Influencers

CZARNIKOW ANNUAL REVIEW 2020

Climate Neutral Company 2020 by South Pole

What's inside

BUSINESS REPORT

A one-stop shop that provides an overview of our business

REVIEW OF 2020

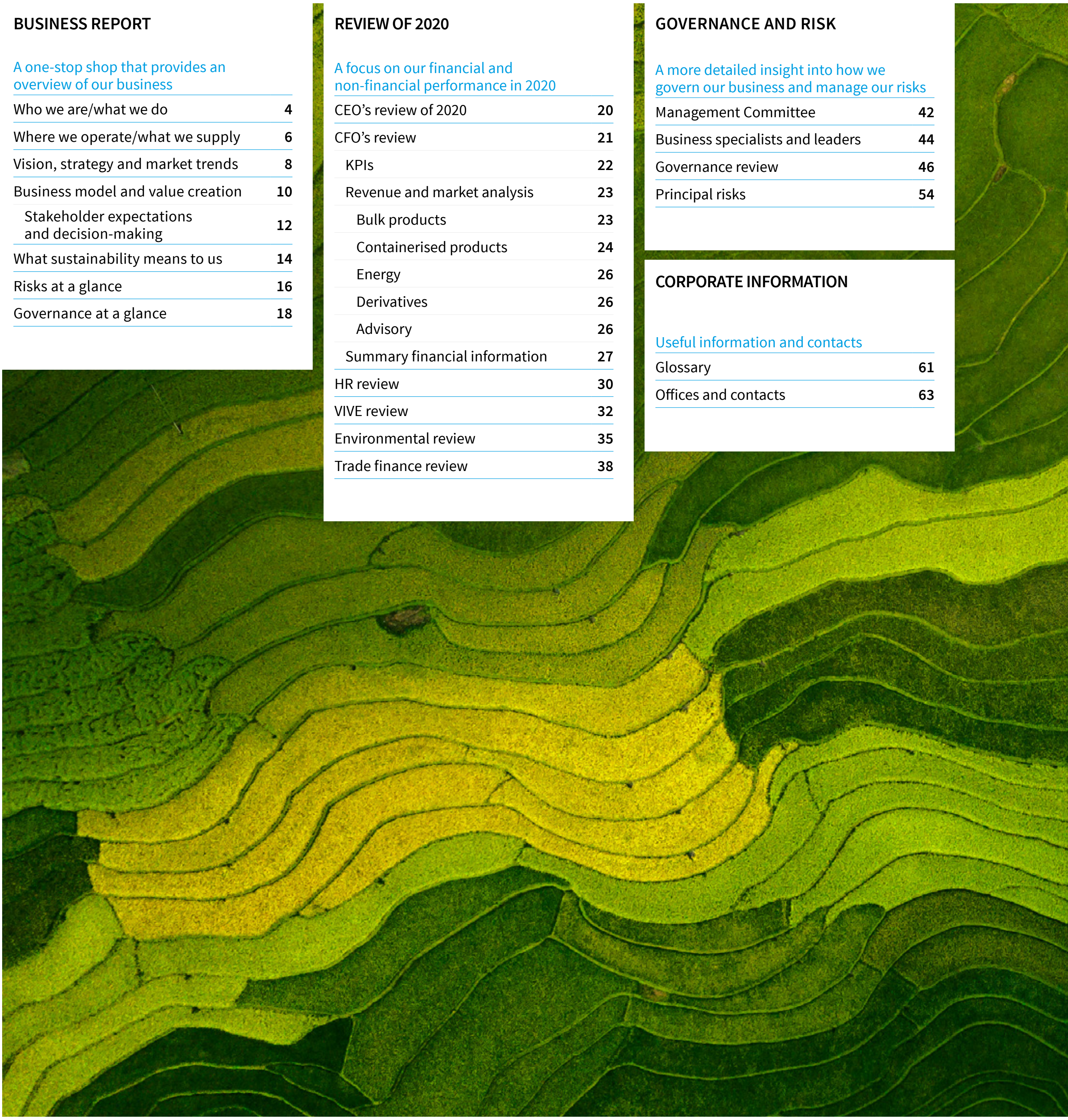
A focus on our financial and non-financial performance in 2020

GOVERNANCE AND RISK

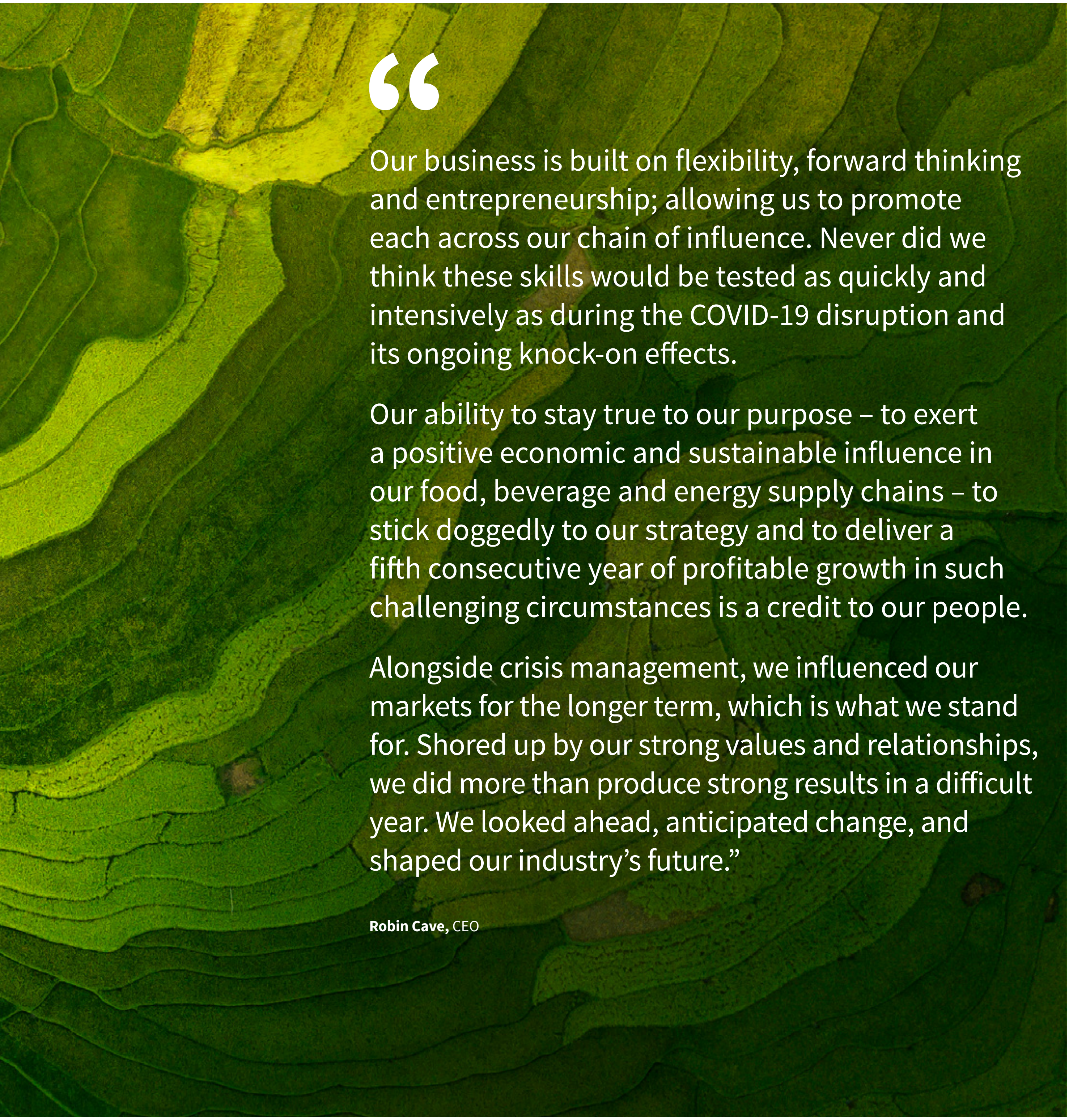
A more detailed insight into how we govern our business and manage our risks

CORPORATE INFORMATION

Useful information and contacts



This year we have restructured our Annual Review based on current discussions about the future of corporate reporting. We publish this report on a voluntary basis; it complements our statutory Directors' report and consolidated financial statements for the year ending 31 December 2020, which is available to view on our website and via Companies House.



“Our business is built on flexibility, forward thinking and entrepreneurship; allowing us to promote each across our chain of influence. Never did we think these skills would be tested as quickly and intensively as during the COVID-19 disruption and its ongoing knock-on effects.

Our ability to stay true to our purpose – to exert a positive economic and sustainable influence in our food, beverage and energy supply chains – to stick doggedly to our strategy and to deliver a fifth consecutive year of profitable growth in such challenging circumstances is a credit to our people.

Alongside crisis management, we influenced our markets for the longer term, which is what we stand for. Shored up by our strong values and relationships, we did more than produce strong results in a difficult year. We looked ahead, anticipated change, and shaped our industry’s future.”

Robin Cave, CEO

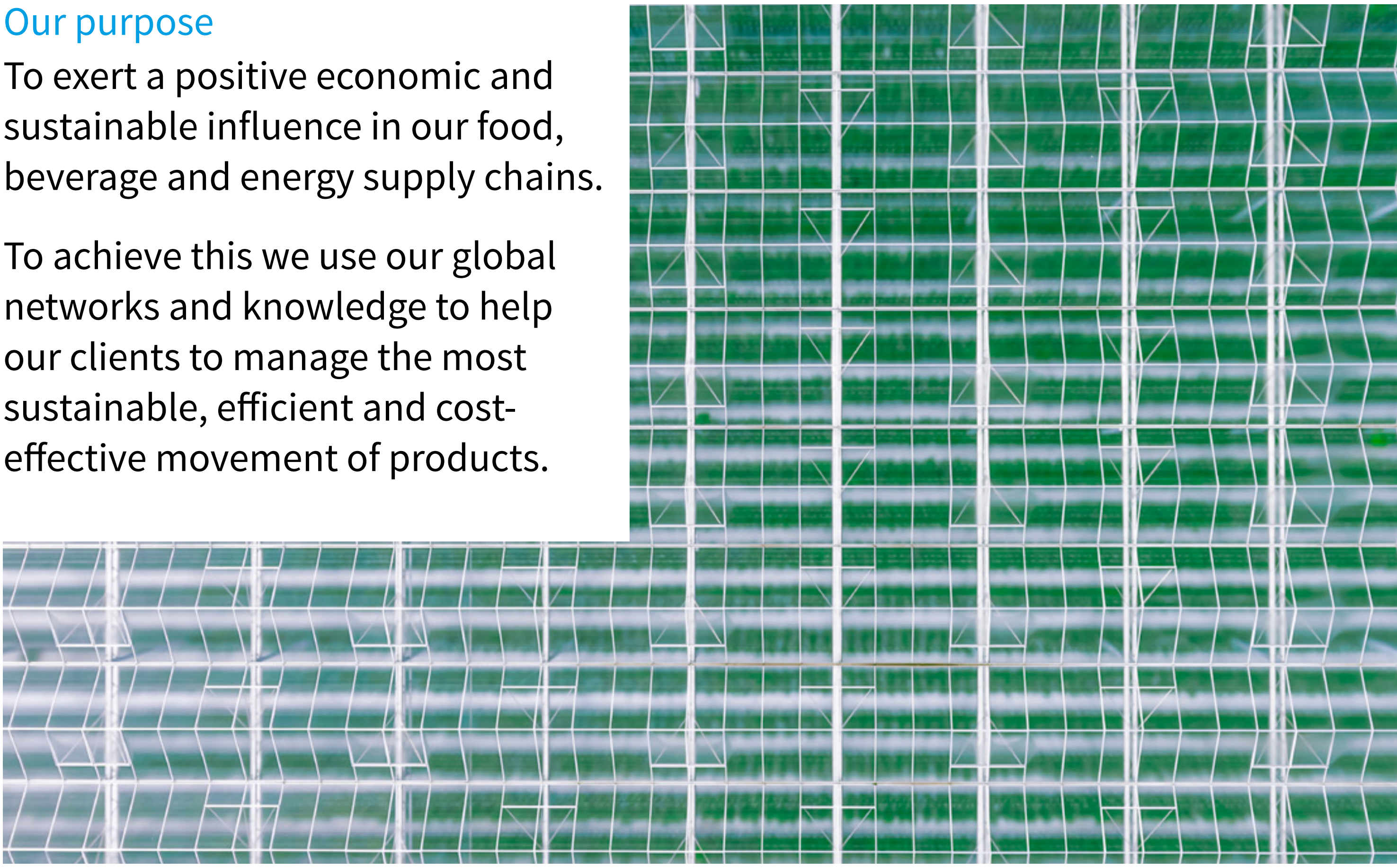
+ P20 CEO’s review of 2020

Who we are / what we do

Our purpose

To exert a positive economic and sustainable influence in our food, beverage and energy supply chains.

To achieve this we use our global networks and knowledge to help our clients to manage the most sustainable, efficient and cost-effective movement of products.



NON-FINANCIAL PERFORMANCE

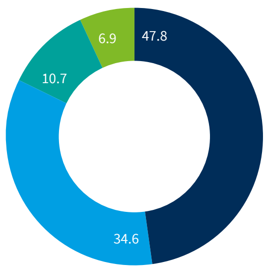
>5x
Increase in tonnage of VIVE-verified sustainable sugar

239
Employees –13% increase

1,966.21 tCO_2e
Scope 1 and 2 2019 emissions fully offset in 2020

+70%
Increase in Czapp account holders

2020 REVENUE ANALYSIS, %



+ P23 Revenue and market analysis

Note: In 2020, revenue from energy products was included in bulk products. In 2021, energy-related products will be considered as a separate revenue line as explained in the commentary on P26.

Price risk management

Sustainability programme
+ P32

Commodities trading
+ P23

Corporate finance solutions
+ P26

Logistics and stock management

Market analysis and forecasting
+ P26

Czapp
+ P11

Trade finance services
+ P38

Freight

We are a provider of

global supply chain services

steeped in history and experience, brimming with ideas and passion, and backed by technology and investment.

With our 160-year history of sugar trading comes experience of managing global market volatility, economic cycles and multiple crises. Recently we have applied our skills and knowledge to expand our product portfolio, finding cost-effective and efficient solutions for our clients.

FIVE YEARS OF CONSISTENT REVENUE AND PROFIT GROWTH

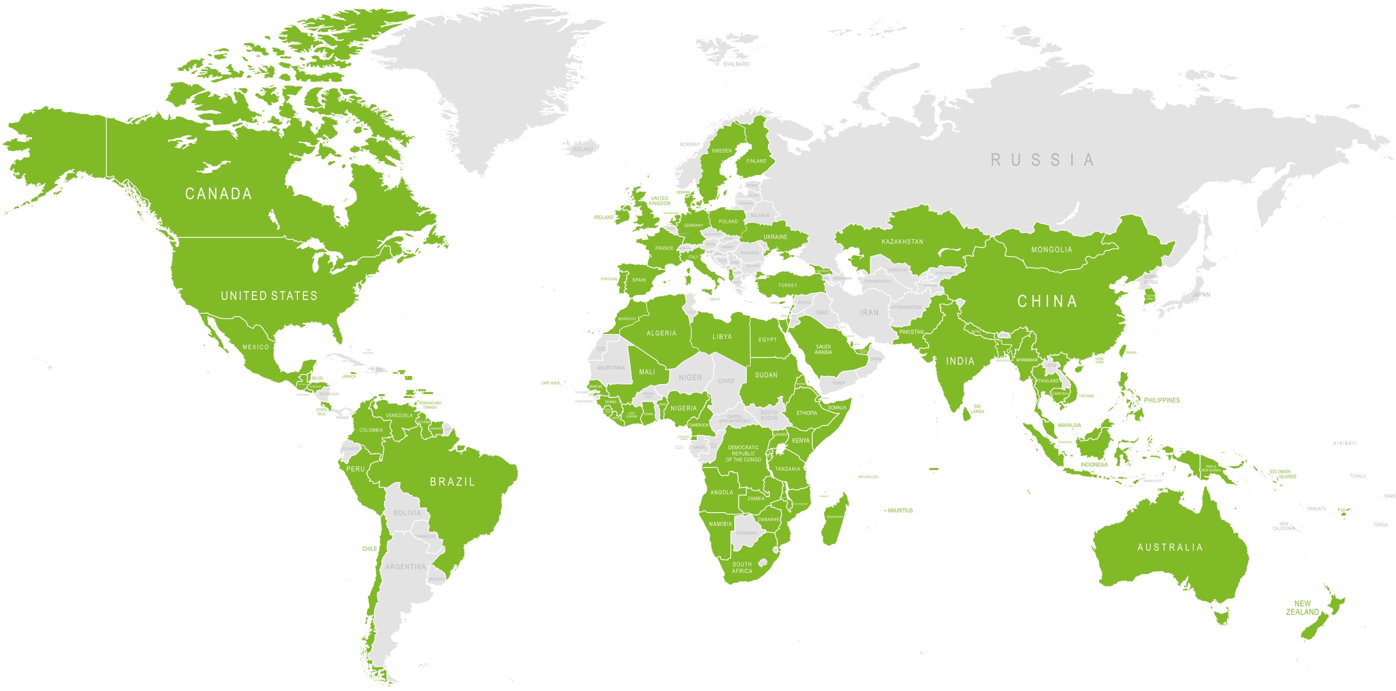
	TURNOVER, US$M	**GROSS PROFIT,** US$M	**PROFIT BEFORE TAX,** US$M	**RETURN ON EQUITY,** %
	2,384.2	51.7	13.5	14.1
	+ 32.4%	+ 20.4%	+93.1%	+ 6.9%
2016	1,714.0	42.6	7.2	9.2
2017	1,921.4	40.2	7.1	7.7
2018	1,680.1	39.0	5.5	6.1
2019	1,800.4	43.0	7.0	7.2
2020	2,384.2	51.7	13.5	14.1

+ P21 CFO’s review

Where we operate / what we supply

Global influencers

We buy and sell products, and provide leading supply chain services to and from countries around the world.



Combined origination and destination countries in 2020

OPERATIONS AT A GLANCE

16
Regional offices/local presence in 16 countries

655
Total number of counterparties

58
Origination countries

90
Destination countries

TRANSPORT TYPES FOR CONTAINERISED DELIVERIES, %

Barge	0.16
Container	64.45
Plane	0.01
Rail	0.70
Truck & tanker	34.67

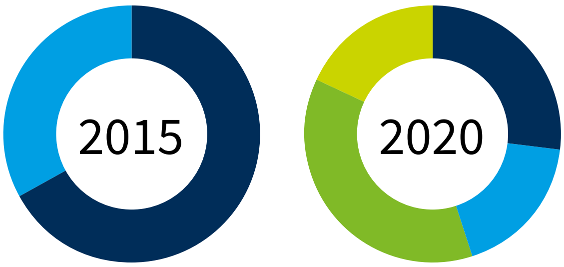
33,000
Container movements

17,500
Truck movements

+ P56 Counterparty risk analysis

Knowledge application

We continue to expand our portfolio, identifying synergies in products, services, client demand and our geographical footprint.



KEY PRODUCT CATEGORY EXPANSION

2015	2020
Refined sugar	Refined sugar
Unrefined sugar	Sustainable refined sugar
Ethanol	Unrefined sugar
	Ethanol
	Electricity
	Sweeteners
	Fruit products
	Dairy products
	Food processing ingredients
	PET and PP resins
	Paper

Sugars Energy Ingredients Packaging

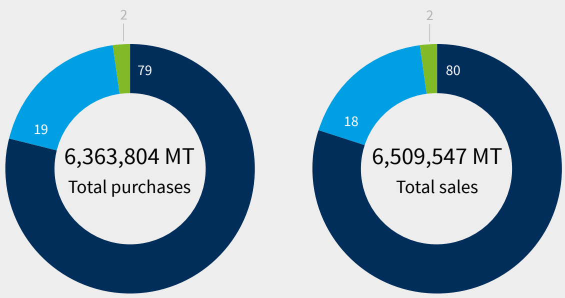
MOST ACTIVE TRADING REGIONS

Refined sugar	Asia
Unrefined sugar	Brazil
Ethanol	Brazil
Ingredients and packaging	Asia (origin) Sub-Saharan Africa (destination)

TOP 5 NON-SUGAR PRODUCTS

1. Ethanol (hydrous and anhydrous)
2. PET resin
3. Liquid glucose
4. Orange (various products)
5. Polypropylene (PP)

VOLUME IN METRIC TONNES, %



Unrefined sugar Refined sugar
Ingredients, packaging and ethanol

CLIENTS AND PARTNERS AT A GLANCE

120
Newly approved counterparties with whom we traded in 2020

203
Large groups (mills, factories, refineries)

418
Food manufacturers and distributors

30
Banking and trade finance partners in six countries

+ P8 Vision, strategy and market trends

Vision, strategy and market trends

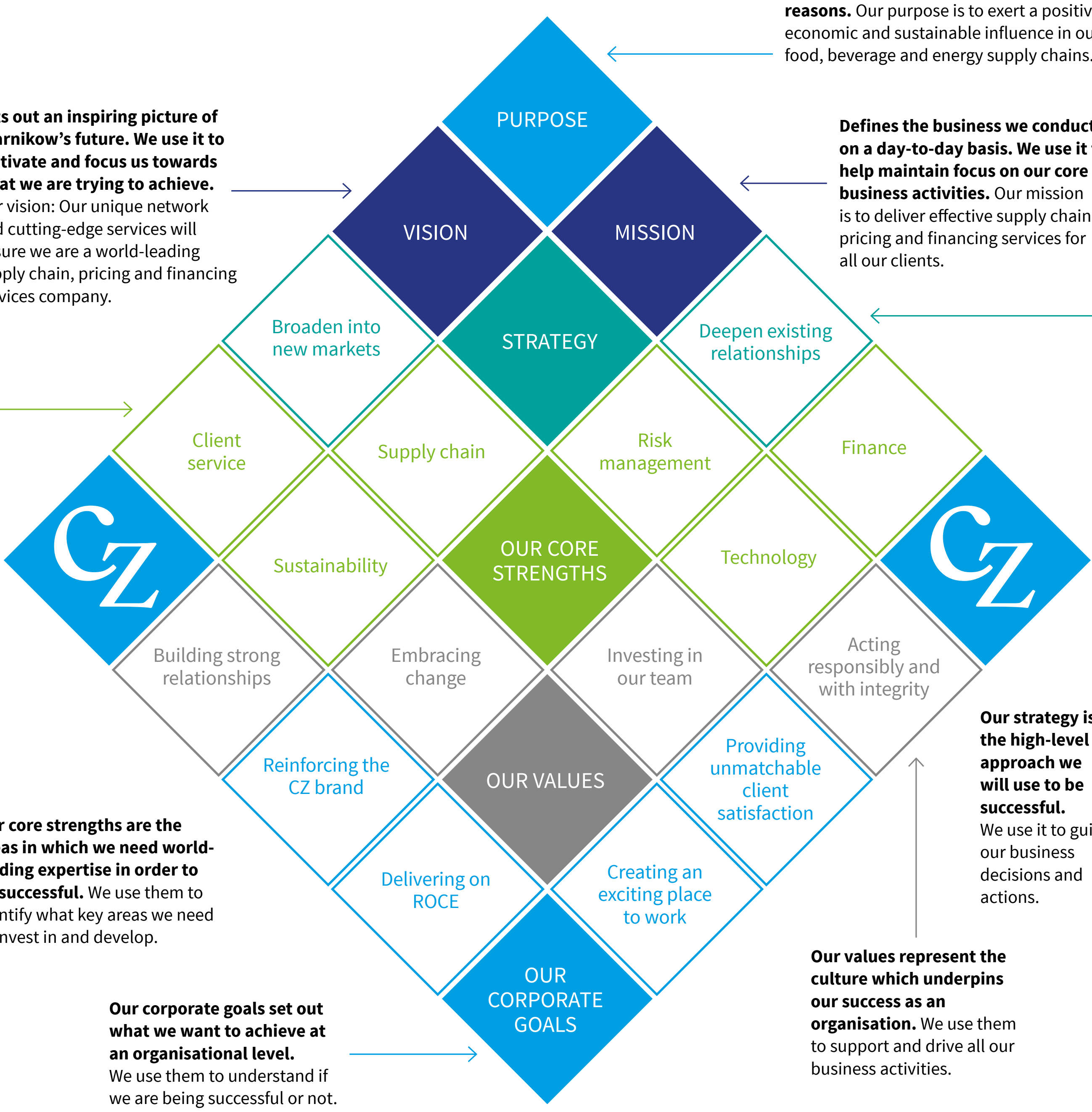
Influencing our decision-making

Our Management Committee reviews the relevance and effectiveness of our strategic elements each year alongside key trends affecting our industry.

