazil, and 100% traceability for direct volumes sourced from SCF-defined high-priority municipalities.

We intend to continue mapping where we have gaps, focusing on higher-priority municipalities and states where there may be higher rates of conversion of native vegetation. Our target for 2020 is to trace 50% of directly sourced volumes in Brazil to farm level, with a focus on areas at higher risk of deforestation. We will also add more information on our sourcing profile to [our website](#), including land-use dynamics in the areas we source from.

**Partnership Commitments**

In addition to promoting industry-wide sustainability efforts in the Cerrado through our SCF participation, we are also a signatory of the Soy Moratorium and a member of the Soy Working Group committed not to purchase soybeans from Amazon areas deforested since 2008.

We also seconded our Global Sustainability Manager for Grains & Oilseeds to the *Tropical Forest Alliance*, to support the platform in advancing multi-sectoral dialogue and solutions for a forest-positive future. The focus is initially on soy in Brazil, by creating incentives for producers to improve productivity and conservation.

**Certified Sustainable Soy**

Having set up our own Sustainable Agriculture certification scheme in Brazil in 2018, we have been working with farmers in 2019 to build a certified supply chain that links our sustainability ambitions with customer requirements.

We promote sustainable production among farmers, and encourage pursuit of certification by sharing best practices, and by working with farmers on socioeconomic risk analyses.

We have also certified some of our own Brazilian assets under *Roundtable on Responsible Soy* (RTRS) criteria, which guarantee a transparent flow for certified soy.

## Progress in Argentina and Paraguay

As we continued to map our supply chain and build our certification volumes, progress in 2019 was as follows.

### Traceable Supply Chains

In 2019, we completed our mapping of soy sourcing areas in Argentina (to farm or regional level), performing risk analyses on all sourcing channels, and identifying native forest, any recent deforestation, and legal categorization of the land.

We also set up tools and processes to trace directly-sourced soy back to farm level in Argentina, and intend to expand traceability to all directly-sourced soybeans in both countries. Thanks to extensive certification programs in Argentina, more than half of LDC's direct volumes are traceable to farm.

In our 2018 Sustainability Report, we incorrectly expressed our target in this area as aiming to map areas for new expansion, whereas the intended aim for 2019 was to map areas where we source, as described above. Going forward, we will carry out the same mapping and risk analysis in Uruguay and Paraguay, and add profiling land use dynamics beyond our current sourcing areas in Argentina, to seek solutions that avoid deforestation. Our targets have been amended accordingly.

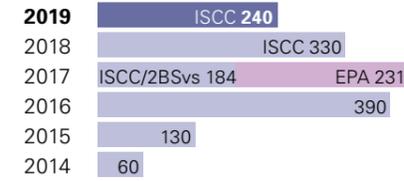
## LDC Argentina and Paraguay Crushing Plants

**Country Elevators** 14 elevators and 18 commercial offices throughout Argentina, Uruguay and Paraguay.

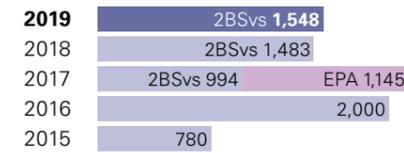


## Argentina

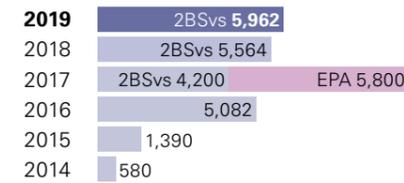
### Certified Sustainable Biodiesel (KMT)



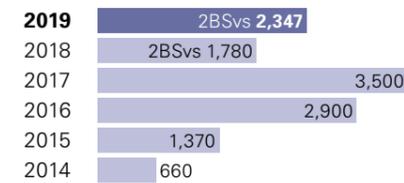
### Sustainable Soybeans (KMT)



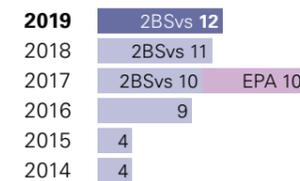
### Certified Farms



### Certified Hectares (Kha)



### Warehouses (own)



### Warehouses (Third Party)



### Certified Sustainable Soybeans

We have significant *Biomass Biofuel Sustainability voluntary scheme* (2BSvs) and *International Sustainability & Carbon Certification* (ISCC) programs providing certified sustainable biodiesel and other soy derivatives. These schemes use a no-deforestation cut-off date of January 1, 2008, so all soybeans sourced under the schemes are traceable to farm and deforestation-free.

