



COFCO INTL



Materiality Assessment for COFCO International (CIL)

Final Report

São Paulo | April 2023

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CIL's Materiality Assessment is an important part of the company's ESG strategy

About CIL

CIL is the overseas arm of the COFCO Corporation and is responsible for the company's agricultural and grain businesses. As of 2020, the COFCO Corporation itself employed some 110,000 staff globally, with revenues in excess of US\$72bn.

CIL employs around **11,500 staff** in 37 countries, with revenues of US\$48bn (2021). Sixty percent of the company's global assets are located in **Latin America**, with Brazil the most important origination market.

The company has annual turnover of **133m tonnes of products**, including grains, oilseeds and sugar, as well as 33m tonnes of port capacity.

COCFO INTL's Updated Materiality Assessment

In late 2022, CIL commissioned an updated Materiality Assessment, in order to identify and act upon the ESG issues that are most materially important to CIL's stakeholders. The last Assessment took place in 2017, so this is an important opportunity to identify those issues that have become more materially significant in the intervening period.

Over a three-month period, the Materiality Assessment included: **a literature review**; a mapping of actual and potential **impacts** that CIL has on key ESG issues; **14 interviews** with senior CIL staff and external stakeholders; and **117 responses to the materiality survey**. The results from this multi-faceted approach are presented in this report.

CIL's Materiality Assessment is an important part of the company's ESG strategy (cont.)

Why carry out a Materiality Assessment?

- 1. Prioritizing issues:** The materiality assessment will help CIL identify the most important ESG issues for their business and stakeholders. This can help CIL prioritize and focus efforts on the issues that matter most.
- 2. Improved decision making:** By identifying the most material issues, a materiality assessment can help better manage risks, seize opportunities, and allocate resources effectively.
- 3. Enhanced stakeholder engagement:** During the materiality assessment, CIL's main stakeholders have been engaged, which can help the company to continue to build stronger relationships with its partners and enhance its reputation as a responsible corporate citizen.
- 4. Increased transparency:** By publicly disclosing the results of the materiality assessment, according to the latest GRI Standards, CIL can demonstrate its commitment to ESG issues and provide stakeholders with greater transparency into its operations.

Target Audience and Structure of the Internal Report

This report is the result of the methodology set out above and is organized across four main chapters, including methodology, results, strategic outlook and conclusions. In the first instance, the report is **aimed at an internal audience within CIL**, with a view to demonstrating to senior management the importance of ESG issues.

At the same time, the Materiality Assessment will be made public when it is published in CIL's Sustainability Report and therefore represents an **opportunity to engage publicly on critical issues**, and demonstrate greater transparency in its business and sustainability operations.

The report concludes with a number of annexes, including the list of topics selected for the survey, the survey questions and a list of acronyms.

A green combine harvester is shown from a low angle, pouring a thick stream of golden grain into a concrete bin. The grain is captured mid-air, creating a dynamic sense of movement. The background features a clear blue sky with wispy clouds and a flat landscape with some distant vegetation. The overall scene is bright and clear, suggesting a sunny day.

Assessment Methodology

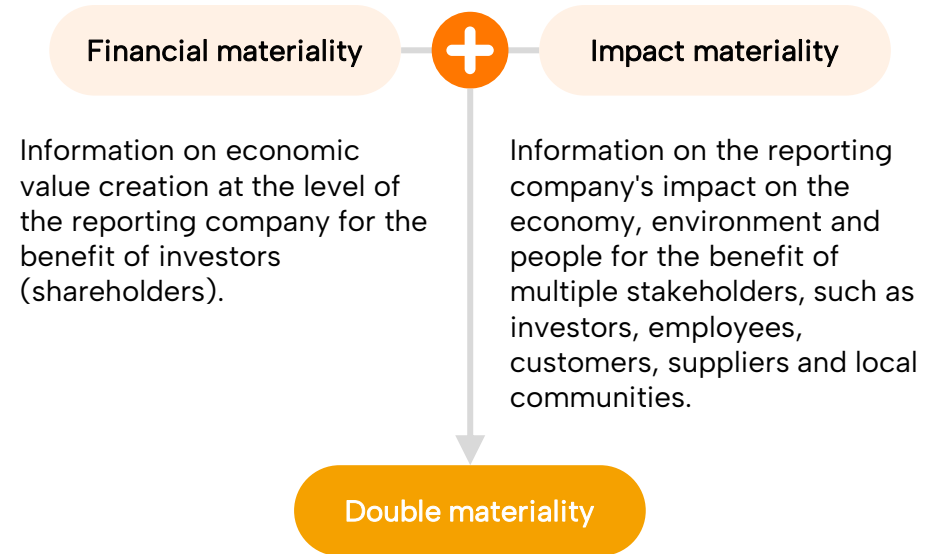
As pressures increase to achieve greater environmental and social sustainability, it is key that companies give strategic focus to those topics that are most relevant to them

Materiality Assessment

A materiality assessment is the process by which an organization identifies and prioritizes the **key topics that represent its impacts on the economy, environment, and people**. Importantly, it has to consider the voice of its stakeholders, not only financial decision makers.