Our reason to exist – why we do what we do, for both financial and non-financial reasons. Our purpose is to exert a positive economic and sustainable influence in our food, beverage and energy supply chains.

Sets out an inspiring picture of Czarnikow's future. We use it to motivate and focus us towards what we are trying to achieve. Our vision: Our unique network and cutting-edge services will ensure we are a world-leading supply chain, pricing and financing services company.

Defines the business we conduct on a day-to-day basis. We use it to help maintain focus on our core business activities. Our mission is to deliver effective supply chain, pricing and financing services for all our clients.



Our strategy is the high-level approach we will use to be successful. We use it to guide our business decisions and actions.

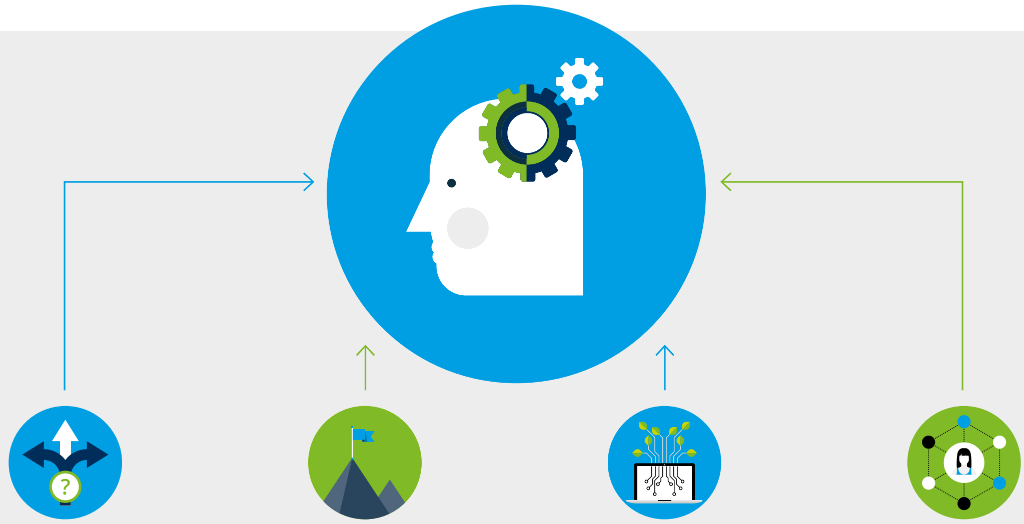
Our core strengths are the areas in which we need world-leading expertise in order to be successful. We use them to identify what key areas we need to invest in and develop.

Our values represent the culture which underpins our success as an organisation. We use them to support and drive all our business activities.

Our corporate goals set out what we want to achieve at an organisational level. We use them to understand if we are being successful or not.

+ P46 Governance review

Key factors that influence our thinking
Global supply chain services



	SUPPLY CHAIN DISRUPTION	SUSTAINABILITY	IMPACT AND POTENTIAL OF TECHNOLOGY	CONSUMER HEALTH AND WELLBEING
KEY TOPICS	> Climate change > Liquidity and financing > Physical blockages.	> Increasing consumer awareness > Environmental and social concern > Demand for accountability.	> 24/7 demand for information > Business efficiency > Transparency.	> Safety > Global obesity > Taxation and reformulation.
IMPACTS IN MORE DETAIL	> COVID-19 impacted supply chains, creating backlogs at ports and container shortages > Climate-change-related impacts are affecting growing conditions, supply and margins > Commodity financing is undergoing structural change.	> Consumers are more aware, more informed and more vocal > Increasing mindfulness of personal and corporate impacts on planet and people > Greater pressure on corporates to prove accountability (consumer and regulatory).	> COVID-19 has accelerated digital developments (shopping, working from home and communicating) > Demand for greater transparency (better, faster information, available 24/7) > Opportunities for internal and external business efficiencies.	> COVID-19 has heightened concern for 'safety' (physical, mental) > Health-related consumption is influencing food and beverage markets (product acceptance/avoidance) > Ongoing regulatory pressures and corporate actions (product reformulation) to counter global obesity.
	+ P25	+ P14		+ P26

OUR STRATEGY IN MORE DETAIL

The success of our strategy is dependent on our detailed understanding of changing local and global market dynamics.

BROADEN INTO NEW MARKETS	> Increase the scale of our network by expanding the number of markets in which we operate > Develop a more intricate network by expanding the number of clients with whom we work in these markets.
DEEPEN EXISTING RELATIONSHIPS	> Anchor our network against market fluctuations by offering sophisticated services which embed Czarnikow in our clients' operations > Increase value creation by offering multiple services and products to existing clients.

+ P23 Revenue and market analysis

Business model and value creation

Unique position to influence

Our global vantage point allows us to directly influence fundamental aspects of our food, beverage and energy supply chains, and be part of the debate in its totality.

Employees	Sustainability specialists	Financial partners	Logistics partners	Suppliers	Local communities, governments and regulators	Shareholders
People directly employed in our global offices, and trusted agents.	Benchmarking companies, sustainability analysts.	Corporate brokers, banks, funds, green finance providers, sector-specific investors.	Shipping/trucking companies, forwarding agents and warehouse partners.	Providers of professional services (not product providers, who are considered clients).	Including our charity partners.	Associated British Foods and Macquarie Group Limited, who own 85% of our parent company.

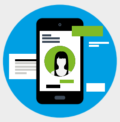
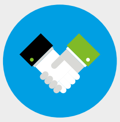
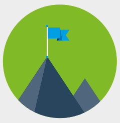
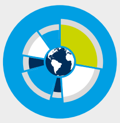
+ At CZ, all supply chain participants with whom we deal are considered to be clients; it does not matter where they sit in our supply chains.

Our chain of influence in more detail

	#1 BUYING, SELLING AND MOVING PHYSICAL PRODUCT	#2 PRICING AND FINANCIAL SERVICES	#3 SUSTAINABILITY ADVICE AND PROMOTION
WHAT WE DO	We buy and sell physical products B2B along a focused part of our supply chains, on behalf of primary and secondary processors, and industrial consumers. We also stock and repackage physical products and organise warehousing and logistical requirements, including vendor-managed inventory. We can take title to goods and agree to sell future production on our clients' behalf ('off-taking'), and develop bespoke distribution and supply strategies.	We offer a range of pricing and financial services, including: > Financing solutions and price risk management We use derivatives to manage price risk exposure, provide related consultancy and execution, and arrange financing solutions and securities to extend payment terms. > Corporate finance and market analysis We provide corporate finance advice for the packaging and bioenergy markets. Our Analysis team enhances internal and external business decisions by providing world-leading market advice. Our client-facing app, Czapp, offers bespoke market information, pricing and data, including a new pricing service for farmers.	VIVE is a co-managed sustainability programme that measures, monitors and benchmarks participants' performance against global sustainability standards along supply chains. The programme has four universal continuous improvement objectives: governance, people, environment and traceability. We also help industrial buyers to influence sustainable practices in their supply chains.
RESOURCES AND RELATIONSHIPS	Our physical trading business is transaction-rich and asset-light, as we do not own any farming or production assets. However, we invest in 'synthetic' assets (e.g. silos, warehouses) from time to time to strengthen business relationships. Our reputation for high client service levels delivered by our knowledgeable employees increases our opportunity to negotiate complex, higher-value deals.	Our teams have exceptional experience and market knowledge and are responsible for developing external and internal relationships. Our strong position within the financial community and our investment in IT expertise enable us to tailor added-value, solution-led services.	The VIVE team brings together Czarnikow's commercial global supply chain expertise and Intellync's strong verification services. The ability to develop and maintain good relationships across the spectrum is key – from farmers to multinational industrials and green finance providers.
VALUE CREATION AND HOW WE MAKE MONEY	Our business philosophy is to create overall value by optimising each transaction for all parties involved, in return for a small margin on high volumes.	Our pricing and financial services keep the supply chain moving effectively. For us, they provide revenue, offset market volatilities, attract new collaborators, deepen relationships and enhance our expertise. We are remunerated on a transparent basis, depending on risk levels and services provided.	Through VIVE, we are raising quality and ethical standards in our supply chains by promoting sustainable best practices. We create commercial value by helping industrial consumers meet growing end-consumer demand for transparent information about raw material provenance and its handling. VIVE income is mainly derived from annual subscriptions and one-off consultancy fees.
CZ EMPLOYEE INVOLVEMENT	> Trade Finance team > Trading teams > Logistics team > Freight team > VIVE team > Risk team > Operations team.	> Trade Finance team > Structured Finance team > Derivatives team > Analysis team > Corporate Finance team > VIVE team > Risk team.	> VIVE team > Marketing and Communications team > Trading team.

+ P32 VIVE review, P38 Trade finance review

Stakeholder expectations and decision-making

		Stakeholder expectations	How our Management Committee is informed
EMPLOYEES		> Fair and progressive pay/benefits, reflecting purpose and culture > Improved online training and development options; career progression > 'Hybrid' working; ongoing health and wellbeing support > Supportive, diverse, ethical and inclusive employee network.	> Regular HR update with CEO and CFO > Review of monthly employee KPIs > CEO attends regular group discussions.
CLIENTS		> Improved operational practices and product quality > Optimal price, logistics, financing services, procurement solutions > Ethical/sustainable supply chains; reduced environmental impact; supply chain risk mitigation.	> Trading Committee, VIVE Steering Committee and IT and Development Committee all chaired by CEO > Updated on growing portfolio of products, markets and clients by product committees.
FINANCIAL PARTNERS		> Transparent, reliable and timely information; meeting agreed targets > Financial platform to support growth plans and opportunities > Environmental, social and governance (ESG) reporting.	> CGL's Management Committee reviews banking lines and facilities regularly > CEO chairs Trading Committee meetings.
SUSTAINABILITY SPECIALISTS		> Continuous improvement in sustainable supply chains > Robust and evolving supply chain verification and benchmarking > Greater VIVE participation as global recognition increases.	> VIVE Steering Committee meetings chaired by CEO > Annual audit performance reported via VIVE Steering Committee.
SHAREHOLDERS		> Return on capital employed (ROCE) improvements > Transparent, reliable and timely information > Meeting other agreed targets and sharing long-term aspirations.	> Three members of the CGL Board are members of the CCL Board.
LOGISTICS PARTNERS		> Optimal safe, timely, sustainable and accurate transit and storage of goods > Knowledge-sharing to promote best-in-class processes > Maximising cargo/route efficiencies; reducing fuel usage and environmental impacts.	> CFO attends Operational Risk Committee > IT systems allow open access to shipping and logistics activities > Individual issues/updates raised by Trading Committee.
SUPPLIERS		> Open dialogue to improve added-value services > Fair and prompt payment terms.	> Best practice in working with suppliers is shared through Trading Committee and annual Strategy Week.
LOCAL COMMUNITIES, GOVERNMENTS AND REGULATORS		> Local economic development; responsible operations > Timely tax returns/payments in local jurisdictions > Goodwill through local job creation/charity support.	> Regulatory updates and training via Compliance and Risk teams > Charity and community engagement shared via Intranet and at 'all hands' meetings.

Key decisions enhanced through stakeholder engagement in 2020

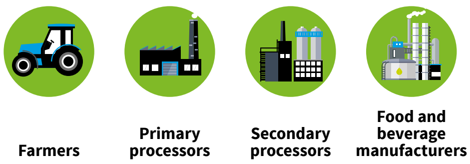
EMPLOYEE DECISIONS

- Introduction of hybrid working arrangements
- Redesign of London office to reflect this
- Increased ongoing senior management involvement in employee communications
- Increased focus on employee physical health and mental wellbeing.

+ P30 HR review

CLIENT/SUPPLY CHAIN DECISIONS

- Investment in industry-first futures-linked sugar beet pricing tool for UK farmers
- Entry into new sustainable energy markets (including verification through VIVE)
- Industry's first end-to-end verified sustainable sugar trade and shipment
- Acting as an extension of a key client's procurement team.



+ P46 Governance review

FINANCING DECISIONS

- Introduction of progressive, hybrid structured trade and commodity financing solutions to close funding gaps
- Development of borrowing base facility
- Heightened focus on green funding, in light of changing trade finance criteria and investor focus on environmental and social information.

+ P38 Trade finance review

SECTION 172 COMPANIES ACT

To develop our S172 reporting, this year we have placed more emphasis on explaining how our Management Committee is informed of and acts on stakeholder expectations rather than how we engage with stakeholders on a day-to-day operational level. This latter information is provided in our full S172 statement in our Directors' report and consolidated financial statements. More insight into the above decisions, and how COVID-19 affected them, is provided in our Governance review on P46 to P53.

+ P46 Governance review, P42 Management Committee

UNDERSTANDING OUR STAKEHOLDERS

100%

London employees engaged

Feedback from employees used to optimise London office for hybrid working arrangements.

100

Farmers engaged

Results of detailed market research with a capped control group of UK farmers used to develop pilot 'live' sugar beet pricing tool.

>85%

Brazil's electricity derived from renewable sources[1]

Brazilian sugar cane producers, crushers and energy co-generators engaged to evaluate renewable energy market potential.

1 www.czarnikow.com/blog/the-energy-series-the-brazilian-electricity-market

What sustainability means to us

Learning and influencing

We continue to scrutinise the development of sustainability frameworks, emerging legislation and other current initiatives related to non-financial reporting. We recognise the efforts made by various bodies to help improve transparency and comparability in this area, and we are committed to reviewing and adopting emerging practices.

At Czarnikow, sustainability means all-round long-term value creation. As a business we have always believed that successful long-term financial performance cannot be achieved without considering the key non-financial areas that are important to our stakeholders: client service, food safety, employee welfare, ethical conditions in our supply chain and, increasingly, environmental impact.

As illustrated on P15, non-financial elements (alongside financial ones) are already embedded in our four corporate goals, which embody our holistic business approach. And our purpose demonstrates unequivocally the importance we place on the interrelation between environmental, social and economic influences (planet, people and profit) along our supply chains.

We hold a unique position in our supply chains. With no major assets in growing, refining or manufacturing, we can use our neutral position to address bigger supply chain challenges and, increasingly, we aim to adopt a leadership position wherever we can. Our presence at every stage of our B2B supply chains, for example, means we can influence sustainable improvements for our clients, including ethical sourcing, farming, product manufacturing, freight handling, shipping, financing and packaging practices to achieve sustainable commercial success.

A project that exemplifies our approach is our first fully sustainable raw sugar trade and shipment completed in August 2020. As well as assuring ethical and environmental standards at the farming, milling, shipping and procurement stages, we were also influential in negotiating 'green' finance to fund this deal – the first of its kind in our sector.

To help manage the verification of some elements we rely on our sustainability programme, VIVE, which is now in its sixth year of operation. With VIVE, we are currently working on similar sustainable projects, replicating our learnings in other product areas.

We have more to do. A recent review of our external corporate reporting identified an improvement area in how we convey and report on risks and opportunities relating to climate change. In this year's Annual Review we have brought our environmental thinking and impact data together to raise awareness and galvanise action internally as well as respond to the increasing demand from clients, governments and end consumers for clearer disclosure. We hope this makes it easier for all stakeholders interested in this high-profile topic to better understand our commitment and direction. I look forward to updating you on our progress throughout the year via our website communications.

Robin Cave, CEO

+ We welcome constructive feedback on our approach at **hello@czarnikow.com**

	Planet	People	Profit
RELEVANCE TO CORPORATE GOALS			
RELEVANCE TO PRINCIPAL RISKS	Reputational risk, shipment risk, climate change (on radar)	Political risk, reputational risk, systems risk, regulatory risk, employee health and wellbeing risk, key personnel risk	Credit risk, political risk, shipment risk, systems risk, currency risk, liquidity risk, regulatory risk, interest rate risk, price risk, insurance risk (on radar)
DIRECT IMPACT Overview of initiatives and actions in Czarnikow offices/ operations	> Scope 1 GHG reporting and offsetting > Office initiatives (e.g. zero waste to landfill) > ESOS disclosure > SECR disclosure.	> Gender pay gap analysis > Diversity and inclusion training > Focus on employee health and wellbeing > 'All hands' (employee engagement) meetings > Introduction of flexible working environment.	> Five-year plans > 'Measuring what matters' project > Transparent financial and governance reporting over and above statutory requirements > Continued investment in VIVE and carbon offsetting.
INDIRECT IMPACT Overview of influences, initiatives and actions in our supply chain operations (in conjunction with VIVE)	> Environmental shipping standards > Farming standards (pesticides, water usage, soil improvement, reduced pollution) > Reporting against SDGs > Scope 2 and 3 reporting/offsetting.	> Ethical sourcing standards (including human rights and safe and fair working conditions) > Improved supply chain governance and processes > Improved community engagement.	> Improved management controls and systems > Commercial incentives for sustainable activities (VIVE) > Brokering green finance facilities/bonds.

+ P32 VIVE review
P35 Environmental review

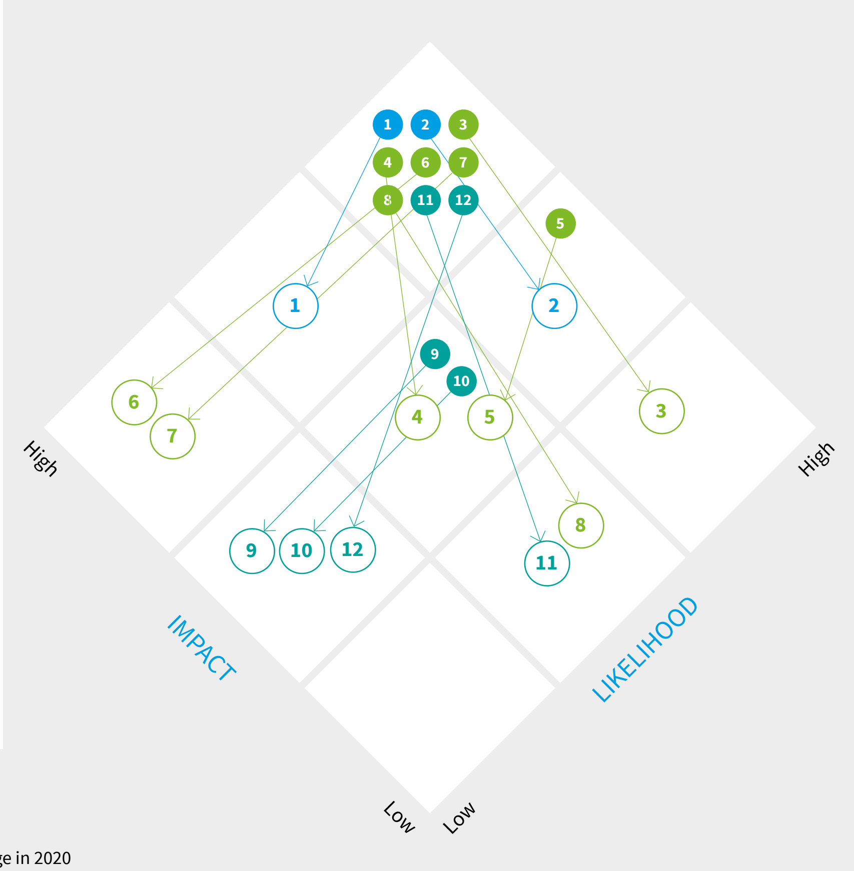
+ P30 HR review

+ P21 CFO's review
P46 Governance review

Risks at a glance

Our approach to risk

Good risk management promotes innovation and entrepreneurship by creating an environment where people feel safe to experiment within defined boundaries, and where all employees can freely identify, communicate, monitor and report material risks to create and protect value.



RISK APPETITE

Given our line of business we cannot be risk-averse. In fact, we seek actively to develop innovative products and services in markets that exhibit volatile and complex characteristics, and we encourage this through our culture of entrepreneurship. However, we aim to mitigate risks associated with working in such environments through our diverse global network, specialist knowledge, and our systems and processes.

RISK TOLERANCE AND OPPORTUNITIES

We have strict risk tolerance limits in place. We have no appetite for operating in market conditions that present a substantial risk to the Group; nor will we tolerate business behaviour which falls below our standards of best practice. However, by understanding our risk tolerances, we are also in a better position to identify and evaluate value creation opportunities.

RISK ASSESSMENT

We use the risk 'heat map' above to help assess our 12 principal risks against their potential impact on our ability to achieve our target budget and operate our business model, and their likelihood of crystallising. We plot our pre-mitigated ('gross') and post-mitigated ('net') risks. The latter take into consideration mitigation strategies and show how these already bring our 'gross' risks more in line with our risk appetite. We also disclose our 'emerging risks'. These are important enough to be monitored, but not material enough to be currently considered principal risks.

RISK MANAGEMENT CULTURE

Our risk management culture guides how we operate – individually and collectively. It is reinforced through top-down leadership, enabled through our risk management framework and complemented by comprehensive training and awareness programmes. Our risk management framework is presented in more detail on P50. Through this framework there are formal channels for communicating risks to the Czarnikow Group Limited (CGL) Management Committee and C. Czarnikow Limited (CCL) Board to facilitate decision-making. In addition, we have an 'open door' policy and arrangements for employees and contractors to raise concerns about possible wrongdoing.

IMPACT OF COVID-19

The impact of COVID-19 increased risks in some parts of our business more than others, namely Shipping risk (supply chain disruption and container shortages) and Employee health and wellbeing risk (mental health and working conditions).

DETAILED ANALYSIS

Greater insight into our principal risks analysis, including the impact of COVID-19, can be found on P54 to P60.

+ Our risk management framework is outlined in more detail on P50.