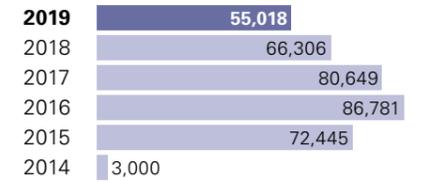
Absolute certification volumes were similar in 2018 and 2019, though the total volume of beans sourced in 2019 was much greater than in 2018 due to drought and poor harvests that year, meaning that the relative percentage of sustainable sourcing in 2019 was smaller.

We are currently in the process of certifying three ports in Paraguay, and two in Argentina, under the *Roundtable on Responsible Soy* (RTRS) scheme, which will allow us to source RTRS beans through chain of custody certification.

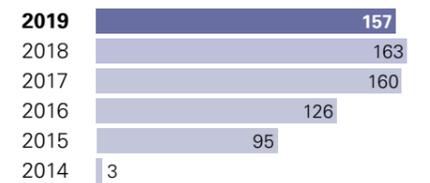
Having established our own third-party-verified deforestation-free soybean meal supply chain in Argentina, in 2020 we will start to offer soymeal under the program, the size of which will depend on market demand.

## Paraguay

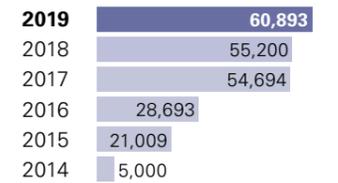
### Sustainable Soybeans (KMT)



### Certified Farms



### Certified Hectares (Kha)



# New and Amended Targets

## Partnerships for Sustainability

In Argentina, we are part of two programs to prevent sourcing from protected areas in the Gran Chaco:

- Oilseeds processors association CIARA, which analyzed the National Forestry Law in 2019 to identify deforested or converted areas associated with soybeans. In 2020, it expects to progress work with the public sector to comply with the National Forestry Law, and to create sectoral plans for a collective commitment to achieve deforestation-free chains.
- *The Nature Conservancy*, which is helping us create a solution to monitor areas of high biodiversity, identify where deforestation is taking place for soy, and create incentives that could alter behavior. The initial focus is in the Argentinian province of the Gran Chaco.

We continue to work alongside the industry in Argentina to set a default greenhouse gas emission standard for Argentinian soybean cultivation.

In Paraguay, we joined the *United Nations Development Program's* 'Green Commodities Program', to offer a merchant's perspective on industry issues and to help promote sustainable practices.

The program has provided a grant of US\$40,000 to certify five cooperatives in Paraguay for the first time, aiming to expand good traceability practices. The project began in the second half of 2019 and aims to have all cooperatives certified for the 2021 harvest.

We also participated in the oilseeds processors' group *Cámara Paraguaya de Procesadores de Oleaginosas y Cereales's* program to promote the benefits of certification in Paraguay. Our Paraguay team aims to purchase 300 KMT of soybeans verified as deforestation-free annually, starting in 2022.

## Looking to 2020 and Beyond

In the coming years, we will continue to develop our global Soy Sustainability Policy. This will involve supply chain mapping and risk assessment for all sourcing in Brazil, Argentina, Paraguay and Uruguay, moving toward full traceability to farm for directly sourced soybeans.

We will also be working to analyze the conditions needed for the launch of a preferential financing program in other countries in the region, based on our existing Brazilian program, to see how this could be expanded in 2020.

In 2020, we will pursue our traceability efforts despite the technical and logistic challenges due to Covid-19, and will continue to engage with our partners in soy sustainability efforts, to encourage the responsible expansion of soy cultivation.



Report Brazilian soy origination figures twice through *Soft Commodities Forum* platform  
Target: 2020

Trace 50% of directly-sourced soy in Brazil back to farm, with a focus on higher-risk areas  
Target: 2020

Map land use dynamics in northern Argentina  
Target: 2020

Map current sourcing profile in Paraguay and Uruguay  
Target: 2020

Expand preferential financing program in Brazil's Cerrado biome to incentivize expansion onto existing pastureland  
Target: 2020-2025

Purchase 300 KMT of verified deforestation-free soybeans per year in Paraguay, starting in 2022  
Target: 2022



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