Recently, the notion of a **double materiality** assessment, which takes into account not only impact materiality, but also financial materiality, that is, the topics or issues most likely to influence value creation (as a risk or opportunity) for its investors, has gained traction.

For GRI, **impact and financial materiality** are the foundation of double materiality, and key impacts are not to be dismissed if, somehow, in the financial materiality, they are considered less relevant.



GRI Perspective, 2022

CIL's materiality assessment followed the approach proposed in the 2021 GRI Standards, taking place over a four-month period between the end of 2022 and first months of 2023

1

Understand the organization's context

- Sector Standards
- Recent sectoral initiatives and guidelines
- CIL's internal policies
- Traders' benchmarks
- 2022 internal materiality exercise
- Internal ESG Risk rating report

2

Identify actual and potential impacts

- Pre-selection of 53 potentially relevant topics
- Final selection of 22 topics for assessment
- 6 strategic external interviews with different stakeholder groups*
- 8 strategic internal interviews**

3

Assess the significance of the impacts

- Material topics survey sent out to over 800 external stakeholders and 300 internal ones
- Added double materiality assessment
- Strategic analysis of results, with weighted averages for stakeholder groups

Outside of this project's scope, these findings will guide prioritization of topics for CIL's strategy and reporting

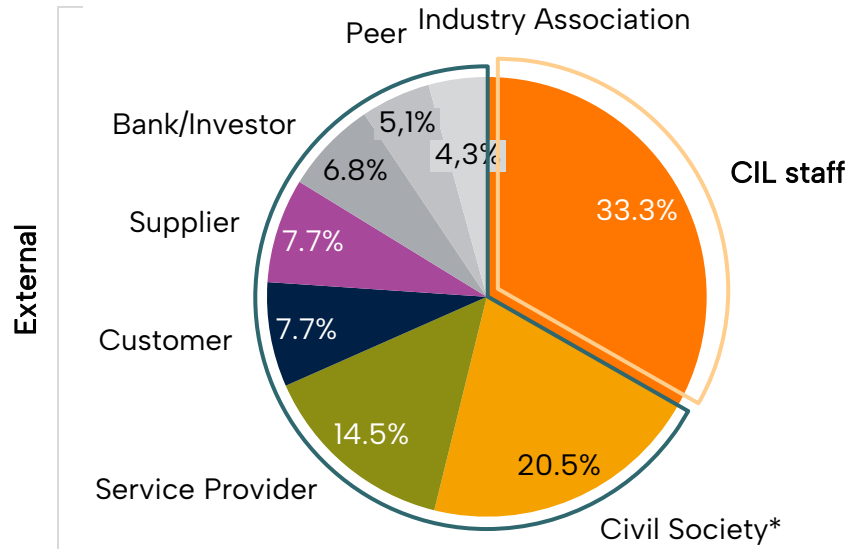
Weekly meetings and direct involvement of CIL's sustainability team

* 1 Academia; 1 Bank/investor; 1 NGO; 1 Industry Association; 1 peer; 1 community organization

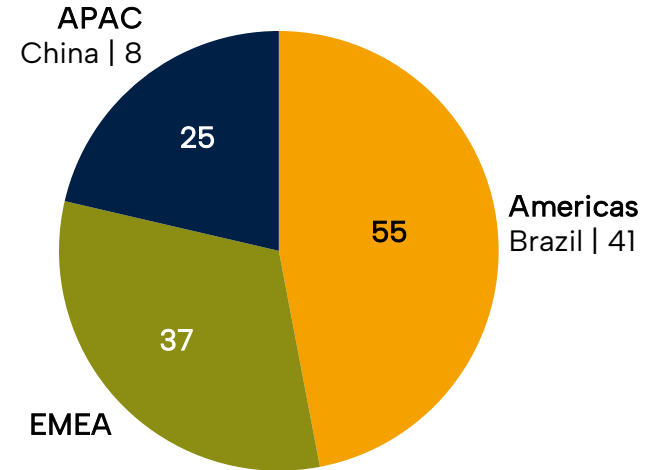
** 1 Global Finance; 3 Grains & Oilseeds; 1 Audit; 1 Risk; 1 EHS and Asset Management; 1 Port

The survey received 117 valid answers – 39 staff and 78 external stakeholders – meaning good representativity of the socio-economic environment