Year-on-year risk profile changes at a glance

Principal risk		Pre-mitigation	Post-mitigation	Commentary on changes	
GROUP 1: HIGH LIKELIHOOD/MEDIUM IMPACT AND HIGH IMPACT/MEDIUM LIKELIHOOD					
#1	**LIQUIDITY RISK**	↑	↑	Increased owing to structural changes in sector financing; partially mitigated through our strong relationships and innovative funding approach.	+ P55
#2	**SHIPMENT RISK**	↑	↑	Increased generally through COVID-related supply chain disruption; specifically container displacement.	+ P55
GROUP 2: LOW IMPACT/HIGH LIKELIHOOD, MEDIUM IMPACT/MEDIUM LIKELIHOOD AND HIGH IMPACT/LOW LIKELIHOOD					
#3	**CREDIT RISK**	→	→		+ P56
#4	**CURRENCY RISK**	↑	→	Major devaluation in the Brazilian real has impacted margin finance requirements negatively; we continue to mitigate by structuring our trades and contracts.	+ P57
#5	**EMPLOYEE HEALTH AND WELLBEING RISK**	↑	↑	Increased through COVID-19, owing to disrupted working conditions, and heightened personal stress.	+ P57
#6	**REGULATORY RISK**	→	→		+ P58
#7	**SYSTEMS RISK**	→	→		+ P58
GROUP 3: LOW LIKELIHOOD/MEDIUM IMPACT AND MEDIUM LIKELIHOOD/LOW IMPACT					
#8	**REPUTATIONAL RISK**	→	→		+ P58
#9	**INTEREST RATE RISK**	→	→		+ P59
#10	**KEY EMPLOYEE RISK**	→	→		+ P59
#11	**POLITICAL RISK**	→	↓	Removal of uncertainty owing to implementation of Brexit and results of US presidential elections; we continue to monitor other regions for emerging political risks.	+ P59
#12	**PRICE RISK**	→	→		+ P60
EMERGING RISKS (NOT PLOTTED)					
	CLIMATE CHANGE RISK				+ P60
	INSURANCE RISK				+ P60

↑ Risk increased ↓ Risk decreased → No change to risk

+ P54 Principal risks

Governance at a glance

Transparency as standard

Our 'open door' culture strengthened as we moved online in 2020, giving our employees and other stakeholders greater opportunities to engage with each other.

GOVERNANCE ARRANGEMENTS

For the third year we have produced a voluntary Governance review (P46 to P53), using the Wates Principles and guidance (the 'Principles')[1] as a practical and meaningful framework for explaining our governance approach, information and actions. Activities described in this Annual Review, and in our Governance review, relate primarily to Czarnikow Group Limited (CGL), which is 100% owned by C. Czarnikow Limited (CCL). CCL's shareholding structure is explained in the pie chart below.

ABOUT OUR BOARDS AND COMMITTEES

CGL and CLL have a strong working relationship, with three Directors who sit on both Boards. This set-up is considered practical and appropriate to meet the strategic needs and challenges of our Group, enabling decision-making and facilitating an effective flow of information to ensure stakeholder and shareholder interests are communicated and considered. Some Board functions are delegated to committees, as set out below, and further information about responsibilities, members and meeting frequency can be found on P48 and P49. CCL Directors are listed on P46. The names and biographies of CGL's Management Committee can be found on P42 and P43.

REMUNERATION

Summary remuneration information is provided on P51 and we voluntarily provide information on gender pay gap analysis on P31.

S172 REPORTING

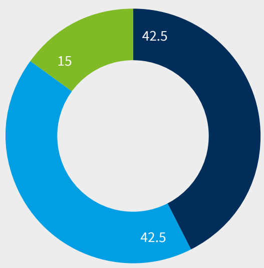
Our S172 statement, together with examples of Board decision-making in 2020 which necessitated in-depth stakeholder engagement, can be found on P52 to P53. An overview of key stakeholders, how they relate to our supply chains and how we interact with them to make key decisions is provided on P12 to P13.

'APPLY AND EXPLAIN': THE APPROACH

The six Wates Principles were published in December 2018. They recognise the variety of large private companies incorporated in the UK – with different management and ownership structures – and allow boards to apply the Principles and explain their approach in a way that is most appropriate for their organisation.

Guided by the framework's spirit, which gives companies 'an opportunity to consider their approach to governance and aspire to meet the Principles', each year we consider areas for improvement. In 2020, we were limited in achieving some of our planned activities by COVID-19 and the transition to working from home. Nonetheless, we share the progress that we made in the table on P19 and set out areas for our Boards to consider in 2021.

C. CZARNIKOW LIMITED SHAREHOLDER STRUCTURE, %



- Associated British Foods plc
- Macquarie Group Limited
- Employee Benefit Trust

ASSOCIATED BRITISH FOODS PLC

Associated British Foods plc is a diversified international food, ingredients and retail group operating in 53 countries, and a FTSE 100 company listed on the London Stock Exchange.

MACQUARIE GROUP LIMITED

Macquarie is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities, and is listed on the Australian Stock Exchange.

BOARDS AND COMMITTEES

C. CZARNIKOW LIMITED (CCL)
HOLDING COMPANY

1. Risk Committee
2. Remuneration Committee
3. Audit Committee

CZARNIKOW GROUP LIMITED (CGL)
PRINCIPAL OPERATING COMPANY

1. Operational Risk Committee
2. Credit Committee
3. IT and Development Committee
4. Trading Committee
5. VIVE Steering Committee

1 The Wates Corporate Governance Principles for Large Private Companies, Financial Reporting Council, December 2018.

The six Wates Principles[1]

			Our progress in 2020
#1	**PURPOSE AND LEADERSHIP**	An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	Our corporate purpose is being used more extensively in internal/external communications, including as a theme in this Annual Review.
#2	**BOARD COMPOSITION**	Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	> Our CGL Management Committee was trained in unconscious bias; we are looking to see how best to roll out this training across the Group > We continue to review and develop our senior management talent pipeline. + P30 HR review and P46 Governance review
#3	**DIRECTOR RESPONSIBILITIES**	The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	We have reported this year on how information from our stakeholder engagement activities is escalated to facilitate decision-making. + P46 Governance review
#4	**OPPORTUNITY AND RISK**	A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	> We appointed a new Head of Risk and are reviewing our risk priorities and focus > This year we introduced commentary on potential opportunities arising from our risk management activities. + P54 Principal risks
#5	**REMUNERATION**	A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	> We use gender pay and comparative pay analysis to inform goal-setting and reduce gaps across the Group. + P46 Governance review > We have introduced initiatives to increase female applicants at critical recruitment stages. + P30 HR review
#6	**STAKEHOLDERS**	Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	> During lockdown, we gave employees more opportunities to discuss strategic topics first hand with CGL's Management Committee; this will continue > As a direct result of increased employee engagement, our London office was redesigned to accommodate hybrid working. + P30 HR review > Detailed S172 disclosure work has raised awareness of the spirit of the legislation, including environmental disclosure. + P12 Stakeholder expectations and decision-making, P52 Governance review and P35 Environmental review

AREAS FOR CONSIDERATION IN 2021

> **Further internal and external opportunities to communicate and align our purpose, values, strategy and culture**

> **Evaluation of voluntary monitoring of protected employee data (e.g. nationality) alongside gender, to further diversity and inclusion debate**

> **Increasing access to advanced, high-quality data to inform decision-making, including impact on client relationships, long-term value creation and Company culture**

> **Introduction of open goals/objectives across the Group to promote transparency and improve overall strategic thinking**

> **Embedding non-financial (ESG) elements more formally into risk management framework**

> **Assessing potential impact of Task Force on Climate-Related Financial Disclosures (TCFD) and other regulations that directly affect our clients**

> **Commitment to continuing to offset carbon emissions and leading by example.**

1 The Wates Corporate Governance Principles for Large Private Companies, Financial Reporting Council, December 2018.

CEO's review of 2020

2020: a global perspective on the pandemic

Writing in last year's Annual Review in April 2020, we knew already that the COVID-19 pandemic would have a long-lasting impact: tragic personal loss, disruption to societal norms, supply chain chaos and uncertainty. We saw and responded to the crisis at a global level – experiencing different governmental regulations and managing fluctuating supply, demand and bottlenecks around the world. We raised our game to stay connected and informed to keep vital food, beverage and energy supply chains moving.

Our most pressing priority was the safety of our employees and their families; followed swiftly by understanding how we could help each other to do our jobs effectively and compassionately given varying personal circumstances. It was an iterative learning process which continues to this day. I am very grateful for the commitment shown by our teams during an exceptionally challenging year – not least their engagement, resilience, flexibility and 'can-do' approach. Our strong performance in a tough year is thanks to them.

STRATEGIC FOCUS

Our results in 2020 are not a one-off. Our successful performance is the consequence of the steady implementation of our strategy, which neither changed nor was fundamentally impacted during the pandemic; we remained focused on broadening into new markets and deepening existing relationships, underpinned by focused investment in IT systems and our people. Our results have further energised our confidence in growing the business.

In 2020, we launched an on-farm sugar beet pricing tool (see P52), developed alternative financing solutions (see P53) and increased our global presence by establishing a new entity in Vietnam.

We are mindful, however, that for many of our clients and partners – particularly in the finance sector – 2020 was difficult. We supported them during this disruptive year and believe that our consistent, high-quality service was of value to them and strengthened our relationships. This gives us good reason to invest further in growing our client base in 2021 and beyond.

INFLUENCING SUSTAINABLE BEST PRACTICE

The COVID-19 crisis intensified consumer demand for sustainable living and proved the importance of sound sustainable supply chain operations for our clients. We are in a unique position to influence sustainable best practices in our supply chains, as recognised in our purpose. From engaging initially with food producers six years ago through our sustainability programme VIVE, in 2020 we achieved an 'industry first': a fully verified end-to-end trade and shipment of sustainable sugar.

This was a significant development for all parties involved – from farming, milling, refining and shipping to green financing. As consumer and regulatory pressure on our multinational food and beverage clients to achieve their sustainability goals increases, we appreciate our role and opportunities to partner and support them.

LOOKING AHEAD

We will continue to support our employees to achieve their maximum potential while safeguarding their health and wellbeing. We have created a flexible working environment, which reflects their holistic needs and fosters our entrepreneurial culture. Our investment in IT continues and remains fully justified. The strength of our in-house IT systems has allowed us to produce high-quality data and unique functionality that improves internal efficiencies and brings competitive advantage. In 2021, we are focused on developing new data tools to identify future opportunities and risks more quickly, taking advantage of or mitigating them more effectively, whilst continuing to build ground-breaking new functionality for our underlying systems, which will give us even greater control over our supply chains and operations.

We look to 2021 with positivity and ambition, and have set ourselves challenging objectives for the year ahead. The strength of our business relationships, culture and values endured through one of the toughest years in our history. Fully tested, we look forward to opportunities ahead with confidence.

Robin Cave
CEO

+ P14 What sustainability means to us

CFO's review

Steady growth

Building on our strong performance and five-year trajectory, we anticipate another year of growth achieved through the focused execution of our strategy and selective and disciplined investment.

PERFORMANCE OVERVIEW

In 2020, Czarnikow Group Limited ('the Group') generated US$51.7 million gross profit (2019: US$42.9 million) on a turnover of US$2,384.2 million (2019: US$1,800.4 million), giving a pre-tax profit of US$13.5 million (2019: US$7.0 million). This was a very positive performance, particularly given the impact on our supply chains and business during the COVID-19 crisis.

Our steady growth in turnover and profit is a consequence of management's disciplined focus on implementing and investing in our strategy in recent years, coupled with developing and honing long-lasting client relationships.

IMPACT OF COVID-19

From a financial perspective the overall impact of COVID-19 on our business was not material during the year under review. However, we recognise the tragic loss of human life and non-financial costs and risks relating to employee health and wellbeing, which we continue to monitor. Market price volatility was a feature from the very start of 2020, exacerbated by COVID-19 impacts later in the year, which triggered further volatility across our commodity markets.

We managed our client portfolios through this turbulent period through our price risk management and related services. Other impacts from COVID-19 are covered, where relevant, in the commentary below.

OVERHEADS AND INVESTMENT

Overall, overheads increased from US$32.6 million to US$39.3 million and reflect our commitment to planned growth, executed in a controlled and considered manner. Travel and entertainment costs reduced dramatically owing to global lockdowns, and we do not anticipate these reaching pre-COVID levels in the short term.

Meanwhile, we continued to invest in our IT infrastructure and software. Our excellence in IT is seen both internally and externally as a key driver of future efficiency and competitiveness. We continue to see the proven benefits of our investment in this area – not least our ability to adapt quickly and effectively to remote working.

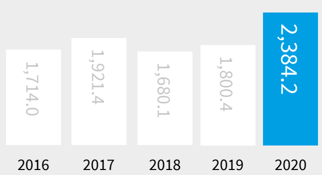
We also continued to invest in our global team in anticipation of future business growth. In 2020 our headcount grew by 13% and we employed 239 people at year end. We expect this trend to continue but we will strictly prioritise investment in areas (teams and geographies) that have the most attractive business expansion potential.

FINANCIAL PERFORMANCE

TURNOVER, US$M

2,384.2

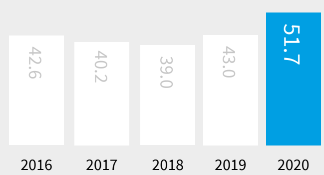
+ 32.4%



GROSS PROFIT, US$M

51.7

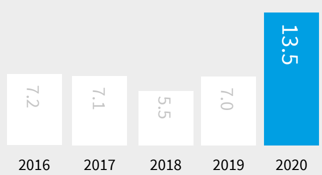
+ 20.4%



PROFIT BEFORE TAX, US$M

13.5

+93.1%



+ P23 Revenue and market analysis

Through this targeted investment, we have established a valuable presence in the local marketplace and are actively monitoring and evaluating similar opportunities.

BUSINESS FOCUS AND OUTLOOK

Building on our strong performance and five-year trajectory, we anticipate another year of growth achieved through the focused execution of our strategy and selective and disciplined investment.

As in previous years, we aim to both broaden our client base and expand added-value services for existing clients in order to deepen relationships. The proportion of revenue from new product lines in the areas of energy, ingredients and packaging in particular is expected to increase this year.

We will continue to monitor the ongoing impact of COVID-19 on the various markets in which the Group trades. Our investment in IT and the launch of our borrowing base facility, expected to commence in 2021, will improve the effectiveness of liquidity management through pricing physical forward contracts, and we will use our price risk tools to manage any further price volatility.

Julian Randles
CFO

KEY PERFORMANCE INDICATORS AND ANALYSIS

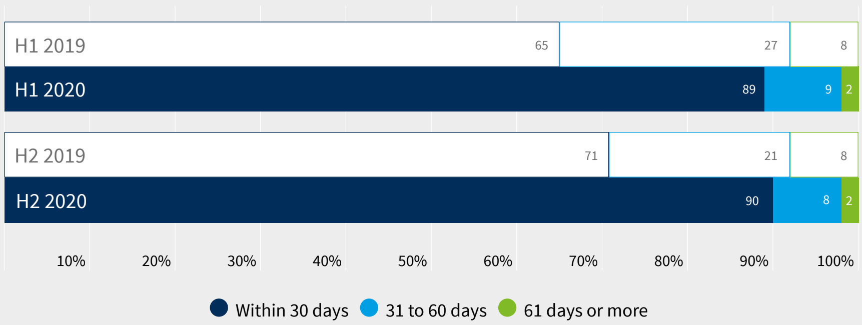
In assessing the performance of the Group, we look to a number of different measures, both financial and non-financial, a selection of which are detailed below.

	2018	2019	2020
Net revenue growth	(3.17)%	10.19%	**20.41%**
Return on equity (ROE)[1]	6.09%	7.23%	**14.08%**
Adjusted return on capital employed (ROCE)[2]	15.7%	19.2%	**26.4%**
Jaws ratio[3]	(5.88)%	4.52%	**(0.10)%**
Number of contractual physical trading counterparties in the period	617	652	**655**
Available financial facilities[4]	US$732.0M	US$791.7M	**US$893.9M**

1 ROE is calculated by dividing net income by equity.
2 Adjusted ROCE is calculated by dividing operating profit (before variable costs) by capital employed (net assets plus non-current deferred tax liabilities).
3 Demonstrates the extent to which income growth rate exceeds expense growth rate.
4 These figures include consolidated Group bank facilities and broker facilities combined.

A RESPONSIBLE PAYMENT CULTURE, %

Although we have no standard payment terms, owing to the nature of our business, which offers tailored solutions to a wide range of international clients, we recognise that we must do our part by paying promptly and fairly. The average time taken to pay our invoices was ten days in H1 2020 and 12 days in H2 2020 and a breakdown is provided below. The percentages of invoices due but not paid within agreed terms were 5% and 7% respectively.



FINANCIAL PERFORMANCE

RETURN ON EQUITY, %

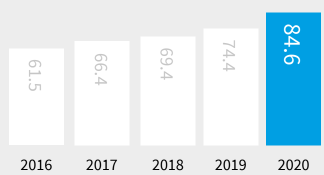
14.1

+ 6.9pp

TOTAL EQUITY, US$M

84.6

+13.7%

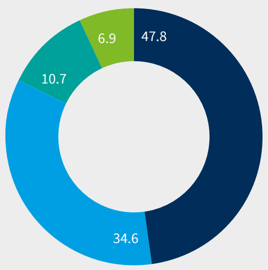


Revenue and market analysis

Growing portfolio of products and services

Our revenue is generated through a mix of physical trading and value-added services – all of which contributed to a fifth consecutive year of growth.

2020 REVENUE ANALYSIS, %



Note
In 2020, revenue from energy products was included in bulk products. In 2021, energy-related products will be considered as a separate revenue line, as explained in the commentary on P26.

BULK PRODUCTS

Our bulk products business includes trading services relating to unrefined (raw) sugar and other bulk products and, in 2020, accounted for 34.6% of our overall revenue generation (2019: 34.9%). In 2021, revenue from ethanol will be removed from this stream and placed into our new energy stream (see P26). On a like-for-like basis our traded volumes of bulk sugar products grew significantly, with tonnage volume for the year reaching 5.2 million metric tonnes versus just under 4.6 million metric tonnes in 2019, and we anticipate further growth in traded tonnages for 2021.

This was a good performance, given the tough year for Thai sugar cane crops. With Thailand's sugar cane farmers suffering hefty production losses in recent drought-hit seasons, some farmers looked to switch to growing more resilient crops, such as cassava. Looking ahead, Thailand's sugar cane crop is expected to rebound – not least owing to mills paying record prices for sugar cane and making sugar cane growing far more attractive. We expect Thailand to crush 100 million metric tonnes of cane in 2021/22, up 30 million metric tonnes year on year and making a significant contribution to the forecast surplus.

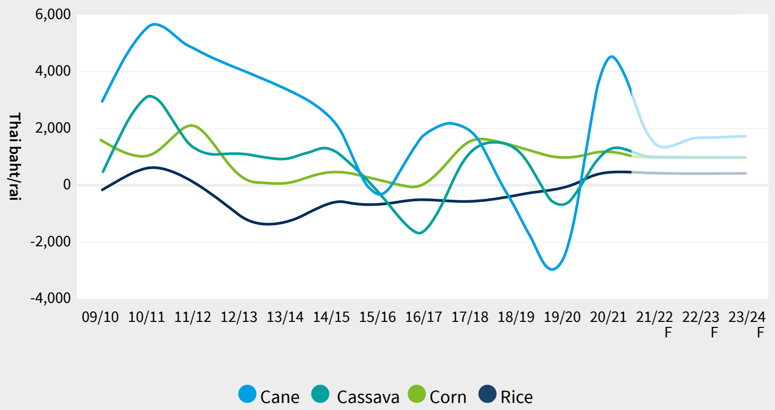
In Brazil, raw sugar returns saw record highs in the local currency (in addition to high global prices generally), favouring a return to sugar rather than ethanol production. This trend has driven mills to hedge a large proportion of their sugar well into 2022/23.

In India, ongoing government subsidies and strong price signals indicate a secure acreage for sugar cane. Globally, we anticipate both sugar cane and sugar beet acreage to be secure at least in the short to medium term and estimate an annual sugar production of between 170 and 190 million metric tonnes.

Outlook

We are forecasting a global surplus of around 3 million metric tonnes of raw sugar in 2021/22. With Brazil likely to maximise its own sugar production again and Indian sugar cane acreage remaining high, the surplus should be led by Thailand and the EU. Both regions suffered with poor crops last season and are expected to improve future tonnages.

THAI CANE RETURNS VS. COMPETITOR CROPS



CANE Thai baht/rai
4,150
US$138/rai

CASSAVA Thai baht/rai
1,642
US$54/rai

CORN Thai baht/rai
1,148
US$38/rai

RICE Thai baht/rai
431
US$14/rai

Source: Czapp.com **Note:** One rai is equivalent to 0.16 hectares.

CONTAINERISED PRODUCTS

Our service-led business model and ethos were important factors in our ability to maintain global volumes, despite significant supply chain disruptions relating to COVID-19. Our containerised products include refined (white) sugar, ingredients and packaging and, in 2020, accounted for 47.8% of our revenue-generated business.

Within our containerised products revenue stream, revenue from food ingredients and packaging increased by 112%. This growth was particularly encouraging as this was also the area of our business most impacted by COVID-19 restrictions; opportunities to meet new clients to develop business were lost and some product line launches were delayed. However, growth in PET packaging, glucose and sweeteners rebounded towards the end of the year with new product lines coming on board as we moved into 2021 (Q1). During the year, we also undertook preparations to expand the VIVE programme into a multi-commodity offering, with a view to covering our expanding product portfolio.

Refined (white) sugar volumes continue to make up the largest part of our containerised business and our performance was strong, particularly in Asia and Europe. This has resulted in a healthy rise in our current assets in the form of receivables. In 2020, containerised volumes of refined sugar fell to 1.2 million metric tonnes (2019: 1.3 million metric tonnes). We consider this to be a strong performance, with our business showing considerable resilience in the face of a global pandemic and container shortages.

In the EU, beet yields were hurt by outbreaks of beet yellows virus – a disease spread by aphids, whose numbers grew significantly in 2020 following the mild winter in 2019. With a colder winter this season, and many EU countries now permitting emergency use of neonicotinoid pesticides to control and reduce aphid populations, yields should improve next year.

The United Kingdom does not make enough refined sugar to meet its needs. It produces around 1 million metric tonnes each year and consumes closer to 1.8 million metric tonnes, importing to make up the shortfall. Despite the UK leaving the European Union (EU), it is expected that, in reality, the EU will continue to export

UNREFINED (RAW) SUGAR ANALYSIS 2019/20, MT'000

NO. 11 RAW SUGAR FUTURES PRICE, USc/lb

Source: Czapp.com

refined sugar to the UK under a duty-free trade deal. Meanwhile, the UK will continue to import sugar from the world market under a 260k duty-free quota, and has trade agreements in place with South Africa, Andean countries and Central American countries. Longer term, we do not see Brexit impacting our business per se, but we continue to monitor potential short-term risks as trade deals and routes are reworked.

Container scarcity

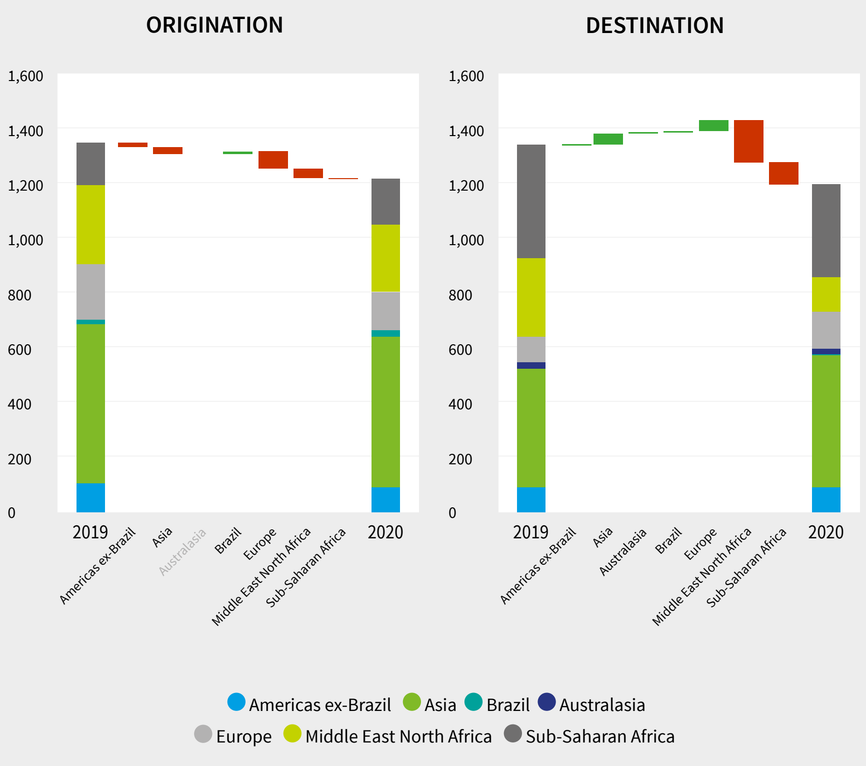
Pandemic-related lockdowns caused havoc in the container shipping industry, leading to a chain reaction of gridlocks and port closures across supply chains. China moved into lockdown first, shutting factories and instantly reducing demand for shipping containers. When the rest of the world soon followed, supply and demand for consumer goods fell sharply in H1 2020 and container lines cancelled vessel sailings. By mid-April 2020 almost 40% of shipping capacity from Asia to Northern Europe had been removed through unavailability of containers.

As the world emerged from lockdowns at the end of Q2 2020 and into Q3, pent-up demand for consumer goods led to a surge in demand for container shipments. This created problems for shipping lines as the global container industry runs on a hub and spoke model, which is less resilient to disruption than a network model. To make matters worse, many major ports were operating under COVID-19 conditions, including social distancing and other countermeasures, which made them less efficient. Meanwhile, key export ports in China faced backlogs as many of the world's containers were (and still are) stranded where they are not needed, making it difficult to recirculate them back to East Asia. While shipping lines tried to respond, service levels fell as a result of these challenging conditions. The ongoing impact on supply chains could be significant, with local product stock-outs and regional price increases a distinct possibility.

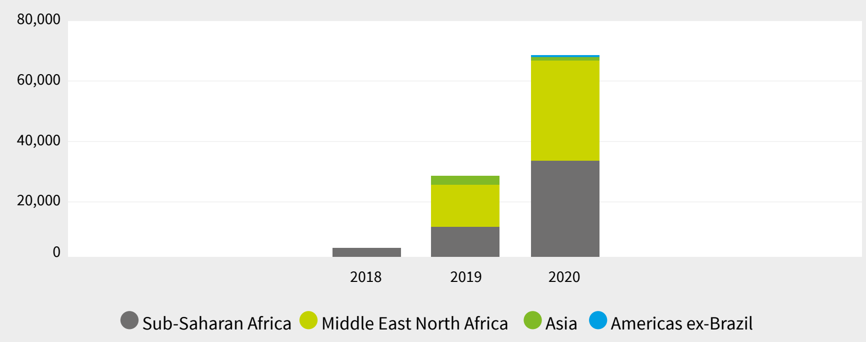
COVID-19 and sugar consumption

In the early stages of the pandemic, sugar consumption fell in many countries as governments enforced lockdowns to stop the spread of the virus. This reduced out-of-home sugar consumption in bars, restaurants, cinemas and at sports events, places normally responsible for a large proportion of consumption. In particular, soft drink consumption was hit hard.

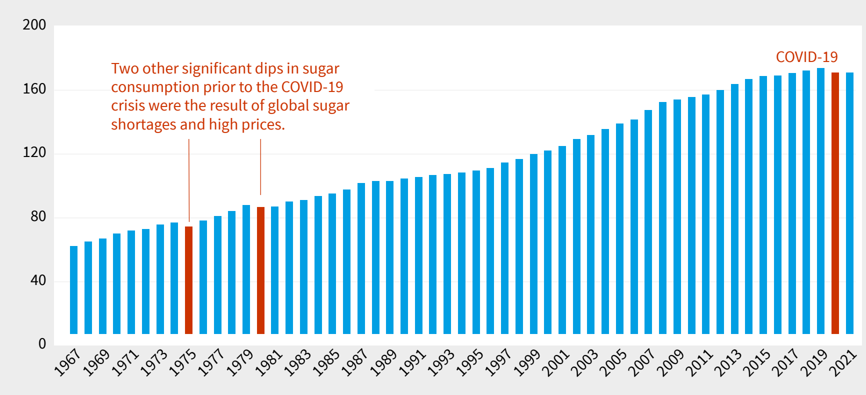
REFINED (WHITE) SUGAR ANALYSIS 2019/20, MT'000



POLYETHYLENE TEREPHTHALATE (PET) SALES BY REGION, MT



GLOBAL SUGAR CONSUMPTION BY YEAR, MT MILLION



Source: Czapp.com

This sugar consumption decline was most obvious in areas with severe lockdowns (e.g. Europe, China) and in countries where soft drinks are sweetened with sugar. We did not see, for example, a significant decline in the USA, where high-fructose corn syrup is the dominant sweetener in soft drinks.

When the initial lockdowns ended, sugar consumption rebounded in many countries and consumer patterns have adapted to the 'new normal', with some evidence of people treating themselves to small luxuries (such as treats with high sugar content) more often during the pandemic. We anticipate sugar consumption will strengthen in 2021, but it is not yet clear if 2019 levels will return; we are keeping an open mind.

Increased regulation around sugar consumption

Prior to COVID-19, we were already seeing an increasing trend towards health-related regulation in the food and beverage industry – be it through sugar taxation or restrictions on advertising. There had also been a significant move towards product reformulation (recipes and pack sizes) to regulate sugar levels. With a link between high COVID-19 morbidity rates and people with underlying health conditions, including obesity and diabetes, we will be watching closely to see if regulation is tightened further.

ENERGY

In 2020, we took the decision to consolidate all energy-related revenues and from 2021 this new line will encompass all revenue contributions from ethanol, electricity and biomass. This raises the profile of our focus on renewable energy internally and externally and supports the expansion of counterparty activity elsewhere in the Group, both regionally and through our sustainability programme, VIVE. During the year we equipped ourselves to offer the full range of services for these products including off-taking, trade finance, risk management, logistics, corporate finance, analysis and sustainability verification. Our clients are already benefiting from upstream and downstream synergies.

In 2020, our performance reflected early and promising potential in the renewable energy space. We financed over 300k m^3 of ethanol, as part of US$70 million of inventory finance solutions.

In early 2021, we secured 600,000Mwh of energy deals and our first 40,000 metric tonnes of biomass (derived from cane bagasse) off-taking, all of which were booked for 2021.

IPOs in Brazil's sugar and ethanol sector

High liquidity in the capital markets, low fixed income interest rates and the devaluation of the Brazilian real have driven investors looking for higher returns to the Brazilian Stock Exchange. After averaging close to 60,000 points for ten years, the IBOVESPA is currently at historic highs of over 120,000 points.

Investor interest has been widespread across all commodities markets, and the raw sugar price has already more than doubled in the past 11 months. Activity has been fuelled by speculation of higher inflation rates and the return of a commodity 'super cycle', driven largely by Chinese demand for commodities. Whether demand at this scale can be sustained with such high prices is yet to be determined.

Nonetheless, more liquidity has entered the exchange market and created an interesting environment for companies looking to go public, especially for those with exposure to the commodities sector. We foresee greater IPO activity in the sugar and ethanol sectors and are closely monitoring potential impacts.

DERIVATIVES

In 2020, our derivatives business accounted for 6.9% of revenue-generating business. Our Derivatives team is recognised for its value-driven ethos and implementation of practical solutions to assist our clients in managing their price risk and positions. Given the high-price and high-volatility market conditions during the reporting period, our strong, steady revenue growth from our derivatives business reflects our capabilities and experience.

The year 2020 was marked by a strong devaluation in emerging market currencies, especially the Brazilian real. With the cost of sugar and ethanol production far more competitive in local currency, hedging in local currency followed suit. Czarnikow delivered a number of hedging solutions for producers, combining commodities and currencies that supported the performance of our derivatives line.

ADVISORY

In 2020, our Advisory business – comprising analysis, corporate finance and risk management services – accounted for 10.7% of revenue-generating business, representing an increase of 59.7%.

Our advisory services had a highly successful year. Our Corporate Finance team completed several deals with a focus on co-generation, debt restructuring and M&A. Since its launch in April 2019, our client-facing app and portal Czapp has expanded its functionality, allowing clients to access market news and data, interact with live data, and, soon, to view and manage trades through the app. Czapp's growing popularity is reflected by a 70% increase in user numbers in 2020.

Summary financial information

CZARNIKOW GROUP LIMITED FIVE-YEAR CONSOLIDATED STATEMENT OF PROFIT OR LOSS, US$'000

for the year ended 31 December 2020	2016	2017	2018	2019	**2020**
Revenue	1,713,964	1,921,358	1,680,125	1,800,406	**2,384,230**
Cost of sales	(1,671,339)	(1,881,124)	(1,641,168)	(1,757,481)	**(2,332,542)**
Gross profit	42,625	40,234	38,957	42,925	**51,688**
Administrative expenses	(30,260)	(30,049)	(30,862)	(32,612)	**(39,302)**
Other (expense)/income	21	(5)	(1)	-	**-**
Operating profit	12,386	10,180	8,094	10,313	**12,386**
Finance cost	(7,867)	(7,674)	(12,022)	(11,690)	**(12,384)**
Finance income	2,721	4,562	9,458	8,391	**13,539**
Profit before taxation	7,240	7,068	5,530	7,014	**13,541**
Taxation	(1,644)	(1,990)	(1,473)	(1,997)	**(3,064)**
Profit for the year	5,596	5,078	4,057	5,017	**10,477**
Other comprehensive income					
Exchange movement on foreign net investment	(153)	343	(864)	(290)	**(406)**
Revaluation reserve recycled to profit or loss	(1,597)	-	-	-	**-**
Total comprehensive income	3,542	3,846	5,421	4,727	**10,071**

CZARNIKOW GROUP LIMITED FIVE-YEAR CONSOLIDATED STATEMENT OF FINANCIAL POSITION, US$'000

as at 31 December 2020	2016	2017	2018	2019	**2020**
Non-current assets					
Property, plant and equipment	2,904	2,643	2,596	7,212	**6,242**
Intangible assets	-	680	2,028	3,530	**4,377**
Investment in joint venture	-	-	-	1,165	**902**
Deferred tax assets	1,439	1,135	1,311	1,615	**1,409**
Total non-current assets	4,343	4,458	5,935	13,522	**12,930**
Current assets					
Inventories	115,414	171,594	156,421	188,441	**116,613**
Trade and other receivables	192,034	173,373	162,401	212,395	**299,182**
Financial assets held for trading	93,936	105,468	143,837	108,678	**195,712**
Current tax assets	456	203	84	1,904	**534**
Cash and cash equivalents	16,164	11,112	12,347	14,395	**13,141**
Total current assets	418,004	461,750	475,090	525,813	**625,182**
Total assets	422,347	466,208	481,025	539,335	**638,112**
Non-current liabilities					
Trade and other payables	-	-	-	4,991	**4,301**
Deferred tax liabilities	335	34	-	152	**409**
Total non-current liabilities	-	-	-	5,143	**4,710**
Current liabilities					
Trade and other payables	297,133	351,374	342,015	420,891	**412,386**
Financial liabilities held for trading	62,705	46,956	68,478	35,854	**133,800**
Current tax liabilities	1,026	1,478	1,097	3,035	**2,599**
Total current liabilities	360,864	399,808	411,590	459,780	**548,785**
Total liabilities	361,199	399,842	411,590	464,923	**553,495**
Net assets	61,148	66,366	69,435	74,412	**84,617**
Equity					
Share capital	1,511	1,511	1,511	1,511	**1,511**
Share premium account	6,611	6,611	6,611	6,611	**6,611**
Foreign currency translation reserve	(3,355)	(3,012)	(3,876)	(4,166)	**(4,572)**
Retained earnings	54,615	60,016	64,337	70,134	**81,067**
Capital contribution	1,766	1,240	852	322	**-**
Total equity	61,148	66,366	69,435	74,412	**84,617**

Notes

> Intangible assets relate to internally generated software products, such as Czapp and Suite which are used internally to manage our business processes.

> The investment in joint venture relates to a stake in CZ Energy Comercializado Ra de Etanol S.A. held through our subsidiary in Brazil.

> Non-current trade and other payables relate to office lease liabilities that are due to be paid in more than one year. Following the introduction of IFRS 16, we have recorded operating leases as current and non-current liabilities with a corresponding asset being reflected within property, plant and equipment.

+ Notes to the consolidated financial statements can be found in CGL's Directors' report and consolidated financial statements, available on our website and via Companies House.

CZARNIKOW GROUP LIMITED THREE-YEAR CONSOLIDATED STATEMENT OF CASH FLOWS, US$'000

for the year ended 31 December 2020	2018	2019	**2020**
Profit before tax	5,530	7,014	**13,541**
Depreciation	615	1,457	**1,673**
Amortisation	262	672	**1,745**
Loss on disposal on property and equipment	16	4	**441**
Loss on disposal on intangibles	-	-	**133**
Loss on disposal on leases	-	-	**583**
(Increase)/decrease in inventories	15,173	(32,020)	**71,828**
(Increase)/decrease in trade and other receivables	10,972	(49,994)	**(86,787)**
Decrease/(increase) in financial assets held for trading	(38,369)	35,159	**(87,034)**
Increase in trade and other payables	3,484	6,988	**37,233**
(Decrease)/increase in financial liabilities held for trading	21,522	(32,624)	**97,946**
Elimination of the effect of exchange differences on Group assets and liabilities due to retranslation of subsidiaries	306	(1,423)	**(445)**
Interest income	(9,458)	(8,391)	**(13,539)**
Interest paid	12,022	11,690	**12,384**
	22,075	(61,468)	**49,702**
Income tax paid	(1,945)	(2,031)	**(1,667)**
Elimination of non-cash share-based payment	(124)	250	**134**
Net cash (used in)/generated from operating activities	20,006	(63,249)	**48,169**
Investing activities			
Purchase of property, plant and equipment	(646)	(296)	**(965)**
Lease additions	-	-	**(781)**
Development of intangible assets	(1,610)	(2,174)	**(2,725)**
Investment in joint venture	-	(1,165)	**2**
Interest received	9,458	8,391	**13,539**
Net cash generated from investing activities	7,202	4,756	**9,070**
Financing activities			
Proceeds from/(cost of) financing arrangements	(12,843)	72,050	**(45,643)**
Principal element of lease payments	-	(953)	**(785)**
Interest paid	(12,022)	(11,690)	**(12,384)**
Net cash (used in)/generated from financing activities	(24,865)	59,407	**(58,812)**
Net increase in cash and cash equivalents	2,343	914	**(1,573)**
Cash and cash equivalents at the beginning of the year	11,112	12,347	**14,395**
Effects of foreign exchange differences on cash and cash equivalents	(1,108)	1,134	**319**
Cash and cash equivalents at the end of the year	12,347	14,395	**13,141**

+ Czarnikow Group Limited's full financial information for the year ended 31 December 2020 is provided in its Directors' report and consolidated financial statements, available from Companies House.

HR review

During 2020, we gained trust, missed social contact and learned to adapt rapidly, accelerating our plans for flexible working.

COVID-19 IMPACT

Our priority was to keep our employees physically safe and support their mental wellbeing. We offered the choice to return to offices if preferred and safe, while confirming to those who favoured working from home (WFH) that we trusted them to maintain standards. We increased employee engagement and feedback, using additional insight to shape our HR programmes across the board. A summary of learnings can be found opposite on P31.

Hybrid working is here to stay. We consulted with our UK-based employees and incorporated their needs into the redesign of the London office – our largest workspace. By increasing break-out and pod spaces we have created a modern working environment to encourage purpose- and employee-led office visits.

EMPLOYEE COMMUNICATIONS

New CEO small group sessions

We introduced regular small group sessions with our CEO to encourage idea generation and open discussion. WFH has eased collaboration across functions and geographies, and we will build on this positive development.

Annual Strategy Week

Our annual Strategy Week was reconfigured to encourage all employees across our ten time zones to participate: over 150 employees joined 'live' while others watched recordings at their convenience. We were reminded of the social importance of such events and realised the benefit of dividing digital content into more manageable sessions.

'All hands' meetings

We introduced these meetings in 2019 for employees to challenge and debate Group strategy and decision-making. These are run by topic with a Q-and-A follow-up, and are now held monthly.

Employee health and wellbeing

Many of our employee engagement initiatives have continued post-lockdowns: family cooking activities, online yoga, meditation sessions and regular wellbeing blogs. To promote physical health, we encouraged tracking individual daily exercise and embarked on a 'virtual tour' of all offices. We continue to explore new ways to support employees socially and emotionally online.

RECRUITMENT

Our policy is to promote from within, meaning we offer considerable opportunities across departments and locations. We promoted 18 employees in 2020 and another eight in the first quarter of 2021. We complement internal talent by recruiting against our values, seeking entrepreneurship and self-starters. In 2020 our employee numbers rose by 13% to 239 (2019: 208). We employed nine graduates and seven interns in the UK, and seven interns in Brazil. Nearly half of our global interns return to fill graduate roles (47% in the last five years).

Virtual onboarding during a pandemic was challenging, particularly for junior-level recruits. However, Robin welcomed each new joiner, our HR team checked in more frequently and many employees sent unprompted 'welcome' messages. We are fast-tracking our mentoring and buddying schemes to improve this further.

TRAINING AND DEVELOPMENT

Training investment

New WFH routines and increased screen time led to a lower appetite for online training. Despite this, several employees took on extra self-development training (including MBA courses) and average training and development hours per individual doubled to 20 hours (2019: 10 hours). We invested £165k in training in 2020 (2019: £139k) and are working to make online training more engaging.

Learning at Work week

We ran a successful Learning at Work week in May 2020, which combined employee health and wellbeing sessions alongside business-focused workshops. Our inclusive approach earned us top place in the Learning at Work Week Impact Awards for Innovation in Learning & Development (SME category).

Revolving boards

We successfully introduced a 'revolving board' initiative, which rotates different team members on a board to prepare them for more senior roles, and are rolling this out to three other teams.

HR PERFORMANCE

Our CEO and CFO are briefed monthly on staff retention. We also use average length of service (seven years) as a proxy for a healthy work culture, and share reviews through Glassdoor, where our latest CEO approval rating was 91% and overall rating was 4.4 (Glassdoor average: 3.6). Other informal measures include: number of interns who return upon graduation (9% of total employees); and number of employees who return after maternity leave (95% in the past five years – up 10% on 2019).

DIVERSITY AND INCLUSION

Diversity and inclusion statement

Having a diverse and inclusive working environment that incorporates and harnesses difference is an asset. A workforce that better represents the changing and diverse make-up of our stakeholders, cultures and communities gives us:

- a broader understanding of situations, backgrounds and experiences, which strengthens our decision-making
- greater 'diversity of thought', leading to a larger pool of ideas and innovation
- enhanced recruitment and retention of talent in a competitive sector.

We recognise that diversity comes in many guises – including ethnicity, socio-economic, age, gender, disability, sexual orientation, cultural and neurological – with some elements harder to measure than others. On the cultural side, our 239 employees based across 16 countries

1 www.glassdoor.co.uk/employers/blog/facts-recruiters-need-to-know/

make us rich in international experience and understanding. We promote a supportive, inclusive environment, underpinned by our values, and provide an update on various initiatives below.

Social inclusion

We continued our successful partnership with social mobility charity upReach, which supports talented students from less advantaged backgrounds to secure internships and jobs. We have recruited six upReach participants and our employees also mentor undergraduates.

Gender and ethnicity training

We ran a Women in Business training programme (open to all employees) which tackled common workplace challenges. Our Directors received thought-provoking training in unconscious bias, which we are considering for all employees.

Gender pay gap analysis

Last year we published our first voluntary gender and gender pay diversity data, which indicated a 31% disparity between male and female salaries. This year, our gender pay gap decreased by 4% to 27%. Though a year-on-year improvement, this only matches our performance in 2018 (see P51). We remain committed to understanding and addressing underlying contributing factors.

An analysis of our pay data by function, for example, shows that more men hold senior positions in our business than women. Deeper scrutiny indicates that our unbalanced incoming talent pool exacerbates this issue: we consistently receive significantly more male applicants for open and prospective jobs. As both disparities broadly reflect overall trends in our sector we need to do things differently at root level to instigate change including, for example, attracting more women at the application stage through targeted agency and online outreach programmes. It will take time to narrow the pay gap but there are also encouraging signs: at the graduate level, our intake has a 50:50 gender split. We will continue to carefully measure and report on these data.

GENDER SPLIT BY PAY CATEGORY 2020, %

	Female	Male
High earners	19	81
Middle earners	37	63
Low earners	52	48

+ P46 Governance review

LESSONS LEARNED DURING THE PANDEMIC: A SUMMARY

NEGATIVES

- Parents with younger children at home found it tough to balance work and online schooling
- Apartment sharers often had connectivity, spatial and distraction issues
- Single households felt isolated and often overcompensated by working longer hours
- New recruits missed face-to-face onboarding (although had more personalised and frequent check-ins)
- Appetite reduced for online training at outset of lockdown.

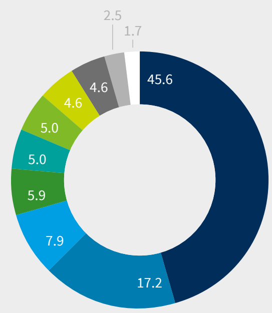
POSITIVES

- We learned more about our employees and supported them personally
- Managers checked in more frequently and mutual trust was built
- Traditional silos were broken down, which led to improved idea generation
- We learned how resilient and adaptable our employees are
- We communicated across the whole Group (and time zones) more effectively.

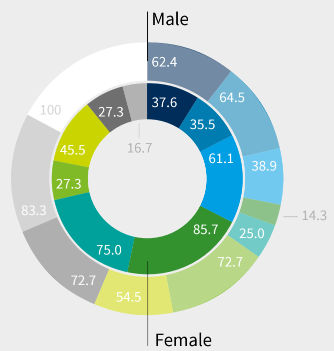
FOCUS

- **Development of new office in London for hybrid working**
- **Ensuring hybrid working caters to individual needs**
- **Improving mentoring systems, particularly for new joiners**
- **Reviewing benefits of new employee communications**
- **Developing more screen-friendly interactive training sessions**
- **Continued focus on employee health and wellbeing.**

EMPLOYEES BY LOCATION, %

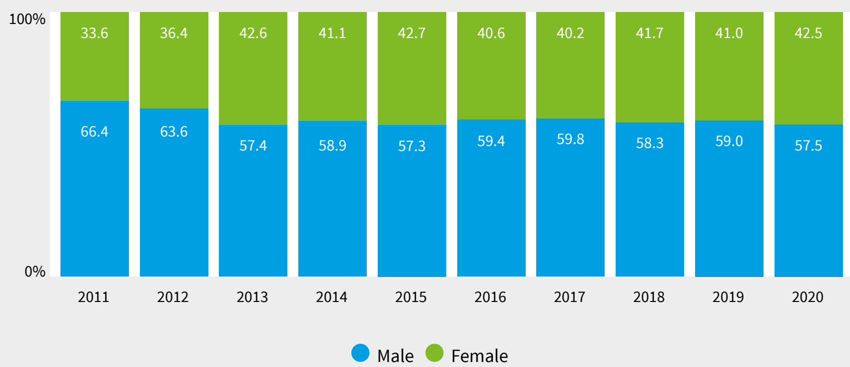


GENDER SPLIT BY OFFICE 2020, %



London São Paulo Singapore Dubai Guangzhou Miami
Nairobi Bangkok Mexico City Tel Aviv

HISTORICAL GENDER SPLIT ANALYSIS, %



VIVE review

Influencers of sustainable change

VIVE is a voluntary sustainability programme, jointly owned and managed by Czarnikow and Intellync, with a vision to create fully sustainable, end-to-end supply chains. VIVE is in its sixth year of operation and rapidly increasing its capabilities and recognition across global supply chains. Czarnikow's continued investment in VIVE strategically aligns with our purpose: to exert a positive economic and sustainable influence in our food, beverage and energy supply chains.