Respondents by type | n=117



Respondents by location



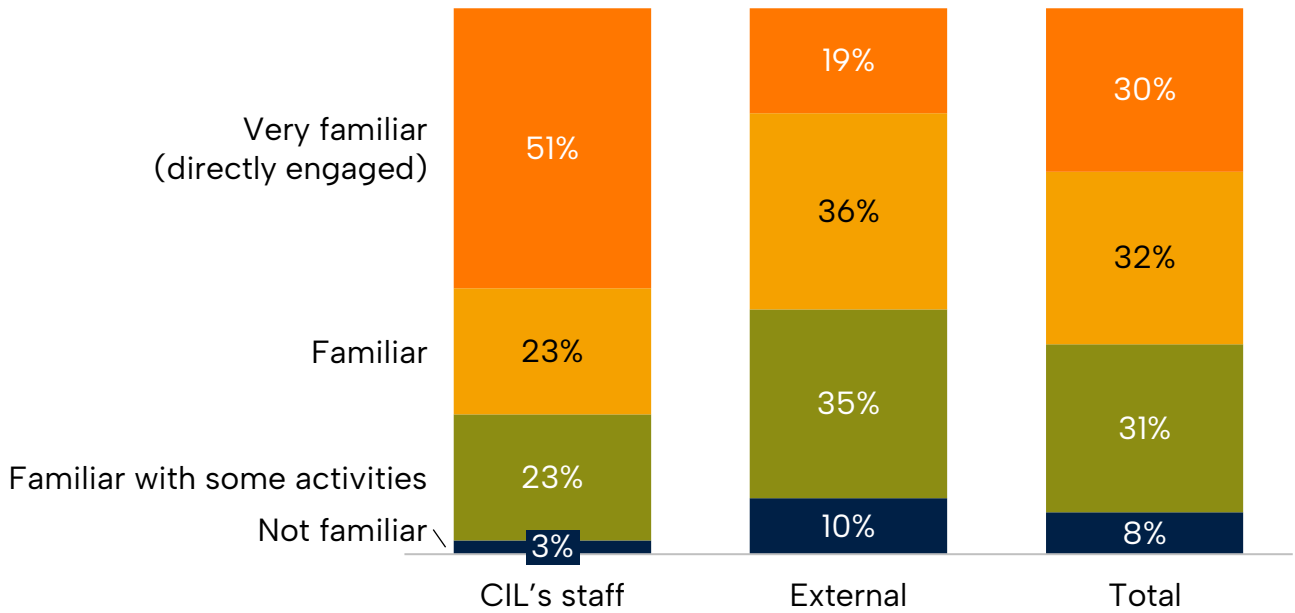
The strong presence of civil society (20% of total respondents) means that the assessment was not simply a response to shareholders, but to a broader set of societal voices, meaning a more balanced assessment and highlighting the quality of relationships held by the sustainability team

The survey received replies from a total of 24 countries, with Brazil representing 35% of total answers (28% of staff answers and 38% of external responses), reinforcing its strategic role in the company

*Civil society includes NGOs, Foundations, Think Tanks, Governmental institutions

Over 60% of stakeholders that answered the survey were familiar or very familiar with CIL's sustainability activities

How familiar are the respondents with the sustainability activities of CIL? | %

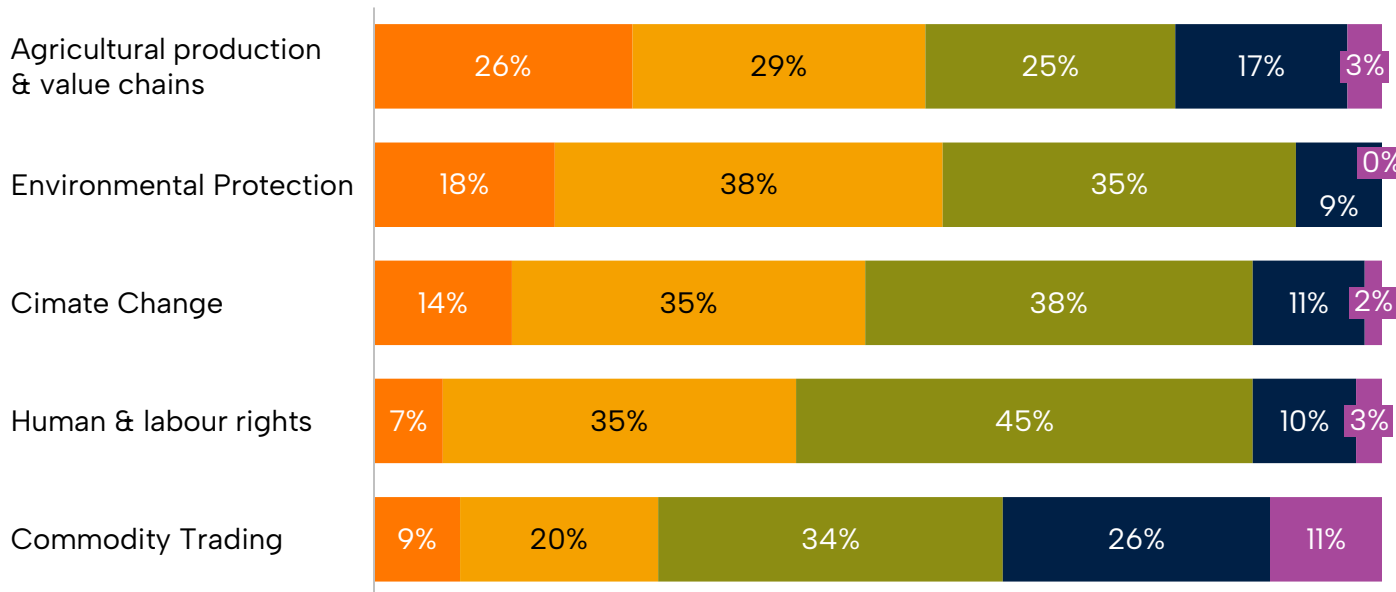


Most respondents were able to assess the relevance of material topics with a good level of understanding of CIL's particular activities, which contributes to the materiality and its use for strategic decision making