LANDMARK TRADES AND SHIPMENTS

In 2020, VIVE moved closer to its vision by facilitating the world's first end-to-end sustainable shipment of sugar through collaboration with participants in the programme, bringing together supply chain partners across the VIVE programme:

- Santa Terezinha in Brazil, long-term VIVE participant, sourced and milled the sustainable raw sugar
- The China Navigation Company, headquartered in Singapore, became the first shipping company to participate in VIVE's Shipping module, which focuses on improving the sustainability of bulk shipping operations and related activities
- OCBC Bank, also headquartered in Singapore, confirmed its commitment to VIVE and extended a sustainability-linked facility to finance the trade
- Central Sugars Refinery Sdn Bhd, Malaysia, which is committed to ambitious sustainable sourcing targets, refined the sugar
- Finally, the VIVE-verified sugar was purchased by Fraser and Neave, headquartered in Singapore, a member of Buyers Supporting VIVE (BSV).

CLEANER ENERGY

The use of biofuel is one of the most efficient ways to reduce carbon emissions. In early 2021, through our collaboration with a shipping and logistics company, we were allocated second-generation biofuel, made from used cooking oil methyl ester (UCOME). This second-generation biofuel has been externally verified to reduce complete fuel cycle emissions by 85%.

We aim to facilitate our first trade and shipment of VIVE-verified biofuel later in 2021.

VIVE AT A GLANCE

15
VIVE participants

77
Buyers supporting VIVE (BSV) participants

184%
Average year-on-year increase in VIVE-verified tonnage

Key VIVE stakeholders

VIVE programme: core improvement objectives

Governance
Embedding business practices and processes necessary to implement and maintain VIVE

People
Ensuring labour rights and safe, fair working conditions along the supply chain

Environment
Managing facilities and working with farmers to reduce environmental impact

Traceability
Ensuring raw materials can be traced back to source

INFLUENCERS OF SUSTAINABLE CHANGE

Step changes in line with improvement objectives include:
Soil protection plans, agrochemical reduction plans, water pollution monitoring systems, improved local community engagement, and the creation of company policies and staff training programmes.

BUYERS SUPPORTING VIVE (BSV)

BSV is a free platform that enables buyers from all food and beverage companies to become sustainability influencers in their own supply chains, benefiting from increased access to VIVE participants and sustainable procurement opportunities. From 2019 to 2020, the number of BSV members grew by over 208%, including recent joiners Monin, Kerry Foods, FrieslandCampina and further franchises of The Coca-Cola Company. As the platform grows in popularity, our aim is to increase BSV membership further and encourage members to enrol VIVE participants onto their roster. With traceable, verified sustainability credentials, VIVE participants can help fulfil BSV members' own sustainable sourcing goals.

INCREASING PRODUCT VOLUMES

Traded volumes of VIVE-verified sugar grew significantly in 2020 to 274,072 metric tonnes (2019: 49,127 metric tonnes), an increase of 458%. This demonstrates both the growing number of participating producers, and the pull-through from increased consumer demand for sustainable products. In 2021, we aim to significantly increase the volume of VIVE products traded – in both sugar and new product areas, as we roll out our multi-commodity offering globally to include packaging and dairy.

FOCUS ON GREEN FINANCE PARTNERS

Alongside support from OCBC, we continue to collaborate with our long-standing banking partner Rabobank and in 2020 used green finance to fund sustainable sugar flows into East and South Africa – regions where such funding is highly beneficial but still quite scarce. We see green finance as a fundamental instrument to incentivise participants commercially to engage in sustainable business practices.

VIVE PARTICIPANT PERFORMANCE

In 2020, we worked with 15 participants: seven mills, five refineries, two chain of custody participants and one shipping participant. In 2021, we have a number of new participants across a range of geographies and modules entering the programme. VIVE works strategically with participants, encouraging continuous improvement to enhance financial returns. Within the VIVE programme, participants can progress through various levels: Foundation, Claim and Excellence. More details can be found on the VIVE website at www.viveprogramme.com In 2020, 14 of our 15 participants attained Claim Level.

MODULE DEVELOPMENT

We continue to revise and develop our modules to further standardise benchmarking criteria (e.g. VIVE 2.0 Farm and Facility) and release new modules (e.g. VIVE Packaging and VIVE Dairy modules are due for launch in 2021).

We are also creating a pragmatic, condensed VIVE 2.0 Facility module suitable for supply chains with reduced sustainability risks.

VIVE SHIPPING

We are expanding our Shipping module to include container shipments, alongside our established bulk shipping verification. This creates a previously missing link and will accelerate our ability to verify activities across our entire supply chain. We anticipate working with more shipping companies in 2021/22 as a result.

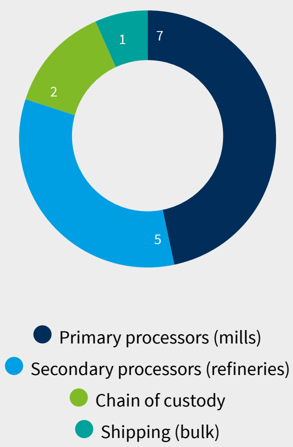
VIVE ENERGY

In early 2021, we launched the VIVE Energy module, which enables verification of renewable energy. Participants will be able to demonstrate their own use of sustainable renewable energy, and sell any excess. Santa Terezinha became the first VIVE participant to complete the module, and we aim to extend this key development across multiple geographies and feedstocks.

WHAT YOU CAN EXPECT IN 2021/22

> Expansion of Shipping module to include containers
> Rollout of multi-commodity offering globally
> Increased partnerships with the financial community to drive commercial incentives, develop sustainable improvement within supply chains and encourage sustainably financed projects
> Reporting of participants' scores and improvements against UN SDGs
> Increased global volumes of VIVE-verified products
> Increased support for Buyers Supporting VIVE (BSV).

VIVE PARTICPANT BY TYPE, NUMBER



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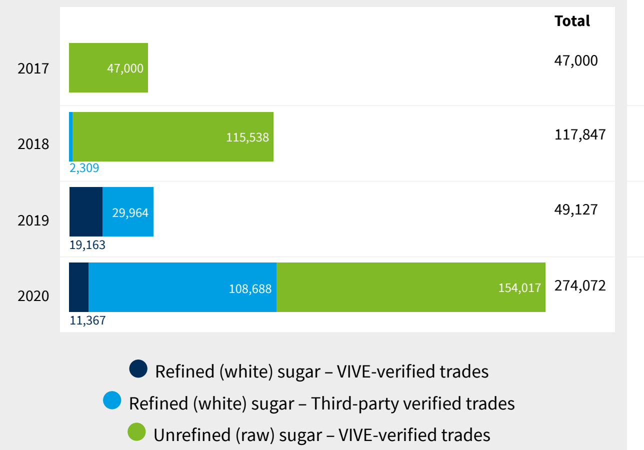
Countries (participants):
Brazil, Egypt, UK, Malaysia, Indonesia, Thailand, South Africa, Singapore

VIVE-VERIFIED SUGAR, MT



Environmental review

Through our sustainability programme, VIVE, and our own supply chain relationships, we are assuming a stronger leadership role in addressing environmental issues in our supply chain. This work takes place alongside keeping our own house in order.

CARBON NEUTRALITY

In 2020, we reached carbon-neutral status for the first time through in-depth analysis of our greenhouse gas (GHG) emissions and offsetting. As a service company (with no assets in growing, refining or manufacturing) our direct environmental impact is limited predominantly to the buildings in which we work. We committed to offsetting GHG Scope 1 emissions (direct emissions from our own and controlled sources) and Scope 2 emissions (indirect emissions generated from our consumption of electricity and from heating, cooling etc.) to achieve carbon neutrality, as well as finding ways to reduce them. Since lockdown and our move towards a hybrid working environment, we are recalibrating our emissions with our partner, South Pole, taking into consideration fewer employees in our offices and reduced commuting times, but more indirect impacts in employee homes.

DIRECT EMISSIONS

We have reconfigured our London office (the largest in the Group) to accommodate our plans for hybrid working. During the refit we made changes to reduce our environmental impact, including the installation of energy-saving lighting, increasing the number of plants, specifying faux leather for upholstery and setting out plans for a paperless office. Old furniture was recycled or repurposed, and unwanted IT equipment was donated to a school, reducing our environmental impact. We are investigating how existing office schemes and incentives (e.g. 'turn off' computer policies, zero waste to landfill) can be replicated in employee homes to continue the progress we have made to date.

INDIRECT EMISSIONS

As is the case for most companies, our greatest GHG emissions occur in our value chain (Scope 3) and we are currently working with South Pole to estimate and, potentially, offset these. Although we are not yet in a position to disclose and set Scope 3 reduction targets, we are actively working with supply chain participants to reduce environmental impacts.

Much of this work is carried out through our sustainability supply chain programme, VIVE. This programme has four core improvement objectives, which commit to reducing environmental impacts in ingredient farming, processing and bulk shipping (see P33). In early 2021, we launched the VIVE Energy module, enabling partners to verify the sustainability of renewable energy produced from feedstocks for use within their own operations and for sale.

Later in 2021, we will launch a container shipping module through VIVE, enabling an increased number of our shipping partners to participate. In our own operations, we chartered 20 vessels and monitored their impact; 35% had a GHG rating of C and above.

UK GHG EMISSIONS AND ENERGY USE, 1 JANUARY 2020 TO 31 DECEMBER 2020

Electricity and gas consumption (kWh)	908,104
Energy consumption breakdown	
Gas (kWh)	662,895
Electricity (kWh)	245,209
Transport fuels (litres)	8,750
Scope 1 emissions CO_2e (metric tonnes)	
Natural gas consumption	122
Refrigerants	53
Transport fuel	19
Total Scope 1	193
Scope 2 emissions CO_2e (market-based)	
Purchased electricity	99
Scope 3 emissions CO_2e (metric tonnes)	
Business travel in employee-owned vehicles	N/A
Downstream transport and distribution of shipments	221,435
Total gross emissions CO_2e (metric tonnes)	221,727
Total number of employees	239
Intensity ratio per employee CO_2e (tonnes)	924
Electricity and gas CO_2e (metric tonnes as % per million £ of turnover)	0.09

Environmental supply chain impact mapping

Key themes from 'Planet' pillar	Topics	Farming	Primary/ secondary processors	Logistics partners	Food and beverage manufacturers (industrial consumers)	CZ/VIVE
CLIMATE CHANGE	GHG emissions disclosure and target-setting	●	●	●	●	Work underway (Scope 3 GHG reporting)
	TCFD implementation		●	●	●	Investigating impact of future reporting requirements
NATURE LOSS	Land use and ecological sensitivity	●	●		●	Protection of natural habitats through South Pole partnership
	Impact of land use and conversion	●	●		●	
FRESHWATER AVAILABILITY	Water consumption and withdrawal in water-stressed areas and its impact	●	●		●	Water consumption reduction under VIVE assessment criteria
AIR POLLUTION	Air pollution and its impact		●	●	●	VIVE Energy module promoting renewable generation
WATER POLLUTION	Fertiliser and nutrient consumption and its impact	●				Best practice fertiliser application advice to farmers through VIVE
SOLID WASTE	Single-use plastics				●	No single-use plastic in London HQ
	Impact of solid waste disposal		●	●	●	
RESOURCE AVAILABILITY	Resource circularity and 'circular economy' metrics				●	Recycling/donation of unwanted office and IT materials Planned product line extension into recyclable PET

● Potential high-impact areas for our supply chain participants, based on informal analysis

Source: Themes and topics adapted from *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation*, World Economic Forum, September 2020

LOOKING AHEAD

Reducing emissions is not our sole environmental focus. Some of our supply chain participants, for example, use natural resources (e.g. water for farming and fossil fuels for shipping fuel). Other environment risks stem from pesticide and fertiliser application. At the sharp end of our supply chain, waste management and plastic consumables are high-profile topics. A summary of our view of environmental impacts across our supply chain is presented in the table above. For this informal exercise we have adapted the World Economic Forum's (WEF) stakeholder capitalism metrics from its 'Planet' pillar. We do not have answers or plans in place yet to tackle all these issues. However, they are on our radar, we are engaging increasingly with our supply chain participants on these matters and we have taken the first steps to identify areas where we need to improve our footprint.

MITIGATING ENVIRONMENTAL RISKS

As we dig deeper it is clear that many of our supply chain participants are likely to be affected by climate change and/or environmental risks in the longer term (e.g. crop failures, supply chain disruption and product reformulation). It is in our mutual interest to mitigate these impacts and Climate change risk is considered an emerging risk in our register (see P60). We continue to investigate how related impacts could affect our long-term business and how we may need to adapt. We are well positioned to mitigate these risks through our close client partnerships, our global networks and our operational flexibility.

More details on how we mitigate climate change risks through VIVE can be found on the VIVE website, www.viveprogramme.com which explains how we address each part of our supply chain via different modules.

ENVIRONMENTAL DISCLOSURES

As a large UK organisation we disclose our mandatory ESOS (Energy Savings Opportunity Scheme) data and Streamlined Emissions Carbon Reporting (SECR) information, and share material transport emissions data with one of our major shareholders. Although not yet applicable to us, we are reviewing the impact of the implementation of the Task Force on Climate-Related Financial Disclosures (TCFD) reporting requirements on our industry, and potential implications for our own operations.

SECR METHODOLOGY

In 2020, we reported SECR information for the first time and describe the methodology used below. The GHG accounting and reporting procedure of Czarnikow's inventory is based on the Greenhouse Gas Protocol: GHG Protocol: A Corporate Accounting and Reporting Standard – Revised Edition (the 'GHG Protocol') and the complementary Corporate Value Chain (Scope 3) Accounting and Reporting Standard – the most widely used international accounting tools for government and business leaders to understand, quantify, and manage GHG emissions. The standards were developed in a partnership between the World Resources Institute and the World Business Council for Sustainable Development.

Where relevant, Czarnikow has collected primary data from its sites for the consumption of natural gas (space heating) and fuels for mobile and stationary combustion (in kWh or litres). The life-cycle emissions have been calculated (well-to-wheel) in tCO_2e through applying appropriate emissions factors. For combustion of gas and fuels for transport and space heating, the 2020 UK Department for Business, Energy & Industrial Strategy dataset was applied.

Similarly, electricity consumption figures have been collected from each of Czarnikow's sites and the associated emissions calculated based on 'the Greenhouse Gas Protocol: GHG Protocol – Scope 2 Guidance'. As a result of Czarnikow having sites globally, local emissions factor datasets have been applied where appropriate to ensure accuracy and relevance. Emissions estimates from purchased electricity have been reported in Scope 2, and the well-to-tank and transmission and distribution emissions in Scope 3. All emissions estimates have been calculated and reported using the location and market-based methods. At the time of writing, Czarnikow is still in the process of completing its Scope 3 inventory to account for emissions from its sugar trading activities; the proposal is to set its inventory boundary at the point at which physical product is received at its client premises ('gate'). Emissions sources currently missing include:

SCOPE 3

- Category 1: Purchased goods and services – Purchased raw materials (sugar), packaging
- Category 10: Processing of sold products – Energy consumption and waste from refining of intermediate products into final products (sugar).

For three of Czarnikow's sites, the 2019 data has been applied as a proxy in order to provide a conservative estimate. These consumption figures be refined, in due course, as the data becomes available.

WHAT YOU CAN EXPECT:

- Enhanced understanding of Scope 3 impacts
- Increased dialogue with clients on environmental impacts, including carbon footprints
- Planning for impact of increasing reporting requirements
- Monitoring environmental hot topics in our supply chains.

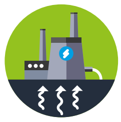
OUR FIRST STEPS TOWARD CARBON NEUTRALITY

At the end of 2020, we announced our first step towards realising carbon neutrality by offsetting our Scope 1 and 2 emissions for 2019. These totalled 1,966.21 tCO_2e and took account of operational emissions from running our ten global offices, and the impact of business travel and goods and services consumed by employees.

Working with our partner South Pole, we completed a full audit of our carbon footprint and chose emission-offsetting projects from a portfolio of climate-beneficial initiatives most relevant to our corporate purpose and supply chain impacts.

For 2019's emissions, we have supported Gunung Salak, a geothermal energy plant in Indonesia which will produce key green energy for the region, and the Isangi forest conservation project in the Democratic Republic of the Congo (DRC), which mitigates 324,000 tCO_2e, on average, every year and protects essential biodiversity.

Carbon project types


Renewable energy


Forestry


Energy efficiency

CZ blog: www.czarnikow.com/blog/why-volcanoes-dont-have-to-erupt-to-be-interesting-czarnikow-supports-sustainable-initiatives

Source: South Pole

GROWING OUR GREEN ENERGY BUSINESS

Brazil is an innovative leader in renewable energy. We are active in this sector and region through CzEnergy – a joint venture with CMAA Group. Alongside sugar, the sugar cane crushing process produces ethanol, electricity and biomass: three sources of renewable energy.

The ability to create and sell energy to the grid gives mills an attractive additional revenue stream and reduces exposure to volatile world sugar market prices. Our Corporate Finance team is highly experienced in executing transactions to assist mills in purchasing co-generation equipment, and generated renewable energy can now be verified via our VIVE Energy module.

Trade finance review

Transparency and trust

Despite an extremely nervous year for the finance community, we built, strengthened and adapted strong relationships with our banking partners and looked for new solutions to shore up our position.

Early in 2020, the sector experienced pressures of defaults, strategic exits from commodity finance markets, restructuring and reduced global liquidity. Against this turbulent backdrop, our emphasis on transparency, the clear communication of our business model and mutual trust earned us new trading lines and opportunities.

OPEN-BOOK WORKING

We routinely share our monthly management figures, lay out all contracts and show our position to our financial stakeholders and multinational clients. This open-book approach gained significance within a nervous environment and allowed us to extend financing lines with existing partners during 2020 and work with exiting banks within agreed grace periods, giving us time to secure alternative finance.

SUSTAINABLE CRITERIA

Not so long ago an emerging trend, evidence of performance in non-financial areas has increasingly become a priority for our banking partners: when questioning their long-term capital allocation criteria, they are favouring more sustainable funding policies. In 2020 we successfully established green funding initiatives, which we used to complete the following sustainable trades in 2020:

> In June 2020, we completed the world's first fully sustainable, end-to-end sugar trade, financed by OCBC Bank through a sustainability-linked facility. Our strong relationship with OCBC, along with their ambitious aims to build their sustainable funding capabilities, allowed us to fully close the supply chain loop, moving sugar from Brazil through Malaysia and into Singapore.

> In November 2020, Rabobank, a key supporter of our sustainability programme VIVE since its inception, provided green funding to once again move sugar from Brazil to Malaysia. In both instances sugar was provided to large multinational clients, also enabling them to meet their own personal sustainable sourcing goals and creating incentives for sustainable practices downstream.

Sustainable funding will be a huge area of growth for us and the world economy in 2021 and beyond. We are developing new relationships with development banks in Africa, aiming to develop further green financing options in this geography in tandem with VIVE. In the longer term we aim to become key influencers in the global sustainability of food, beverage and energy supply chains. To help achieve this, we continue to work hard to communicate our position and initiatives, which currently include:

> further development of 'green' structured finance using ethanol as collateral

> using our credentials with Rabobank and OCBC to encourage more partners to collaborate with us on green funding initiatives across new geographies and products

> working with development banks which have an interest in sustainable supply chains

> continued implementation of innovative financing and funding models (e.g. financing farmer payments in Fiji during 'off-crop' periods) through to stock and export, which could be replicated in other regions.

GEOGRAPHICAL EXPANSION

Our financing capabilities in Bahrain, set up in 2020, have flourished. We have also strengthened our presence in south-east Asia by setting up a new entity in Vietnam and are exploring possibilities in the Philippines. Meanwhile, our presence in Latin America is set to expand in the coming years.

PRODUCT EXPANSION

We have expanded our financing capabilities to cover a wider range of ingredient products and packaging. We now have 90 product lines on our book, an annual increase of 61%. This expansion creates new opportunities for our banking partners and increases our trade finance flexibility. Trades for newly-added products are structured to carry limited price risk and can open conversations with departments outside traditional commodity finance teams, and with smaller banks. Again, we have reaped rewards from our strong relationships and reputation in this area and have continued to benefit from a diversified funding model, reducing further risk exposure. We continue to explore how we can strengthen our financing model to cover our aspirations to diversify our portfolio further in the long term.

SERVICE EXPANSION

We continue to support clients in areas such as cash flow, debt and risk management and provide advice on how to communicate effectively with their banks. This symbiotic approach benefits all participants in the supply chain, now to include freight partners, over the longer term.

IT DEVELOPMENTS

Once again, a key focus during the year was the synchronisation and improvement of our internal IT systems to mitigate risk, speed up processes and reduce environmental impact. In addition to our ongoing investment, COVID-19-related pressures and constraints accelerated the appetite for digitisation across the whole trade finance sector. For example, we have been developing a project – due to launch in Spring 2021 – to digitise bills of lading, replacing original documents that have been in use for centuries. This is just one example of how we are using our in-house capabilities to benefit external clients.

OUR PROGRESSIVE APPROACH TO FINANCING

Commodity trading finance is undergoing a structural change owing to a contraction in the banking sector's risk appetite following tightened regulatory capital requirements, which has been exacerbated by the impacts of COVID-19. To realise our long-term strategic expansion, we have embraced more innovative lending structures, introducing hybrid structured trade and commodity financing solutions fit for the new era of borrowing.

Our view is that banks and funds need not be in competition, but can collaborate by supporting different sections of the same cycle of funding. In 2020, our new structured finance solutions bridged funding gaps through secured transactions that link regulatory qualifying and non-qualifying collateral, while maintaining banking principles in terms of security and risk mitigation. Medium-sized banks have taken up some of our flows, and we have established new relationships with alternative lenders.

BORROWING BASE MODEL

For products hedged through listed futures
With the launch of our sugar-focused borrowing-base facility in Spring 2021 we have created a structure which wraps all elements of the same flow into a single collateral pool, including margin finance, prepayment for supply contracts, storage, transit and sale of goods. Through this, we aim to take on more priced physical forward contracts (particularly in Brazil and Thailand), reduce our liquidity risk, manage market volatility and prepare for future growth opportunities. In 2021 and beyond, our focus is to expand this structure to other commodities within our product offering.

For products hedged through OTC futures
In Q1 2021, we created a new PET-dedicated facility with an existing lending partner. This resembles the sugar borrowing base structure except that it covers OTC-hedged products. This structure includes margin finance to help end buyers hedge their future purchases, supplier payments, transit and final sale.

JUST-IN-TIME DELIVERY MODEL

To optimise supply chain resilience, we continue working to match our key clients' global footprints with vendor-managed inventory solutions in jurisdictions where they have sizeable industrial installations. Just-in-time delivery allows clients to be supplied adequately without over-burdening their balance sheet with surplus inventory, while the underlying security helps lending partners mitigate risk through a bank-style collateralised storage finance. We look to combine alternative lenders' capacity to finance products which cannot be hedged using listed futures, with the banks' ability to finance receivables at a competitive price.

REVERSE FACTORING

In Q4 2020, through our new relationship with an alternative lender, we launched a supply-finance facility which has accelerated supplier payments prior to documents having been produced. This has solidified our supplier relationships, particularly within our ingredients product line.

SUMMARY AND OUTLOOK

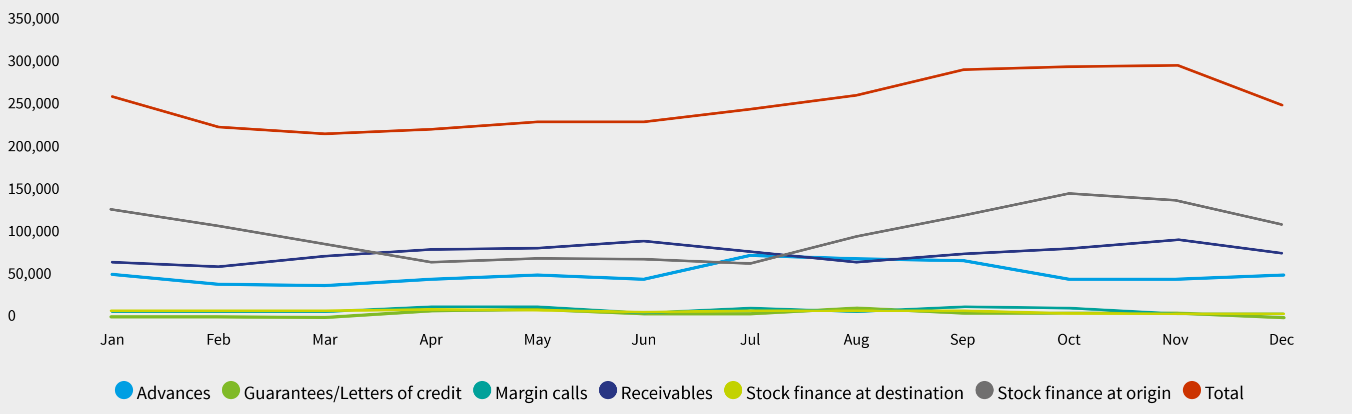
In 2020, our total available financial facilities (excluding broker lines) increased from US$707.8 million to US$816.9 million.

As we head further into 2021, we expect to remain focused on:

> embedding our new borrowing base facility
> expanding our sustainability partnerships and capabilities
> strengthening our alternative funding and financing initiatives
> benefiting from further digitisation of current processes.

In the longer term, we are confident of our ability to influence and effect change in the financing of our sustainable food, beverage and energy supply chains. Changes to facilities and credit lines in 2020 are summarised in the table on P40.

TRADE FINANCE BANK FACILITIES 2020 – UTILISATION BY TYPE, US$'000



CONSOLIDATED GROUP FACILITIES FOR THE YEAR ENDED 31 DECEMBER 2020, US$M

	Transactionally secured sub limit	Transactionally unsecured sub limit	Clean/Margin sub limit	Total
Transactional bilateral lines				
ABSA	40.0	-	-	**40.0**
Barclays Bank – UK	8.0	-	3.0	**11.0**
British Arab Commercial Bank (BACB) – UK	40.0	-	-	**40.0**
Credit Europe Bank N.V.	25.0	-	5.0	**30.0**
GarantiBank – UK	40.0	-	-	**40.0**
Gazprombank – Switzerland [(a)]	20.0	-	-	**20.0**
ING – The Netherlands [(b)]	33.0	-	-	**33.0**
Leumi – UK	30.0	4.0	6.0	**40.0**
Natixis Bank – Paris	45.0	-	-	**45.0**
Rabobank – The Netherlands	19.5	-	5.5	**25.0**
Santander	4.0	-	-	**4.0**
Société Générale – Paris [(c)]	15.0	25.0	-	**40.0**
HSBC UK [(d)]	15.0	10.0	-	**25.0**
Banco do Brasil – UK	10.0	30.0	-	**40.0**
OCBC Singapore	30.0	-	-	**30.0**
Standard Chartered Bank – UK	35.0	18.0	2.0	**55.0**
Total	**409.5**	**87.0**	**21.5**	**518.0**
Non-recourse receivable lines – Czarnikow Group Limited				
ABN AMRO – The Netherlands	65.0	-	-	**65.0**
Standard Chartered Bank – UK	25.0	-	-	**25.0**
Total	**90.0**	**0.0**	**0.0**	**90.0**

	Fund limits	Total
Funds – Czarnikow Group Limited		
Almastone Opportunities	15.0	**15.0**
Innovatus Structured Trade Finance I S.A.R.L [(e)]	10.0	**10.0**
Kimura Capital LLC	10.0	**10.0**
Woodsford TradeBridge [(f)]	7.5	**7.5**
Total	**42.5**	**42.5**

	Transactionally secured sub limit	Transactionally unsecured sub limit	Clean/Margin sub limit	Total
Export finance lines – Czarnikow Brasil Ltda.				
Banco do Brasil – Brazil	-	18.0	-	**18.0**
Rabobank – Brazil [(g)]	-	31.7	-	**31.7**
China Construction Bank (BicBanco) – Brazil	-	12.5	-	**12.5**
Bradesco	-	7.5	-	**7.5**
ING – Brazil [(h)]	-	12.0	-	**12.0**
Itaú	-	7.5	-	**7.5**
Santander	-	10.0	-	**10.0**
Pine	-	4.0	-	**4.0**
Daycoval	-	3.8	-	**3.8**
SICOOB COCRED [(i)]	-	4.8	-	**4.8**
FIBRA [(j)]	-	1.0	-	**1.0**
Total	**0.0**	**112.8**	**0.0**	**112.8**
Transactional bilateral lines – C. Czarnikow Sugar (East Africa) Limited				
Rabobank – The Netherlands [(k)]	3.3	-	-	**3.3**
ABSA [(l)]	3.0	-	-	**3.0**
Total	**6.3**	**0.0**	**0.0**	**6.3**

CONSOLIDATED GROUP FACILITIES FOR THE YEAR ENDED 31 DECEMBER 2020, US$M *continued*

	Transactionally secured sub limit	Transactionally unsecured sub limit	Clean/Margin sub limit	Total
Transactional bilateral lines – C. Czarnikow Sugar (Guangzhou) Company Ltd.				
Rabobank Nederland, Shanghai Branch	10.0	-	-	**10.0**
HSBC, Shanghai Branch	9.3	-	-	**9.3**
Total	**19.3**	**0.0**	**0.0**	**19.3**
Transactional bilateral lines – C. Czarnikow Sugar Pte. Ltd				
Rabobank Nederland, Singapore Branch [m]	10.0	-	-	10.0
Total	**10.0**	**0.0**	**0.0**	**10.0**
Transactional bilateral lines – Czarnikow (Thailand) Limited				
HSBC, Land Pledge	3.0	-	-	3.0
HSBC, Thailand	15.0	-	-	15.0
Total	**18.0**	**0.0**	**0.0**	**18.0**
Total consolidated Group facilities				**816.9**

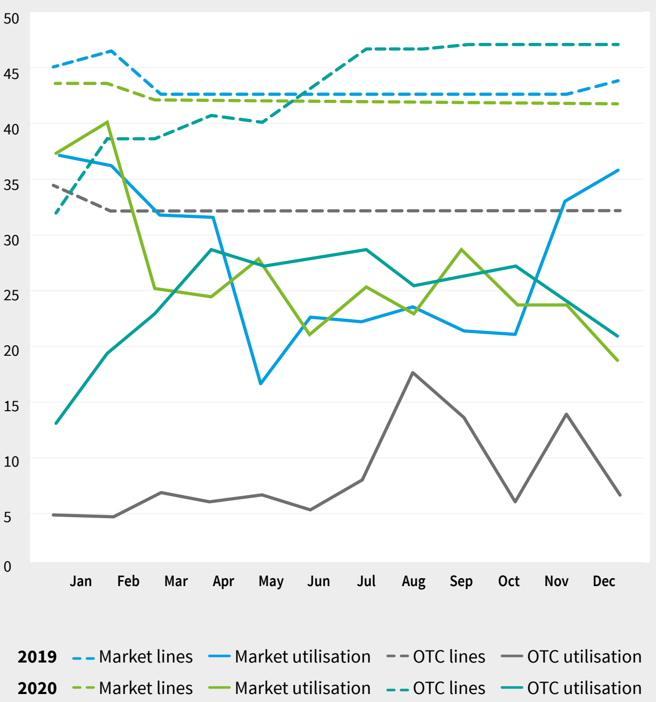
(a) Gazprom – Switzerland's bank line put temporarily on hold due to market conditions.
(b) The ING global limit of US$45.0m is a swing facility between Czarnikow Group Limited and Czarnikow Brasil Ltda.
(c) C. Czarnikow Sugar Inc., C. Czarnikow Sugar (Mexico), SA de C.V. and Czarnikow Italia Srl are co-borrowers of the US$40.0m facility.
(d) HSBC Bahrain sub-limit of US$15.0m of the US$25.0m facility.
(e) Innovatus – non-recourse facility.
(f) Woodsford TradeBridge facility in place but not activated until post year end.
(g) Rabobank Brazil line, capped at US$31.7m, has been carved out from the US$80.0m facility from Rabobank, The Netherlands.
(h) The ING global limit of US$45.0m is a swing facility between Czarnikow Group Limited and Czarnikow Brasil Ltda.
(i) SICOOB COCRED facility in place but not activated until post year end.
(j) FIBRA facility in place but not activated until post year end.
(k) C. Czarnikow Sugar (East Africa) Limited is a co-borrower with a limit capped at US$18.0m from US$80.0m from Rabobank, The Netherlands.
(l) ABSA Multi option facility for US$3.0m is to facilitate working capital requirements in Kenya.
(m) C. Czarnikow Sugar Pte Ltd is a co-borrower with a limit capped at US$20.0m from the US$80.0m facility from Rabobank, The Netherlands.

BROKER LINES 2020

	Type of line	US$M
ADM Investor Services International Limited	ETD	12
Macquarie Bank Limited	ETD	5
Marex Spectron	ETD	5
Société Générale Corporate & Investment Banking	ETD	7
StoneX	ETD	3
Sucden Financial	ETD	10
Amius Limited	OTC	2
Cargill Inc – Risk Management	OTC	5
Goldman Sachs	OTC	2
JP Morgan	OTC	4
Macquarie Bank Limited	OTC	6
Monex Europe	OTC	3
Rabobank	OTC	5
Santander UK	OTC	5
Société Générale Corporate & Investment Banking	OTC	1
Standard Chartered Bank	OTC	7
StoneX	OTC	3
Subtotal ETD/OTC lines		**77**

OTC = Over-the-counter, ETD = Exchange-traded

BROKER FACILITIES AND UTILISATION BY MONTH, US$M



Management Committee

ROBIN CAVE
CEO

Location	London
Joined Czarnikow	2009
Committee membership	

Key responsibilities
- Overseeing the Group's performance and growth
- Communicating and implementing the Group's strategy and vision
- Adhering to Group-wide corporate governance and compliance policies
- Improving operational efficiency throughout the organisation.

Current focus
- Strengthening Czarnikow's values within the Group's culture
- Using IT to create market-leading value for our clients
- Creating an entrepreneurial culture at Czarnikow
- Targeting investment in our core strengths.

CCL Board member

JULIAN RANDLES
CFO

Location	London
Joined Czarnikow	2012
Committee membership	

Key responsibilities
- Overseeing Czarnikow's financial performance
- Conducting controllership functions in a timely and accurate manner
- Developing and maintaining internal control systems
- Optimising allocation of Company resources.

Current focus
- Delivering on ROCE expectations
- Supporting optimisation of operational processes and systems, including risk
- Overseeing prudent, effective investment in our employees and facilities
- Developing organisation-wide proprietary IT systems.

CCL Board member

JAMES BRITTAIN
Director, Analysis and Advisory

Location	London
Joined Czarnikow	1996
Committee membership	

Key responsibilities
- Leading Czarnikow's Analysis and Advisory team
- Managing and enhancing advisory, risk management and consultancy services
- Generating external awareness of Czarnikow products and services
- Delivering internal analytical support.

Current focus
- Enhancing analysis and advisory engagement and expanding global audience on Czapp
- Broadening analysis coverage, including food ingredients and packaging
- Increasing annuity products delivered through Czapp.

TIAGO MEDEIROS
Director, Head of Brazil

Location	São Paulo, Brazil
Joined Czarnikow	1998
Committee membership	

Key responsibilities
- Overseeing all operations in Brazil
- Managing and developing the business in areas of trading, supply chain management, corporate finance and advisory
- Exploring new growth opportunities in the Brazilian and Mercosul markets in the food and energy spaces.

Current focus
- Expanding our market share in Brazilian raw sugar origination
- Developing specialised services for the ethanol and energy market
- Developing structured finance solutions tailored for Brazilian clients
- Supporting the Brazilian corporate finance division's growth
- Supporting the development of the new food and ingredients business line locally
- Exploring expansion opportunities into Argentina, Paraguay and Uruguay.

KEY TO COMMITTEE MEMBERS

Operational Risk Committee · Credit Committee · IT and Development Committee · Trading Committee · VIVE Steering Committee

+ Our Management Committee's average length of service is 23 years.

ADAM LEETHAM

Director, Head of Raw Sugar Trading and Bulk Products

Location	London
Joined Czarnikow	1995
Committee membership	

Key responsibilities

- Overseeing global raw sugar trading
- Optimising revenue generated through principal raw sugar purchase and sale
- Focus on development of enhanced revenue streams through additional bulk products.

Current focus

- Enhancing value chain opportunities by assisting clients to manage risk and benefit from market opportunities
- Deepening relationships with key trading partners to enhance understanding and co-operation
- Exploring opportunities to broaden our activities in areas that align to our key business flows.

WILLIAM ROOK

Director, Head of Refined Sugar, Ingredients and VIVE

Location	London
Joined Czarnikow	1989
Committee membership	

Key responsibilities

- Co-ordinating Czarnikow's global supply chain services for the food and beverage sector
- Leading global key account management
- Managing and promoting our sustainability programme, VIVE
- Growing the Ingredients and Packaging revenue.

Current focus

- Expanding and enhancing our sustainable supply programme, VIVE
- Strengthening and expanding long-term supply and off-take agreements with producers
- Broadening Czarnikow's ingredient and packaging product offering, maximising revenue
- Driving change and delivering advantage for clients.

● CCL Board member

NICHOLAS WAINWRIGHT

Director, Head of Asia

Location	Singapore
Joined Czarnikow	2000
Committee membership	

Key responsibilities

- Overseeing all operations in Asia, including trading, supply chain services, corporate finance and VIVE
- Developing and implementing Czarnikow's strategy in Asia, including China, Thailand and Vietnam
- Ensuring operational efficiency and delivering growth in the region.

Current focus

- Developing a service platform in Vietnam to deliver enhanced offering for sugar, ingredients and packaging clients
- Promoting our sustainable supply programme, VIVE, across Asia
- Developing our corporate finance offering in Asia
- Expanding our value chain business model into China
- Enhancing our supply chain finance capabilities in the region.

JONATHAN WILLIAMS

Director, Head of Americas and Europe

Location	London
Joined Czarnikow	1986
Committee membership	

Key responsibilities

- Developing and implementing our strategy within Europe, including trading and supply chain services
- Overseeing preferential trade structures into the EU
- Developing our growth strategy in the Americas (excluding Brazil).

Current focus

- Promoting the growth of an app-based price risk management structure for EU growers
- Developing and implementing a digital procurement platform for EU consumers
- Enhancing relationships with all key EU producers
- Expanding our presence in domestic South American markets
- Driving supply chain services for raw and white sugar in the Americas (excluding Brazil).

+ P46 Governance review

Business specialists and leaders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REGIONAL LEADERS

DOUG AARVOLD
Regional Manager, Africa

Location	London
Joined Czarnikow	2012
Committee membership	

Doug joined the Analysis team before becoming a trader. He has since been made Associate Director, with responsibility for trading in Sub-Saharan Africa.

1

TOM BALLARD
General Manager, Thailand

Location	Bangkok
Joined Czarnikow	2008
Committee membership	

Tom established our Bangkok office and has developed our supply chain, risk management and stock finance services for the Thai market.

2

LILY CHEN
Country Manager, China

Location	Guangzhou
Joined Czarnikow	2007
Committee membership	

Lily uses her market knowledge to facilitate our supply chain in China. She has built a strong team that optimises trading and supports clients.

3

PABLO COLLADO
General Manager, Americas

Location	Miami
Joined Czarnikow	2016

Pablo leads the restructuring of Czarnikow in the Americas. He has enhanced core business in the USA by growing our customer base and volumes.

4

DIEGO DOURADO
Associate Director

Location	São Paulo
Joined Czarnikow	2004
Committee membership	

Diego is responsible for raw sugar trading book management in Brazil and derivatives sales to Brazilian producers.

5

JOHN IRELAND
Associate Director

Location	London
Joined Czarnikow	2010
Committee membership	

John heads raw and bagged sugar trading within preferential trade structures. He is the Chairman of the Sugar Traders Association UK.

6

INGREDIENTS LEADERS

TANIA AGUILAR
Head of Global Sourcing

Location	Dubai
Joined Czarnikow	2019

Tania's experience drives our ingredients business, which is responsible for strategically sourcing the best ingredients for our global clients.

7

TOM SOUTTER
Ingredients Trader

Location	London
Joined Czarnikow	2020

Tom is the central contact for our growing food ingredients and packaging business, responsible for developing the portfolio and connecting opportunities globally.

8

+ 48% of our business specialist and leaders are female.

INTERNAL SPECIALISTS

GABRIELA ANDRI
Senior Energy Manager

Location	São Paulo
Joined Czarnikow	2020

Gabriela leads the Energy team, developing structured products with large consumers and self-producers in short- and long-term contracts.

9

JAYSHREE BARNES
Associate Director, Head of Trade Finance

Location	London
Joined Czarnikow	2004
Committee membership	Operational Risk Committee, Trading Committee, VIVE Steering Committee, Credit Committee

Jayshree created and manages banking lines totalling US$816.9 million to support our global trade flows.

10

SHARON BLORE-RIMMER
Head of Human Resources (FCIPD)

Location	London
Joined Czarnikow	2012

Sharon's experience enables people management to support Czarnikow's innovative, transparent culture. From identifying initial fit to developing careers into specialisms, she builds our team.

11

ANDREW CHARLTON
Senior Trader

Location	London
Joined Czarnikow	2006

Andrew heads up our European white sugar business, with a focus on evolving the way sugar beet and refined sugar are contracted around the region.

12

EMMA CULLEN
Head of Global Supply Chain Logistics

Location	London
Joined Czarnikow	2015

Emma leads our global logistics operations, managing product flows by land, sea and air for clients to ensure transparency, efficiency and trust.

13

NATALIA DZIEDZIC
Compliance Manager

Location	London
Joined Czarnikow	2016
Committee membership	Credit Committee, Operational Risk Committee

Natalia makes employees aware of key legal and regulatory risks. She co-ordinates training, policies, regulatory compliance and projects, ensuring Czarnikow is always prepared for change.

14

STUART DURRANT
Head of Technology

Location	London
Joined Czarnikow	2005
Committee membership	IT and Development Committee, Operational Risk Committee, VIVE Steering Committee

Stuart heads IT and has evolved the department from a support function to a main source of value creation by developing our own software.

15

TANYA EPSHTEYN
Head of Structured Finance

Location	London
Joined Czarnikow	2020

Tanya brings in new, and works with existing, finance partners to combine innovative finance with traditional banking, to deliver working capital solutions to Czarnikow's clients.

16

RAINE LIM
Associate Director

Location	Singapore
Joined Czarnikow	2009

Raine has regional responsibility for derivatives structuring and strategy, as well as regional control function for finance, operations and performance reporting.

17

HAYDEN MARCH
Head of Risk

Location	London
Joined Czarnikow	2011
Committee membership	Credit Committee, Operational Risk Committee

Hayden took on the Head of Risk role in Q3 2020 after heading the Product Control team, and is responsible for risk identification and mitigation.

18

DIANA TEDGUI
Head of OTC Derivatives

Location	London
Joined Czarnikow	2013

Diana is responsible for all OTC derivatives activity, including pricing, marketing and book management, as well as defining the overall department strategy.

19

LUIS FELIPE TRINDADE
Associate Director, Head of Corporate Finance

Location	São Paulo
Joined Czarnikow	2006
Committee membership	Trading Committee

Luis has contributed to positioning Czarnikow as leader in M&A advisory in Brazil and developed capital structure solutions across global sugar and bioenergy value chains.

20

PABLO ZILLI
Associate Director

Location	São Paulo
Joined Czarnikow	2004
Committee membership	Trading Committee

Pablo is Head of Structured Finance in Brazil and Executive Director at CzEnergy, the trading arm responsible for all Brazilian domestic ethanol business.

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KEY TO COMMITTEE MEMBERS

- Operational Risk Committee
- Credit Committee
- IT and Development Committee
- Trading Committee
- VIVE Steering Committee

+ Our business specialists and leaders are located in seven different countries.

Governance review

REPORTING AND CONTEXT

As outlined on P18 to P19, this is our third voluntary governance report, using the Wates Principles and guidance (the ‘Principles’)[1] as a practical and meaningful framework for sharing our approach, information and actions. As a reminder, activities described in this Annual Review relate primarily to Czarnikow Group Limited (CGL). CGL is 100% owned by C. Czarnikow Limited (CCL) and is CCL’s principal operating company.

Please refer to P18 for CCL’s shareholding structure and the table below for a list of CCL Directors, including three members who sit on CGL’s Management Committee. Full details of CGL’s Management Committee can be found on P42 and P43.

PRINCIPLE ONE: PURPOSE AND LEADERSHIP

PURPOSE, STRATEGY, VALUES AND CULTURE

All members of CGL’s Management Committee are united by a common purpose, vision, strategy, mission, corporate goals and values, which are used to guide and promote the long-term success of the Group. Our latest strategy, vision and corporate goals were published and communicated to the Group in 2018 and our purpose in 2019. Our Management Committee debated towards the end of 2020 if these were still relevant, particularly in relation to the impact of COVID-19; it was agreed they were.

The Group’s purpose is to exert a positive economic and sustainable influence in our food, beverage and energy supply chains. This purpose encapsulates Czarnikow’s overall business approach, the holistic value that the Group generates, and is being used increasingly in internal and external documents, including our chosen theme in this Annual Review.

A summary of how our strategic elements work together is presented on P8.

CGL’s Management Committee is tasked with the effective communication of strategic information across the Group. Externally, strategic information and updates are communicated in this voluntary Annual Review, which is available on our website. The 2019 Annual Review won a silver award at *Communicate* magazine’s Corporate and Financial Awards 2020.

Each year, we run an internal Strategy Week, where the strategic focus for the upcoming year is discussed by senior management. This year it was opened up online to more employees with an ‘all hands’ session each day, allowing employees to access and comment on CGL’s strategic decision-making rationale and focus. We found this to be particularly useful in 2020’s remote working environment, and consequently we increased the frequency of these meetings.