The large majority of respondents considered themselves to have between intermediate and expert knowledge of the issues at hand

Level of Expertise | %
(Staff and external stakeholders)

Expert Intermediate Novice
Advanced Beginner

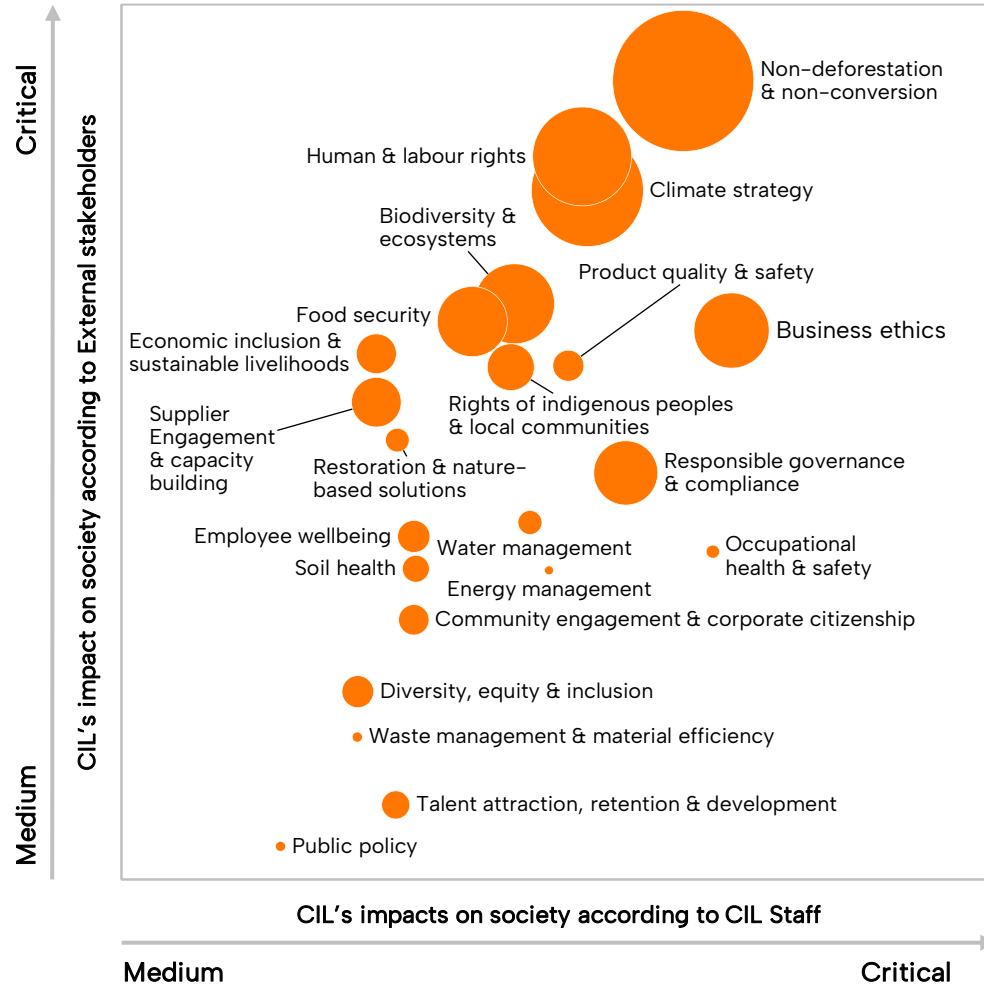



Respondents were mainly strong on agro-environmental issues, less so on human and labor rights, a finding that is consistent across the sector.

Results



CIL's 2023 Materiality matrix



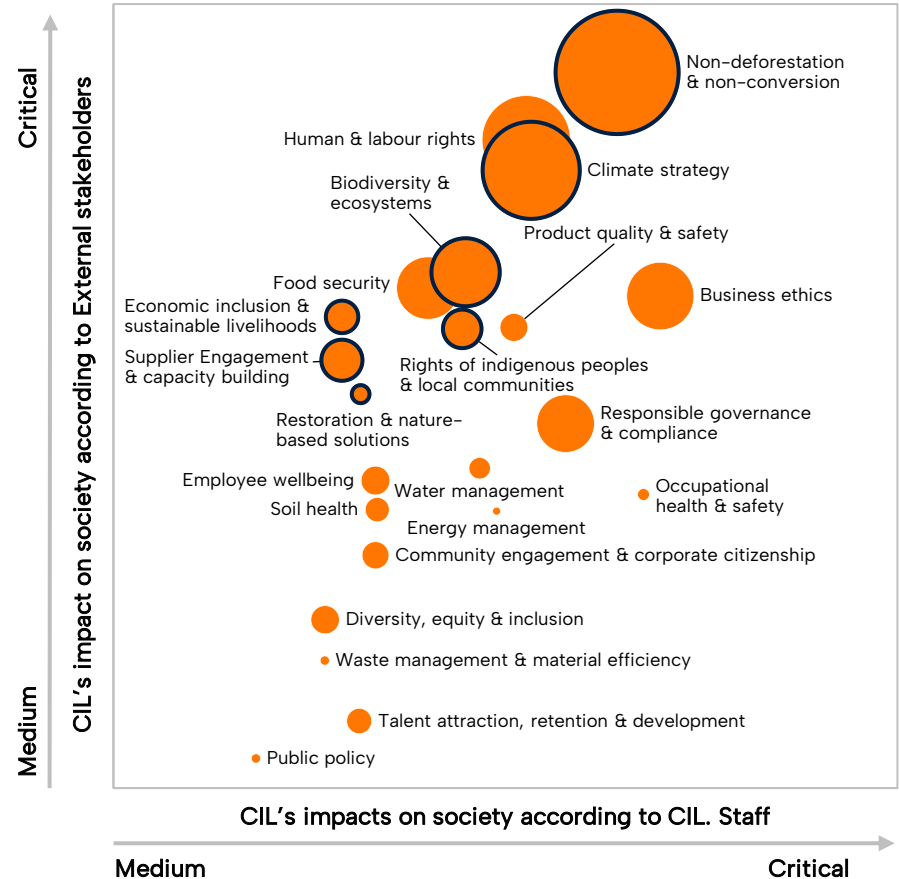
 **Impact on CIL business (double materiality)**

Emerging topics were high ranked in the materiality matrix, particularly by external stakeholders

- ↻ Impact on CIL business (double materiality)
- Topics that were not present in the 2017 matrix or were included inside a more encompassing topic

CIL's trajectory and the sustainability scenario

- Comparing CIL's 2017 materiality assessment with the 2023 version, one significant change is the **breakdown of "sustainable agricultural sourcing"** (as listed in 2017) into more nuanced options, including the high rated Non-deforestation & non-conversion; Biodiversity & ecosystems; Soil health; Restoration & nature-based solutions.
- That shift demonstrates a **greater level of maturity** in understanding the issues that require a **systemic transformation to sustainable agricultural sourcing** (considered as a strategy, not a material topic in itself). It also reflects changes that happened since 2017 in the sustainability scenario, with specific actions and targets for DCF and Biodiversity, for instance, requiring a more detailed look at what is actually key for CIL.
- Climate strategy**, which was not considered a material topic in 2017, appears as a more holistic understanding of the climate issue than Energy efficiency & reduction of emissions, listed in 2017.



Non-deforestation, human rights and climate are considered the most important impact topics. Business ethics, product safety and compliance also appeared in the Top 10

Top 10 impact topics overall

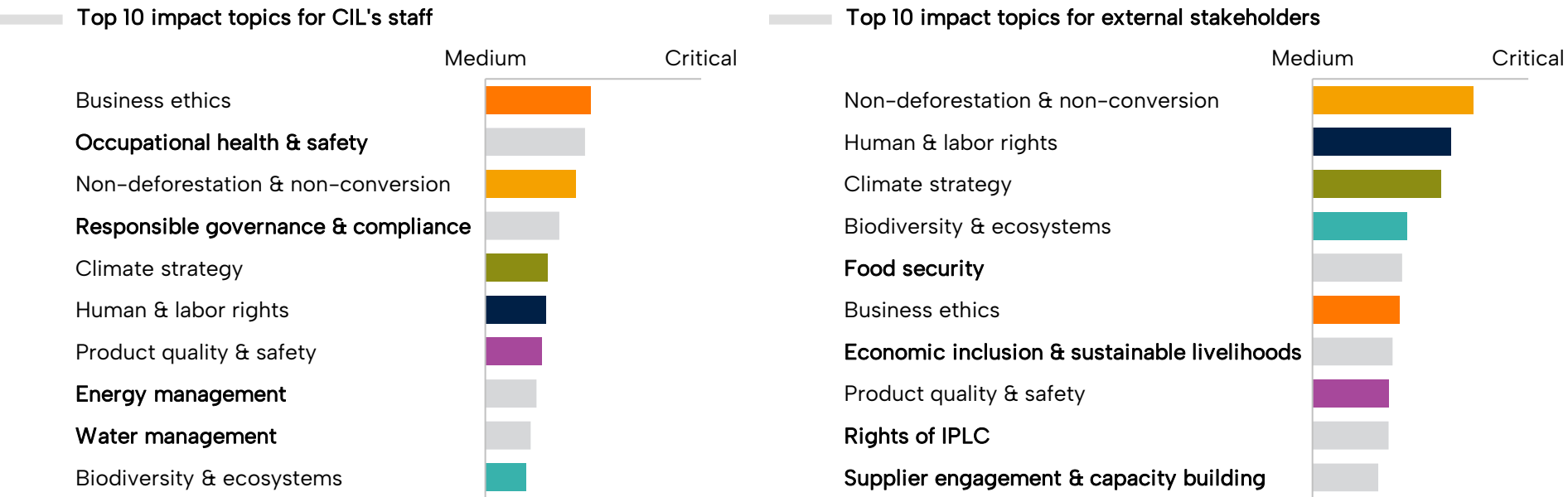


Highlights

- **Non-deforestation and non-conversion was the highest-ranking material topic when results are considered as a whole, connected to the 3rd highest ranked topic of Climate strategy.**
- **Emerging topics have a significant role in the top impact topics for 2023, reflecting both the dynamic quality of the sector and the need for this update since 2017.**
- **Food security** was a key topic mentioned over internal interviews, despite the fact that it did not rank particularly high with CIL's staff on the materiality survey.
- **Economic inclusion & sustainable livelihoods** reflect the role traders have on the whole supply chain, particularly with producing regions and with system-wide solutions.