C. CZARNIKOW LIMITED DIRECTORS

CCL Director	Status	CGL Management Committee member	Date appointed to CCL Board	Occupation
MATTHEW BOOTH	Nominated Director on behalf of Macquarie Group Limited	No	27 November 2018	Senior Managing Director, Macquarie Bank Limited
ROBIN CAVE	Executive Director	Yes	1 July 2009	CEO of CGL
RICHARD MORRISON	Nominated Director on behalf of Associated British Foods plc	No	16 August 2012	Business Performance Director, Associated British Foods plc
JULIAN RANDLES	Executive Director	Yes	11 July 2014	CFO of CGL
WILLIAM ROOK	Executive Director	Yes	21 November 2016	Head of Refined Sugar, Ingredients and VIVE, CGL
DANIEL WEST	Nominated Director on behalf of Associated British Foods plc	No	10 May 2013	Strategy & Business Development Director, AB Sugar (a sub-group of Associated British Foods plc)
PAUL WESTON	Nominated Director on behalf of Macquarie Group Limited	No	3 November 2017	Managing Director, Macquarie Bank Limited

Notes about the CCL Board:

> Qualifying Members are registered holders of not less than 7.5% of the shares in issue and each is entitled to appoint two Nominated Directors
> Directors may appoint one of their number or an additional Director to be Chair on a rotating basis
> The number of Executive Directors (excluding Nominated Directors) that may be appointed to the Board is a minimum of one and a maximum of three
> The quorum for a meeting of the Directors is at least five Directors. For matters of special authorisation, the quorum is at least one Nominated Director representing each Qualifying Member, but never less than two Directors
> The CCL Board meets at least quarterly

1 The Wates Corporate Governance Principles for Large Private Companies, Financial Reporting Council, December 2018.

Our culture is innovative and entrepreneurial, but never at the expense of compliance, nor model corporate behaviour. CGL's Management Committee has a zero-tolerance approach to misconduct and unethical practices. One of our four values is 'Acting responsibly and with integrity' and we consider this to be a competitive strength – one that engenders trust, promotes our reputation, and helps us win business and develop long-term stakeholder relationships. By way of oversight, we have arrangements in place for employees and contractors to raise concerns, in confidence, about possible wrongdoing and these are reviewed regularly by CCL's Risk Committee.

To help balance the freedom necessary to promote entrepreneurial thinking with the strict regulatory boundaries which apply to our industry, we foster open communication and encourage employees to share best practices around the Group. Our 'open door' policy reflects the importance that CGL's Management Committee places on employee dialogue, and in our HR review on P30 we discuss how senior management engaged more often and personally with employees during lockdown – a trend that will continue as we move to hybrid working.

Corporate information can be accessed by all employees through the Group's intranet, through which CGL's Compliance team actively 'pushes' news, regulatory updates, policies and briefings, following up with bespoke training relevant to individual employees and departments. We monitor compliance against MiFID II, the GDPR, the Modern Slavery Act, and the FCA's Market Abuse Regulation, among others, and have achieved full compliance with the extension to the Senior Managers and Certification Regime.

We use our employee average length of service (2020: 7 years) as a proxy for having a healthy culture, and share unabridged, online views on our working environment through our partnership with Glassdoor.

+ P30 for our 2020 Glassdoor ratings

PRINCIPLE TWO: BOARD COMPOSITION

CHAIR, BALANCE AND DIVERSITY

Robin Cave is CEO of CGL and responsible for CGL's overall effectiveness. Robin joined Czarnikow in 2009 and his promotion of fresh ideas, open debate and constructive discussion have successfully steered CGL in a new direction while building on inherent core strengths and business reputation. At CCL Board level, the Chair is appointed by CCL's Directors on a rotating basis and may not hold the office of either Managing Director or CEO.

CGL's Management Committee has an enviable balance of experience and skills which, coupled with an international outlook and our corporate culture, allows for effective decision-making and genuine enthusiasm for its agreed strategic direction.

The Management Committee's average length of service is 23 years. As a Group we are naturally rich and experienced in multi-cultural working practices and have a strong pipeline of talent. We recognise, however, that CGL's current Management Committee profile reflects neither the diversity of our next layer of management, nor of our group of 239 employees, who work across 15 different countries.

Our diversity and inclusion statement can be found in our HR review, together with initiatives to promote gender and social inclusion. Our gender analysis can be found in the table below and a summary of our second gender pay gap report can be found on P31, with complementary data on P51.

GENDER ANALYSIS 2020, NUMBER

	Female	Male
CCL Board	-	7
CGL Management Committee	-	8
CGL business specialists and leaders	10	11
CGL all employees	98	141

SIZE AND STRUCTURE

We have eight CGL Management Committee members, three of whom sit on the CCL parent Board. This number is considered practical and appropriate to meet the strategic needs and challenges of the organisation, whilst enabling effective decision-making and facilitating an effective flow of information between CGL and CCL to ensure that shareholder interests are communicated and considered. Some Board functions are delegated to committees, which consider specific issues on behalf of both CGL's Management Committee and the CCL Board, as set out on P48 and P49.

EFFECTIVENESS

We are committed to the ongoing professional development of CGL's Management Committee and senior management team. Each week the senior management team is joined by relevant members from around the Company to attend presentations from across the Group to keep them abreast of latest business developments: in 2020 these were mostly conducted online. We invite external speakers from successful start-up businesses to inspire entrepreneurial thinking and our annual Strategy Week includes keynote sessions on business trends and regulatory updates. In 2020, these included sustainability, objective and key results (OKR) goal-setting methodology and our Power BI data capabilities.

We evaluate each member of CGL's Management Committee collaboratively through a feedback system, which monitors performance against overall corporate goals, individual strategic objectives, our values and expected cultural behaviour. This process informs training and development needs, future remuneration, bonus outcomes and succession planning and we consider it adequate for the current size and spirit of our Management Committee.

At the CCL committee level (as per terms of reference), each Committee arranges for periodic reviews of its own performance. At least annually, each Committee reviews its constitution and terms of reference to ensure it is operating at maximum effectiveness, and recommends any changes it considers necessary to the CCL Board for approval.

PRINCIPLE THREE: DIRECTOR RESPONSIBILITIES

ACCOUNTABILITY

The objects and powers of both the CCL Board and CGL Management Committee are set out in their Memorandum and New Articles of Association dated 14 March and 31 July 2012 respectively. These promote effective stewardship by clarifying the relationship between CGL and CCL and describing detailed Director accountabilities and delegated authorities. Committees supporting CCL and CGL also have formally documented terms of reference.

COMMITTEES

CCL's Board has three committees and CGL's Management Committee has five committees to help with the consideration of certain matters, with the CCL Board and CGL Management Committee retaining responsibility for final decisions. In carrying out their duties, all Committees have regard to the Group's developed values, strategy and culture. All members can seek any information they require from any employee, consultant and other provider of services (for example, solicitors, tax advisers, management consultants) in order to perform their duties. Members also have access to relevant Company officers and employees for assistance as required. All Committees are authorised to obtain, at CCL's or CGL's expense, independent legal or other professional advice on any matter within their terms of reference.

INTEGRITY OF INFORMATION

CCL's Audit Committee is charged primarily with monitoring and reviewing the integrity of financial information, and is responsible for reviewing the effectiveness of internal financial control, internal controls and internal audit. It works hand in hand with CCL's Risk Committee to ensure that risk management processes and policies are operating effectively. Through its ongoing strategy work, CGL's Management Committee monitors performance indicators used across the Group. CGL's external KPIs are presented on P22. CGL's Management Committee challenges the relevance of existing indicators against five-year plans. In 2020 'open' internal goals based on OKR methodology were introduced to promote an overarching understanding of individual, team and departmental objectives. Our long-term investment in in-house IT systems has substantially improved the quality and relevance of data provided to CGL's Management Committee, and increased our understanding of how our high-quality data can be used further for the betterment of the organisation.

INFORMATION CIRCULATION

Information is circulated before and after Board and Committee meetings to ensure that Directors can carry out their duties as effectively as possible. For CCL, the notice of meeting, agendas and supporting papers are forwarded to Committee members and invitees at least five working days in advance. Each Chair nominates a Secretary who minutes proceedings and attendees. Draft minutes are circulated promptly to all Committee members and, once approved, to all other CCL Board members unless inappropriate to do so. For CGL, the same protocol is followed except for the notice of meetings, which can be one working day, given the higher meeting frequency. If the Chair of any CGL committee considers it necessary, an appointed Secretary minutes proceedings and attendance. Draft minutes are circulated promptly to all Committee members and approved minutes may be circulated to CGL Board members and other CGL employees, as the Chair deems appropriate.

CCL'S SUPPORTING COMMITTEES, REPORTING TO CCL BOARD

	#1 Risk Committee	#2 Remuneration Committee	#3 Audit Committee
PRINCIPAL PURPOSE	Responsibility for oversight and advice to the CCL Board on the nature and extent of the significant risks the Company is willing to take in achieving its strategic objectives, and for maintaining sound risk management and internal control systems.	To determine and agree with the CCL Board the framework and broad policy for the remuneration of CGL's employees and Directors. To review the ongoing appropriateness and relevance of the remuneration policy, particularly with reference to regulatory requirements, with high importance given to C. Czarnikow Sugar Futures Limited, a regulated firm under the FCA which is categorised as Tier 3 under the FCA Remuneration Code.	Responsibility for oversight and advice to the CCL Board on the adequacy and effectiveness of its financial reporting, internal controls and management systems, and the external audit.
CHAIR	Appointed by CCL Board each meeting on a rotating basis between shareholder Directors.	Appointed by CCL Board on a rotating basis each meeting between shareholder Directors, excluding all CGL employees.	Appointed by CCL Board on a rotating basis each meeting between shareholder Directors.
MEMBERSHIP	At least three members, including at least one nominated representative of each CCL shareholder. The Audit Committee Chair has the option of attending all meetings. Other people by invitation.	At least three members from CCL Board, excluding all CGL employees and including at least one representative of each CCL shareholder (excluding the Employee Benefit Trust). Other people by invitation.	At least three members, including at least one representative of each CCL shareholder. Other people by invitation.
DELEGATED AUTHORITY	Delegates to CGL's Credit Committee the authority to approve all trades up to a set limit, based on the counterparty's Internal Risk Grade, and to CGL's Head of Derivatives all exposure up to agreed Value at Risk limits.		
FREQUENCY OF MEETINGS	At least quarterly in advance of CCL Board meetings.	At least twice a year.	At least twice a year, before and after the audit process.

+ P18 Governance at a glance

CGL'S SUPPORTING COMMITTEES, REPORTING TO CGL'S MANAGEMENT COMMITTEE AND FROM TIME TO TIME THE CCL BOARD

	#1 Operational Risk Committee	#2 Credit Committee	#3 IT and Development Committee	#4 Trading Committee	#5 VIVE Steering Committee
PRINCIPAL PURPOSE	Responsible for monitoring operational risks facing the business over time and providing governance and assessment of the operational risk management policies both in place and required by CGL and its subsidiaries.	Responsible for reviewing, approving and monitoring CGL's credit exposure, credit policies and counterparty compliance status.	Responsible for reviewing, sharing and monitoring all IT and development activities, setting the overall IT strategy, and deciding upon short-term priorities for CGL.	Responsible for sharing and monitoring all trading activities, providing initial feedback for new product approvals, and agreeing best practice in all aspects of trading activities undertaken by CGL.	Responsible for developing, monitoring and sharing all activity related to VIVE, including feedback for new related platforms, and agreeing on priorities for the onward development and expansion of the programme.
CHAIR	Hayden March, Head of Risk.	Robin Cave, CEO.	Robin Cave, CEO.	Robin Cave, CEO.	Robin Cave, CEO.
MEMBERSHIP	At least four members made up of CGL's CFO and relevant members of the Accounts, Operations, Trade Finance, Risk and Compliance teams. Other people by invitation.	At least four members, made up of the Directors of CGL's Management Committee. Other people by invitation.	At least four members, made up of CGL's CEO, CFO and Head of Technology, and key members of the IT and Development teams, as required. Other people by invitation.	At least four members, made up of CGL's CEO and CFO and senior members of the Trading teams, as well as senior managers from revenue-linked departments. Other people by invitation.	At least four members, made up of CGL's CEO and CFO and senior members of the Sustainability team, as well as senior managers from linked parties such as IT, operations and business development. Other people by invitation.
DELEGATED AUTHORITY	Recommends policies and actions to the CGL Board, relevant teams, and other committees.	Delegates authority to approve trades on a Tier 1, 2, 3 and price movement risk basis and to documented and evidenced criteria.	Has the power to set up working parties and may delegate authority to them.	Recommends policies and actions to CGL Board, relevant teams, and other committees. Can set up working parties (e.g. to examine requirements of a new product) and may delegate power to them.	Can set up working parties (e.g. to examine requirements of a new product) and may delegate power to them. Recommends policies and actions to CGL Board, relevant teams, and other committees.
FREQUENCY OF MEETINGS	Fortnightly and as required.	Weekly and as required.	Weekly and ad hoc.	Weekly and ad hoc.	Ad hoc.

PRINCIPLE FOUR: OPPORTUNITY AND RISK

OPPORTUNITY, RISKS AND RESPONSIBILITIES

Through its ongoing strategy work, CGL's Management Committee identifies opportunities for growth, and tasks its divisions every year to develop and interrogate five-year, forward-looking plans.

CCL's Risk Committee is tasked with overseeing and advising on current and future risks associated with CGL's intended strategic direction. CGL's Operational Risk Committee is responsible, amongst other things, for systematically monitoring the scale of operational incidents, overseeing risk mitigation performance and prioritising current and potential risk areas. The purpose, composition and delegated authorities of CCL's Risk Committee and CGL's Operational Risk Committee are outlined on P48 and above respectively.

The work of CGL's Risk team and Risk Committee is summarised in the Risks at a glance section on P16 and an overview of our risk management framework is presented on P50. Our reporting on principal risks, emerging risks, tolerance levels and opportunities associated with the effective management of each principal risk is set out on P54 to P60.

+ P54 Principal risks

Integrated risk management framework

THREE COMMON DIRECTORS

TOP-DOWN LEADERSHIP

CCL BOARD

CGL MANAGEMENT COMMITTEE

SUPPORTED BY

SUPPORTED BY

RISK COMMITTEE

Meetings	Quarterly
Chair	Rotating

Responsible for
- Oversight and advice on the nature and extent of risks the Company is willing to take in achieving its strategic objectives
- Maintaining sound risk management and internal control systems.

CREDIT COMMITTEE

Meetings	Weekly
Chair	CEO

Responsible for
- Reviewing, approving and monitoring credit exposure and compliance status of counterparties
- Reviewing, approving and monitoring credit policies.

OPERATIONAL RISK COMMITTEE

Meetings	Fortnightly
Chair	Head of Risk

Responsible for
- Monitoring operational risks facing the business
- Providing governance and assessment of operational risk management policies
- Recommending policies and actions to the CGL Board.

LEGAL AND COMPLIANCE TEAM

Responsible for
- Defining and implementing compliance policies
- Delivering Company-wide training and updates
- Reviewing counterparties and transactions
- Co-ordinating external legal advice.

DELEGATES TO

Trades up to limit

Exposure up to value-at-risk limit

SUPPORTED BY

DERIVATIVES TEAM

Responsible for
Active management of derivative financial instruments.

RISK TEAM

Members	3

Responsible for
- Supporting the business in understanding and managing risks
- Collating and evaluating risk data and information
- Co-operating with the Treasury team to monitor and manage cash payments.

INDIVIDUAL AND COLLECTIVE RESPONSIBILITY

239 EMPLOYEES
Integral to our risk management culture

UNDERPINNED BY

CORPORATE VALUES | TRAINING | RISK APPETITE | CLEAR RISK TOLERANCE LEVELS

+ P54 Principal risks

PRINCIPLE FIVE: REMUNERATION

REMUNERATION AND POLICIES

CCL's Remuneration Committee, whose principal purpose is outlined in the table on P48, determines and agrees the framework and broad policy for the remuneration of employees of CGL and its subsidiaries.

The objective of CCL's remuneration policy is to attract, retain and motivate executive and senior management of the quality required to run the Company successfully without paying more than is necessary, having regard to the views of shareholders and other stakeholders, the Company's risk appetite, and alignment to the Company's long-term strategic goals.

A significant proportion of remuneration is structured to link rewards to corporate and individual performance and is designed to promote the long-term success of the Company. Other duties of the Remuneration Committee as per its terms of reference are available on request.

OTHER PAY DISCLOSURES

Gender pay analysis

An overview of our second published pay gap data and initiatives to close the gap can be found on P31 of our HR review. Our historical performance is charted in the graph opposite.

Relative importance of spend on pay

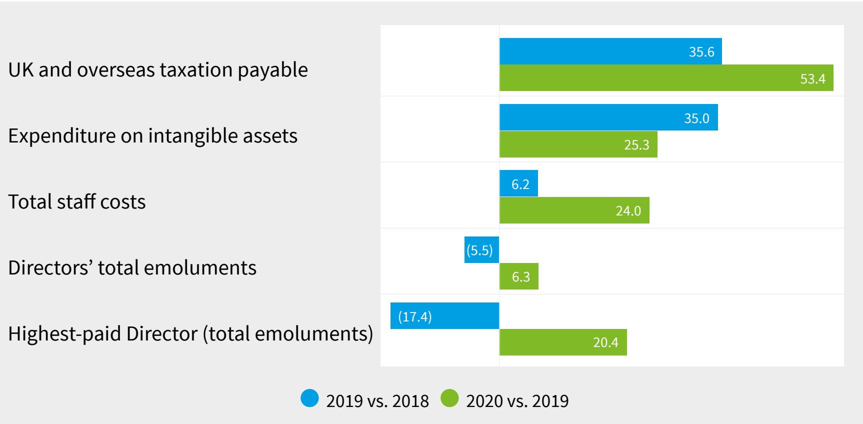
The graph opposite shows how our Directors' year-on-year remuneration compares with other financial expenditure in 2020. As a comparison, the UK inflation rate[1] (Consumer Price Index including owner-occupiers' housing costs) was 0.8% in 2019.

CGL REMUNERATION INFORMATION 2020 (AUDITED), US$'000

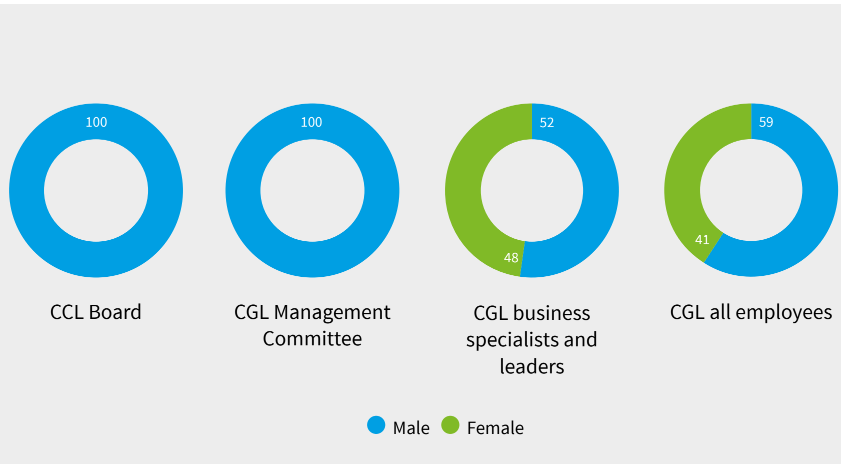
	2017	2018	2019	**2020**
Staff costs				
Wages and salaries	17,724	19,465	20,846	**26,390**
Social security costs	1,828	2,278	2,310	**2,420**
Pension costs	1,205	823	815	**911**
Total	20,757	22,566	23,971	29,721
Directors' emoluments				
Total emoluments	3,526	2,946	2,305	**2,199**
Total Company contributions to money purchase pension schemes	10	207	-	**-**
Share-based payments	-	-	488	**769**
Total	3,733	2,956	2,793	2,968
Highest-paid Director				
Emoluments	596	744	542	**440**
Share-based payments	-	-	72	**299**
Total	596	744	614	739

Notes
The highest-paid Director exercised share options in the year (2019: one) and was granted US$299,000 of share awards in the year (2019: US$72,000). One Director exercised share options in the year (2019: one). Five Directors were granted share awards during the year (2019: five). The share price at date of exercise was US$73.92 (2019: US$71.65). The pension scheme is a defined contribution scheme. Pension costs of US$151,000 were accrued for as at 31 December 2020 (2019: US$126,000). There were no pre-paid contributions at 31 December 2020 (2019: nil). Pension contributions were made in respect of no Directors (2019: none).

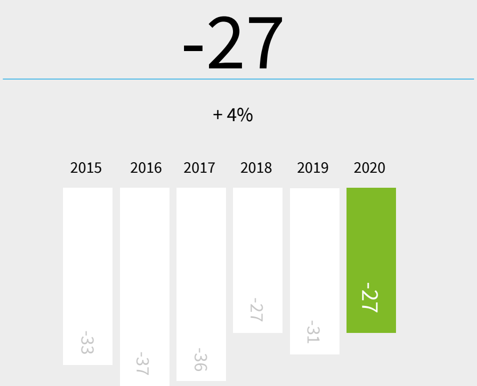
2020 COMPARATIVE DATA, YEAR-ON-YEAR % CHANGE



GENDER ANALYSIS, %



'GENDER PAY GAP' 2015–2020,[2] %



1 Source: www.ons.gov.uk 2 Average salary differential (excluding Management Committee)

PRINCIPLE SIX: STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

STAKEHOLDERS, ENGAGEMENT AND DECISION-MAKING

On P12 and P13 we present a list of key stakeholders, a summary of their expectations and how relevant information from stakeholders makes its way to the CGL Management Committee. We explain below in more detail how the outcome of stakeholder engagement was used by the CGL Management Committee to influence its decision-making in six key areas as part of our S172 statement.

SECTION 172 STATEMENT AND RELATED INFORMATION

As required by The Companies (Miscellaneous) Reporting Regulations 2018, we confirm that our Directors have promoted the long-term success of the Group for the benefits of its members as a whole by having regard (amongst others) to the following matters when performing their duty: (a) the likely consequences of any decision in the long term, (b) the interests of the company's employees, (c) the need to foster the company's business relationships with suppliers, customers and others, (d) the impact of the company's operations on the community and the environment, (e) the desirability of the company maintaining a reputation for high standards of business conduct, and (f) the need to act fairly between members of the Company. The full statement and detailed accompanying commentary can be found in our statutory Directors' report. A summary is provided below.

During the period under review, we took several decisions as necessitated by the increasing severity of the global COVID-19 crisis. Some of these were short-term in nature; others were already in our long-term strategic development pipeline and were accelerated. As the year continued, we understood that the COVID-19 crisis had triggered longer-term, structural changes to the way we ran our business, including working arrangements, employee and supply chain communication, and financing strategies.

These views were supported by engagement with key stakeholders. In the table below we share some key decisions, which we believe will benefit the Group in the long term.

In making these decisions, we considered the impacts on our stakeholders, the environment and our reputation, including working within the strict parameters of our mandatory and self-imposed high standards of business conduct. We also considered financial and non-financial risks and opportunities associated with these decisions and evaluated capital allocation in these areas over other projects.

OUTLOOK

Progress against actions relating to our governance approach in 2020 is summarised on P13, together with an overview of areas we aim to focus on in 2021 and beyond.

KEY DECISIONS MADE (INCLUDING IMPACT OF COVID-19 ON DECISION)

Key stakeholder groups engaged		Key engagement methods	Impact of COVID-19?
EMPLOYEES	**Employee-related decision** Through increased employee engagement during lockdown, we took on board feedback to refine and improve employee working arrangements, communications and health and wellbeing initiatives (see P30 and P31 in our HR review for more detail).	> Robin Cave conducted small workshops with all members of the London office (approx. 46% of all employees) to assess their needs and requirements during remote working and upon eventual return to the office > Our HR team spoke regularly with all employees, including new joiners > All offices maintained close communication with staff members depending on local situations.	We had already identified employee health and wellbeing as a principal risk to the Group in 2019 and introduced various employee initiatives prior to the pandemic; the COVID-19 crisis validated our approach and accelerated our rollout of initiatives, including extending them to family members. Our HR team had been investigating flexible working concepts in the longer-term context of our corporate goal 'to make Czarnikow an exciting place to work'; COVID-19 accelerated our strategic thinking and action in this area.
FARMERS **FARMERS MUTUAL INSURANCE COMPANY** **SHAREHOLDERS**	**Client/supply-chain-related decision** Results of market research were presented and the decision was made to invest in an industry-first futures-linked sugar beet pricing tool, which allows farmers to price contracts 'live' via our client-facing tool, Czapp.	> We worked in partnership with National Farmers Union (NFU) sugar, with the support of our shareholder British Sugar, to research and build this tool, including extensive engagement with sugar beet farmers as they trialled the product > This innovative development is unprecedented in our marketplace; IT development and investment risks were mitigated through research with UK sugar beet farmers and engagement with project sponsors, including a major shareholder.	Minimal. Despite social distancing complications and work from home restrictions, we agreed to launch and roll out the tool on a phased basis, having evaluated the perceived benefits to stakeholders and the strategic fit.