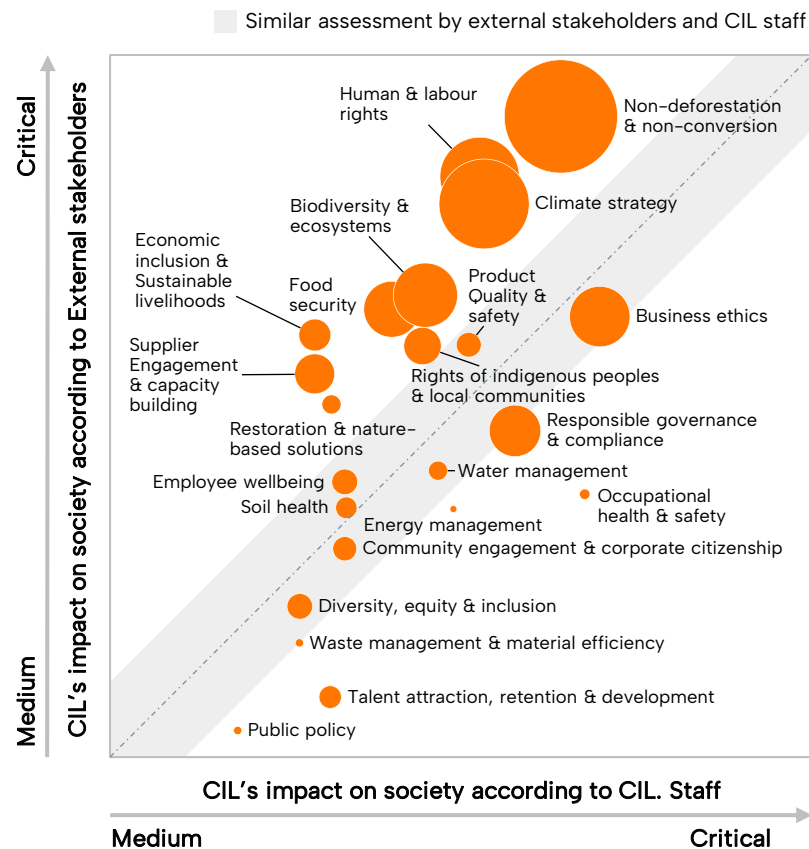
* Indigenous Peoples and Local Communities

Non-deforestation & non-conversion; and Climate strategy are top 5 in both lists. CIL’s staff has an inward-looking focus on operations and external stakeholders valued social issues slightly more.

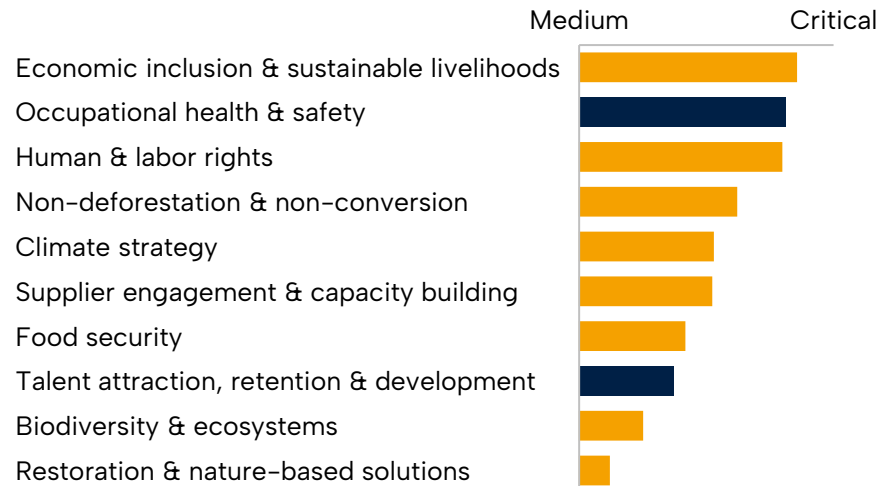


Overall, CIL’s staff had lower averages than external stakeholders, with less critical ratings being distributed. No topic was ranked as of no importance. The topics that ranked as medium for CIL’s staff were Diversity, equity & inclusion; Waste management & material efficiency; and Public policy. For external stakeholders, the topics ranked as medium were the same plus Talent attraction, retention & development.

The views of CIL staff and external stakeholders differed most significantly on economic inclusion, human rights and non-deforestation (all considered more important by externals); and on occupational health and talent attraction (prioritized by CIL staff)



Top 10 largest gap between staff and external stakeholders' ratings



From the topics with largest gaps in terms of rating between CIL's staff and external stakeholders, the two that were higher for staff are focused on staff issues. External stakeholders ranked emerging topics higher than CIL's staff, perhaps revealing more contact with the changing sustainability international scenario.

The results show consistency in double materiality: those priority issues on which CIL impacts are also those issues that have a financial impact on CIL's operations, a significant finding for CIL's sustainability strategy

Double materiality

Respondents were asked to choose the top 5 topics that they believed had the highest impact on CIL's business and performance (financial materiality). Within the top 5, there was no prioritization. The total mentions for each topic were averaged within stakeholder groups and the colors displayed in the materiality matrix reflect their relevance.

The top 5 material topics are aligned with the top impact material topics and 3 of them reflect new emerging topics that have gained relevance over the past 5 years: Non-deforestation & non-conversion; Climate strategy; and Biodiversity & ecosystems. As so, the path for each company is still to be defined due to more uncertainty on sectoral agreements, legislation and commitments. At the same time, leading companies might develop the expertise and partnerships to innovate and add value to their portfolios.

Top 10 material topics for financial materiality

Which topics have the highest impact on the business and performance of CIL?





Strategic Outlook

Traditional topics such as occupational health and safety, governance and human and labor rights remain relevant to the sector, alongside climate/carbon strategy; and deforestation & conversion





Top material topics – CIL	ADM 2021	Bunge 2022*	Cargill 2022*	LDC*
Deforestation and conversion	x	x	x	x
Human and labor rights	x	x	x	x
Climate strategy	x	x	x	x (carbon solutions)
Business ethics			x	
Biodiversity & ecosystems				x
Product quality and safety	Alternative products and green chemistry	x		
Food security	x		x	
Rights of IPLC				
Responsible governance and compliance	x	x	x	x
Economic inclusion & sustainable livelihoods	x	x	x	x
Others (not top 10 priority for CIL)	<ul style="list-style-type: none"> ▪ Energy management ▪ Water management ▪ Traceability 	<ul style="list-style-type: none"> ▪ Energy ▪ Water 	<ul style="list-style-type: none"> ▪ Regenerative agriculture ▪ Water ▪ Land 	<ul style="list-style-type: none"> ▪ Diversity ▪ Water ▪ Sustainable sourcing

Occupational health and safety (11th); Water (14th) and energy management (15th) were not on top 10 priorities for CIL but followed close and remain relevant in terms of operations. It is worth noting that Bunge, Cargill and LDC chose not to display their materiality in a matrix form, but to select key areas for their sustainability strategy, focusing on synergetic projects/topics, which makes the comparison more complicated. Their reports show a move towards integrative solutions, more than risk control, with new carbon and agriculture platforms, technology advances, community investments and a broader sense of opportunity.

The major agritraders are making significant strategic investments in Nature-based solutions

Nature-based solutions (NBS) are actions that protect, sustainably manage, and restore natural or modified ecosystems, in order to address societal challenges, while simultaneously providing human well-being and biodiversity benefits.

The Supply Change initiative has reported that the 10 largest agritraders have committed to investing **over \$3.3 billion in nature-based solutions by 2030**. These investments include initiatives such as reforestation and agroforestry, sustainable agriculture practices that improve soil health and reduce greenhouse gas emissions, and efforts to promote biodiversity and protect critical ecosystems.

	Publicly declared investments	Investment Focus	GHG/Carbon targets	DCF targets
 <p>Louis Dreyfus Company</p>	\$500m to 2025 in sustainability initiatives, including nature-based solutions	Promoting sustainable agriculture, reducing greenhouse gas emissions, and addressing climate change impacts.	Reduce greenhouse gas emissions by 20% per ton of product by 2025	Deforestation-free supply chains by 2025
	\$10 million in nature-based solutions from 2020 to 2023	Regenerative agriculture, including cover cropping and reduced tillage to improve soil health and sequester carbon. Forest protection and restoration.	Reduce greenhouse gas emissions in its supply chain by 30% by 2030	Deforestation-free supply chains by 2030 Deforestation in soy by 2025, as per the Agritraders' Roadmap
	US\$2.5 billion in sustainability initiatives through to 2026	Reducing greenhouse gas emissions, protecting and restoring ecosystems, and promoting sustainable agriculture. Regenerative agriculture practices	Net-zero emissions by 2050 and a reduction in energy intensity by 15% by 2035	Zero deforestation in its soy supply chain by 2025.
	No specific financial investments in nature-based solutions have been publicly declared.	n/a	Reduce greenhouse gas emissions from its operations and supply chain, with a target to reduce Scope 1 and 2 emissions by 42% by 2030.	Deforestation-free supply chain by 2025

Conclusions



Strategic Leadership: how the Materiality Assessment can add value for CIL – Findings and Next Steps

- CIL is **uniquely positioned** in the food sector for the second quarter of the Century, given its deep understanding and experience of the two most important origination and consumption markets, namely **Brazil and China**.
- CIL as a company was found to be particularly good at improving the **efficiency of processes** in the agritrading sector, including those linked to energy efficiency, industrial plant efficiency and pollutants – this, in itself, is an important part of a sustainability strategy: doing more with fewer resources. As a company it also recognizes the value in **legal compliance**.
- However, many of CIL's peers have come to see ESG as representing both risks and **business opportunities**: increasingly the world's large agritraders recognize that the offer of **carbon markets**, coupled with **bottom-of-the-pyramid economics**, and **good governance** represent important growth areas.
- CIL's sustainability linked loans have indicators connected to **origination, traceability and overall ESG scores** and green finances are due to grow in the near future. Therefore, access to credit is increasingly dependent on strong sustainability strategies.
- Peer agritrader companies, some of which have different market and shareholder structures, are also moving towards more **integrated solutions**, linked to their strategies, including setting up their own **sustainable agriculture programs**, and investing in field intelligence technology for traceability.
- The Materiality Assessment gives clear **strategic direction** to CIL going forward: how the company **responds to key environmental issues** (including deforestation, climate and biodiversity) while continuing to integrate **good business practices** (product quality and safety; business ethics and human rights) will be critical to how it is perceived to **manage risk and add value** in the future.
- The importance of the Materiality Assessment as an **engagement tool** should also not be underestimated: by carrying out such an assessment, and publishing the results, CIL is demonstrating a commitment to **transparency**, and a desire to engage with key stakeholders, including those in origination markets.
- The new **Santos Port** represents a key investment and growth opportunity for CIL in LATAM. There is a need to meet this expected growth without compromising sustainability results, with a key concern over origination and traceability.

Sustainability Leadership: next steps for CIL's Sustainability Team

- Sustainability is not yet a priority strategy for senior management – C-Suite colleagues see it largely in terms of compliance and risk avoidance – but it is **moving up the agenda: accelerating that move is now key** for the sustainability team.
- One element of that approach involves **internal communication**: developing a stronger internal comms strategy, which sets out **the business case for sustainability**, includes **peer comparisons** and the **sustainability strategy**, is therefore key.
- Locally, there are several important **case studies of state-of-the-art sustainability** practices including the Valquirias community support project and improved operational efficiency in CIL's industrial plants. The interview and survey results point to a desire among staff for sustainability to play a more important role going forward. Investing in sustainability is therefore **strategic**, and an important approach to **staff retention**.
- Several issues regarding **employee wellbeing** and opportunities were mentioned in the open questions of the survey and could be directed to the organization's HR area for shared ownership projects. Staff respondents also ranked internal employee issues highly.
- When assessing the 2021 Sustainability Report, the targets set for each strategic area are mostly towards reducing risk or compliance. **Bolder targets could be set in terms of positive impact**, within a strategy that could **link key topics** (non-deforestation & non-conversion; climate strategy; and economic inclusion & sustainable livelihoods, for instance) **in one overarching program**.

Annexes



| Acronyms

ADM – Archer Daniels Midland Company

APAC – Asia-Pacific Region

CIL – CIL International

DCF – Deforestation and Conversion Free

EMEA – Europe, the Middle East and Africa

ESG – Environmental, social, and corporate governance

GRI – Global Reporting Initiative

IPLC – Indigenous People and Local Communities

LDC – Louis Dreyfus Company

NGO – Non-Governmental Organization

| References

[Bunge 2022 Sustainability Report](#)

[Cargill 2022 ESG Report](#)

[CIL public ESG profile](#) – Sustainalytics

[CIL 2021 Sustainability Report](#)

CIL 2022 internal materiality assessment
(internal material)

[ENCORE](#)

[GRI General Disclosures 2021](#)

GRI Material Topics 2021

GRI Agriculture, Aquaculture and Fishing Sectors, 2022

GRI Perspective 2022

LDC 2021 Sustainability Report

List of all topics considered in the study

22 topics selected for the survey

Selected for survey

- Agricultural innovation
- Air pollution (non-GHG)
- Alternative products and green chemistry
- Animal health and welfare
- **Biodiversity & ecosystems**
- **Business ethics**
- Circular economy
- **Climate strategy**
- **Community engagement & corporate citizenship**
- Disturbances
- **Diversity, equity & inclusion**
- **Economic inclusion & sustainable livelihoods**
- **Employee wellbeing**
- Employment practices
- **Energy management**
- **Food security**
- Food waste
- **Human & labor rights**
- Human capital development
- Land and resource rights
- Land use change
- Living income and living wage
- Marine ecosystem use
- No peat development
- **Non-deforestation & non-conversion**
- **Occupational health & safety**
- **Product quality & safety**
- **Public Policy**
- Responsible agricultural production
- Responsible chemical management
- **Responsible governance & compliance**
- **Restoration & nature-based solutions**
- **Rights of IPLC**
- **Soil health**
- **Supplier engagement & capacity building**
- **Talent attraction, retention & development**
- Traceability
- Transparency
- **Waste management & material efficiency**
- **Water management**

Assessment Questions

Name

Email

Stakeholder type

Organization

How familiar are you with the sustainability activities of CIL?
(very familiar/familiar/familiar to some activities/not familiar)

Considering CIL's impact on the society, how important is each particular topic for the company's strategy?
(all 22 topics, no importance/low/medium/high/critical)

Please select the top-5 topics that, from your point of view, have the highest impact on the business & performance of CIL.

How would you evaluate your level of knowledge on the following topics?

Topics: Human and labor rights; Agricultural production & value chains; climate change; Environmental protection; commodity trading
Options: Novice; beginner; Intermediate; Advanced; Expert

Is there any key relevant topic not included in the previous questions that you would like to mention?

Are there examples of best practice strategies for dealing with the topics in your top-5 list above, that you think CIL should be aware of?

collaboration



transformation



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