+ P12 Stakeholder expectations and decision-making

KEY DECISIONS MADE (INCLUDING IMPACT OF COVID-19 ON DECISION) *continued*

Key stakeholder groups engaged		Key engagement methods	Impact of COVID-19?
MILLS **REFINERIES** **SHIPPERS** **BANKING PARTNERS** **SHAREHOLDERS**	**Client/supply-chain-related decision** Decision made to complete the industry's first end-to-end verified sustainable sugar trade and shipment.	> Over a period of many months, extensive engagement with milling, refining, shipping and banking partners was made by the Trade Finance, Freight, VIVE and Trading teams > This project required extensive high-level interaction with five participants in four countries; a positive response from the media, generated by Czarnikow's Marketing and Communications team, strengthened stakeholder relationships and led to enquiries from new potential partners > The decision reflects our high-level focus on our corporate purpose and long-term industrial consumer demand for responsibly-sourced products, including improved ethical practices and reduced environmental impacts along the supply chain.	Minimal. This was a long-term strategic development and was only delayed marginally.
MULTINATIONAL FOOD COMPANY	**Client/supply-chain-related decision** Our strategic sourcing abilities and supply chain management skills have allowed us to develop a special partnership with a key client, whereby we act as an extension of their procurement team: sourcing and delivering specific, custom-quality products for their needs while ensuring they beat the market on cost and have security of supply.	> We worked with a major multinational client throughout 2020 to redefine and enhance procurement procedures through collaboration between our Trading team and their procurement team > We considered this development to be an excellent strategic fit, opening up value-creating product and geographic expansions through even closer client engagement.	Positive. Our ability to achieve high service levels despite supply chain challenges during the COVID-19 crisis demonstrated that we could be trusted as a long-term partner to deliver bespoke services.
CO-GENERATION MILLS **CONSUMERS** **ENERGY REGULATORS**	**Client/supply-chain-related decision** Having identified a large opportunity through stakeholder engagement to trade energy produced from co-generation linked to the cane crushing process, we agreed to enter this new market to deliver further value for our clients and support this important source of renewable energy.	> We engaged with sugar cane producers and cane crushers in Brazil and approached energy co-generators to investigate opportunities for holistic value creation from national sugar cane crops > We also agreed to expand our VIVE programme to include sustainable energy verification in 2021 to boost our credentials and reputation in this area > In parallel, we developed an ethanol hedging model through our new joint venture, CzEnergy, which completes our 'full service' offer for sugar cane in Brazil.	Neutral. Part of agreed strategy to broaden into new markets.
BANKS **FUND MANAGERS** **BROKERS**	**Finance-related decision** We increased our focus on alternative/structured funding strategies, including 'green' funding, in light of changing trade finance criteria and heightened investor focus on environmental and social information.	> Ongoing conversations with banking and financial partners via our Trade Finance and Structured Finance teams > Increased engagement to develop green funding initiatives > A key decision was taken to introduce a progressive, hybrid structured trade and commodity financing solution, linking corporates, banks and funds together to close funding gaps > We debated the impact of our new funding solutions on existing financing partners and our reputation prior to launching the new finance vehicle.	Commodity market financing had been undergoing structural change brought about by tightened regulatory capital requirements and exacerbated by the impact of COVID-19, which has reduced risk appetite further. With traditional lending structures in commodity finance disrupted, we accelerated our engagement with new stakeholders to fill funding gaps whilst maintaining close relationships with existing banking partners.

+ Full S172 information is available in our Directors' report and consolidated financial statements for the year ending 31 December 2020.

Principal risks

RISK DEVELOPMENTS IN 2020

In Q3 2020 we appointed a new Head of Risk, Hayden March. Hayden has extensive knowledge of our business, having worked for the Group for over ten years. His main goal since appointment has been to review our core processes and look at potential efficiency gains, focusing on credit control and counterparty analysis. He is also overseeing the finalisation of the IT rollout into the Risk department to improve data quality and data analysis speed as we take on risk in new product areas.

On P16 and P17 we provide an overview of our approach to risk and a summary of principal risks, plotted on our risk heat map. In this section, we provide a detailed analysis commentary for each of our 12 principal risks and an overview of our two emerging risks.

RISK MANAGEMENT

Through our integrated risk management framework there are formal channels for communicating risks to the Czarnikow Group Limited (CGL) Management Committee and C. Czarnikow Limited (CCL) Board to facilitate decision-making. Our risk management framework is presented on P50. Our framework seeks to limit adverse effects on the Group's financial performance. Group policies and limits are set and reviewed regularly by CCL, which has delegated responsibility for managing the Group's principal risks to its Risk Committee, the CEO of CGL, and CGL. In addition, we have an 'open door' policy and arrangements for employees and contractors to raise concerns about possible wrongdoing.

PRINCIPAL RISK REPORTING

The Group considers its principal risks, and their mitigation, to be of primary relevance to the Group's business activities. For each principal risk, we indicate the most likely impact each would have on our ability to achieve our corporate goals, our tolerance level, opportunities, speed of the risk materialising and year-on-year changes.

CORPORATE GOALS

#1	Reinforcing the brand of Czarnikow as a world-leading services company
#2	Delivering on ROCE expectations
#3	Creating an exciting place to work
#4	Providing unmatchable client satisfaction

RISK PROFILE CHANGES

During the year under review, risks to our business increased in the following areas:

> Liquidity risk (owing to structural changes in sector financing and currency devaluation in Brazil)
> Shipment risk (owing to COVID-19-related supply chain disruptions, specifically container scarcity)
> Employee health and wellbeing risk (owing to increased mental stress and work-life imbalance during COVID-19).

During the year, risks to the business decreased in the following area:

> Political risk (owing to finalisation of Brexit and US presidential election; we continue to monitor other regions for emerging political risks).

EMERGING RISKS

In addition to our 12 principal risks, for 2020 we disclose two emerging risks: Climate change risks and Insurance risks. Commentary on these can be found on P60. These risks are important enough to be monitored closely, but not material enough to be considered principal risks.

In last year's review, we identified the following three emerging risks: Brazilian real (BRL) devaluation, Brexit and COVID-19. The BRL devaluation continued during the year and is covered in our Liquidity risk and Currency risk commentaries. Brexit has now happened, leading to improved planning visibility, and this is covered in our Political risk narrative.

IMPACT OF COVID-19

The impact of COVID-19 increased our risks in some parts of our business more than others, namely Shipping risk (supply chain disruption and container shortages) and Employee health and wellbeing risk (mental health and working conditions), and are explained below where material.

PRINCIPAL RISKS OVERVIEW

GROUP 1:
High likelihood/medium impact and High impact/medium likelihood

#1	Liquidity risk
#2	Shipment risk

GROUP 2:
Low impact/high likelihood, Medium impact/medium likelihood and High impact/low likelihood

#3	Credit risk
#4	Currency risk
#5	Employee health and wellbeing risk
#6	Regulatory risk
#7	Systems risk

GROUP 3:
Low likelihood/medium impact and Medium likelihood/low impact

#7	Reputational risk
#9	Interest rate risk
#10	Key employee risk
#11	Political risk
#12	Price risk

+ P16 Risks at a glance

Principal risks

1. LIQUIDITY RISK

Year-on-year change

Relevance to achieving corporate goals

Key responsibility

Risk, Treasury and Derivatives teams have joint responsibility for managing Czarnikow's liquidity risk. Clear delineation of responsibilities and strong communication channels facilitate this process.

What this risk means to us
Liquidity (or cash flow) risk is when the Group is exposed to requests to meet its payment obligations when they fall due, including margin calls on derivative financial instruments used to mitigate price risk.

Mitigation strategy
We produce daily reports to model and forecast liquidity requirements based on Value at Risk and Cash Flow at Risk measurements. A risk mitigation 'ladder' is also in place to manage liquidity risks. The Group maintains transactional finance secured on underlying business, with maturity dependent on the tenor of the physical transaction, and has developed long-term relationships with a diverse selection of funding partners to secure reliable funding sources not reliant on any one party. In addition, the Group monitors the probable cash flow requirement of the derivative financial instruments used to mitigate price risk, and will switch to alternative derivative financial instruments if necessary. Our borrowing base facility and structured financing approach form part of our strategy to widen our basket of available financing options to manage future requirements.

Recent developments
In recent years, many lending institutions have reconsidered their long-term exposure to the commodities sector and we are witnessing a structural change in this area. In addition, a major devaluation in the Brazilian real has impacted margin finance requirements negatively. We are focusing on structuring our trades and contracts to minimise liquidity risks and have continued to develop new vehicles, such as our borrowing base and enabling financing from funds. Throughout these developments, our strong and open relationships with existing and new financial institutions alongside our innovative approach are key to the long-term mitigation of this risk. The Group has deepened its relationships with strategic off-takers, which has further helped manage liquidity risk.

Risk tolerance and opportunities
MEDIUM – It is a business requirement to be able to meet funding requirements inherent in volatile commodities markets and manage risk accordingly; therefore we cannot take high risks. However, through our new focus on structured finance, and building on our excellent relationships in the financial sector, we are leading the way in developing successful alternative financing opportunities to strengthen future liquidity.

Speed of risk materialising
SLOW to FAST – Variation margin is updated on a daily basis and therefore sudden movements in our major traded markets can quickly impact our liquidity risk profile. Our excellent relationships with banking and funding partners mean that – at the macro level – we can plan more strategically to manage the longer-term structural changes to financing.

2. SHIPMENT RISK

Year-on-year change

Relevance to achieving corporate goals

Key responsibility

Julian Randles, CFO

What this risk means to us
The risk of costs being incurred in the course of delivering physical products to clients (e.g. relating to shipment windows or demurrage) and/or relating to changes in freight costs, service levels and potential environmental impacts.

Mitigation strategy
Our relationships, knowledge, operational efficiency and insurance reduce the impact of this risk. Continued investment in our operational IT systems has led to improved safeguards and controls over operational processes, and our work with VIVE is extending to the sustainable verification of bulk and containerised shipping services, which will improve sustainability and best practices. During supply chain disruptions related to COVID-19, shipment risk increased owing to a global scarcity of shipping containers. Pandemic-related risks aside, the development of freight hedging tools has strengthened our ability to mitigate price risk in this sector.

Recent developments
The knock-on effect of the COVID-19 pandemic on our physical supply chains has been significant. With key manufacturing countries locked down, the return to trading to meet pent-up demand was problematic – particularly in East Asia where a shortage of shipping containers led to major bottlenecks (see P25 for further commentary). This situation is still not resolved and is exacerbated by inefficiencies at ports owing to social distancing restrictions. Owing to our global network and logistics partnerships we have made some headway, but have nonetheless been affected.

Risk tolerance and opportunities
MEDIUM – Outside risks beyond our control, we are prepared to take on increased risks associated with the shipment of perishable products into new territories as an opportunity for business growth. We have advanced systems and processes in place to deal with these challenges and have created a strong operational team with expertise in managing global shipments. Our investment in this area via VIVE is seen as long-term opportunity to mitigate non-financial shipment risks.

Speed of risk materialising
MEDIUM – The nature and speed of our physical shipments mean that issues can sometimes take weeks to fully materialise.

+ P39 Our progressive approach to financing

3. CREDIT RISK

Year-on-year change

Relevance to achieving corporate goals

Key responsibility

Credit Risk team and Credit Committee (see graphic opposite).

What this risk means to us

Credit risk arises from the risk of our counterparties failing to meet their contractual obligations in relation to the payment terms we offer them.

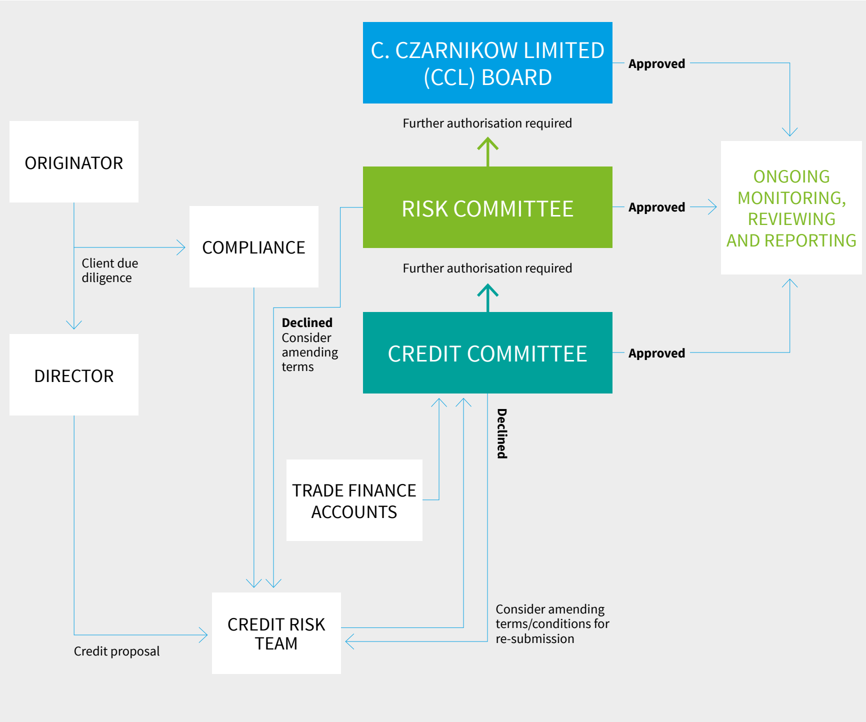
Mitigation strategy

Our dedicated Credit Risk team and Credit Committee are responsible for reviewing, approving and monitoring all credit exposure, and the credit policies of Czarnikow Group Limited (CGL), including credit insurance. The Credit Committee meets every week and works alongside the Risk team to assess risks using a multi-layered approach to be better placed to face credit risk challenges as they arise.

Throughout the credit cycle, from business origination to repayment, risks are properly identified, assessed and presented.

The credit assessment stage, including the information-gathering process, is critical to the proper functioning of this cycle. During this stage, the Risk team determines and quantifies the exact nature, timescale and amount of credit risk exposure which has been proposed, by assessing: precise terms and conditions of the transaction; credit support; shipping and insurance; funding requirements; and counterparty due diligence. The key risks are then summarised before establishing whether the key risks are acceptable in the context of: type, tenor and amount of proposed exposure; risk mitigation; financial standing of the counterparty; and rationale and business strategy. This process requires effective communication within the organisation. The Credit Risk team is also responsible for the ongoing management of exposure, risk profile and security, and ensuring repayment in full and on due date.

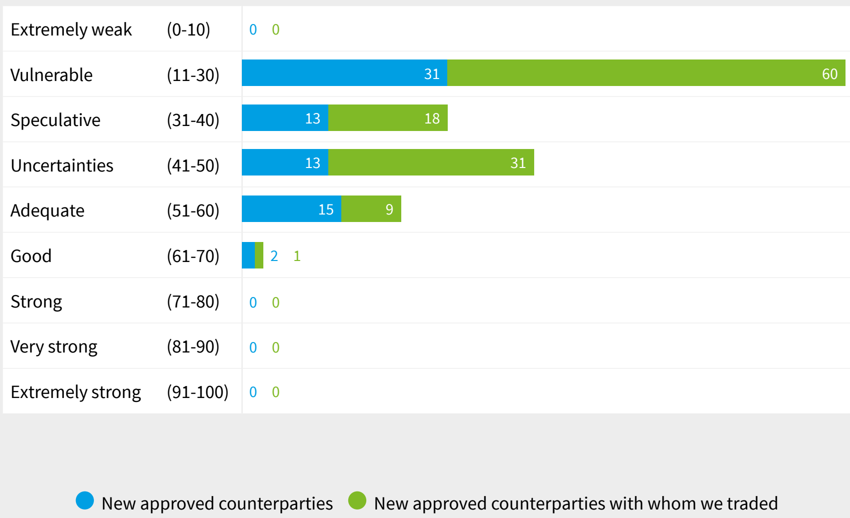
CREDIT COMMITTEE



COUNTERPARTY RISK ANALYSIS

At year end 2020, we had traded with 120 newly approved counterparties (2019: 100) from a total of 194 successful submissions (2019: 157), across 49 countries (2019: 48 countries). Around 9% (2019: 12%) of counterparties with whom we traded are classed in a risk category of adequate or better. This is a slight change on last year, but reflects an ongoing trend of falling averages (2019: 12%; 2018: 17%, 2017: 16%; 2016: 73%; 2015: 50%) in periods of increased volatility.

Robust counterparty due diligence carried out by our Credit Committee and Credit Risk team. A renewed focus on continuous improvement in this area, strong relationship management and contractual structures mean that we are satisfied that our counterparty risk is mitigated to within agreed risk tolerance levels.



+ P50 Integrated risk management framework

Recent developments

Following a protracted period of a low-priced sugar market, volatility returned in 2020. Our main credit risk relates to non-performance under long-term pricing contracts, and our effective relationship management and contractual structures are key to minimising this risk. During the year we focused on continuous improvement in this area by tightening our credit policies, enhancing credit limit monitoring processes and improving due date protocols.

Risk tolerance and opportunities

MEDIUM – As we expand and manage a greater number of more diverse clients, so our credit risk increases. We are comfortable in our ability to minimise this exposure given our strong systems and structures, and our track record of client relationships and counterparty management. We expect our heightened focus on continuous improvement in this area to create further opportunities to maximise process efficiencies and reduce costs.

Speed of risk materialising

SLOW – Failure of counterparties to meet their payment obligations is normally the result of ongoing difficulties impacting the entity and can often be managed over a long timeframe.

4. CURRENCY RISK

Year-on-year change	→
Relevance to achieving corporate goals	
Key responsibility	
Julian Randles, CFO	

What this risk means to us

As the Group's main functional currency is the US dollar, we are exposed to currency risk in relation to overheads across our regional offices. The Group has additional exposure to currency risk when it facilitates non-US dollar-denominated trades.

Mitigation strategy

Czarnikow has policies and procedures in place to hedge non-US dollar exposure via deliverable and non-deliverable forward contracts to mitigate these risks as much as possible.

Recent developments

Increased currency volatility risks in the Brazilian real have been significant (see P55 Liquidity risk). The Group continues to utilise currency hedging to manage our exposure to non-US denominated trading and, where considered necessary, overheads across our regional offices. Given our mitigation strategies we do not consider our risk profile to have risen in this area despite the increased currency volatility in Brazil.

Risk tolerance and opportunities

LOW – As above, where relevant we will always hedge our exposure to currency risk relating to our trading activities and, when necessary, overheads. Our successful work to reduce risks relating to such a major sugar-trading currency (the Brazilian real) gives us the opportunity to deepen strategic partnerships in this region.

Speed of risk materialising

FAST – Currency markets are highly liquid and therefore can experience volatile, fast-moving trading conditions.

5. EMPLOYEE HEALTH AND WELLBEING RISK

Year-on-year change	↑
Relevance to achieving corporate goals	
Key responsibility	
Sharon Blore-Rimmer, Head of Human Resources	

What this means to us

Our people are a major source of value to our business. The healthier and happier they are, the better they will be able to contribute to the long-term growth and prosperity of the Company. Increasing awareness of the impact of modern lifestyles on mental health is creating greater focus on employee health and wellbeing and we intend to be at the forefront of this debate with our employees.

Mitigation strategy

Through our HR team we aim to catch any decrease in employee wellbeing early and provide proper support. Managers hold regular check-in meetings with their direct reports, and confidential employee meetings are held regularly with the HR team. This risk to our business increased considerably within the space of one year, owing to the impacts of COVID-19, and we increased our efforts to mitigate this risk.

Recent developments

We had identified this area as a principal risk in 2019 and were already encouraging an atmosphere of openness and support to address any issues in our employees' mental and physical wellbeing. When the first COVID-19 lockdown occurred in early 2020 we increased the number of meetings with our employees to check they were coping with the various and varying challenges they were facing. We moved our regular health, nutrition and wellbeing sessions online and extended these to include employee family members where applicable. Through our more frequent and personalised approach we were more effective in supporting our employees during this stressful time.

Risk tolerance and opportunities

LOW – We take any reduction in our employees' physical or mental wellbeing very seriously and have strategies in place to support them immediately as well as to raise overall awareness. During the COVID-19 crisis we engaged more often with our employees to mitigate this increasing risk and asked for honest feedback, which we have used as an opportunity to improve ongoing internal communications and plan future hybrid working arrangements (see P59 Key personnel risk).

Speed of risk materialising

SLOW TO MEDIUM – As we raise awareness of our employee policies and support, we aim to reduce the speed of this risk materialising through timely engagement and intervention.

+ P30 HR review

6. REGULATORY RISK (INCLUDING FINANCIAL CRIME)

Year-on-year change	→
Relevance to achieving corporate goals	
Key responsibility	
Robin Cave, CEO	

What this risk means to us

The risk of penalties for failing to implement legislative or regulatory requirements, or of being negatively affected by international trade sanctions and practices, including financial crime, fraud, theft, bribery or money-laundering when trading with counterparties.

Mitigation strategy

We operate comprehensive sanctions, anti-bribery and anti-money-laundering policies and procedures, including Group-wide training. Transactions and counterparty agreements are scrutinised to ensure that they are with appropriate parties and within legal and regulatory parameters.

Recent developments

The expansion of the Senior Managers and Certification Regime renewed our emphasis on reviewing all compliance processes, policies and training activities to ensure we mitigate regulatory risks effectively and efficiently. Senior managers sign up to a strong compliance programme, work closely with the Compliance team and receive regular reports. Czarnikow successfully worked towards implementation of the Senior Managers and Certification Regime in 2020, meeting the March 2021 deadline. We are also focused on fully implementing the UK Investment Firm Prudential Regime ahead of its January 2022 introduction; this relates to C. Czarnikow Sugar Futures Limited.

Risk tolerance and opportunities

ZERO – The global trend towards greater regulation and transparency and our own values dictate that we must hold a zero-tolerance policy towards any regulatory risk. Increased costs (both in time and financially) associated with meeting our regulatory obligations are seen as an investment by the business; our reputation is strengthened and our ability to work with larger clients, in particular, is facilitated.

Speed of risk materialising

SLOW – Regulations by their nature are slow to emerge, as they go through the development process and subsequent approval by legislative bodies.

7. SYSTEMS RISK

Year-on-year change	→
Relevance to achieving corporate goals	
Key responsibility	
Stuart Durrant, Head of Technology	

What this risk means to us

The risk of failure of core processes and technologies that the business relies on for the smooth functioning of daily activities.

Mitigation strategy

We have a disaster recovery and business continuity plan and back-up systems, which we update and test regularly. We also maintain dual providers of key services such as internet connections and telephone lines, and have started to use cloud-based tools. The development of internal systems enables us to have greater control over our key data flows and respond faster to issues.

Recent developments

We continue to invest strategically in improved internal systems, which gives Group-wide competitive advantages through access to cutting-edge technology and functionality. Risks involved with increasing our reliance on internal systems and the introduction of client-facing IT systems and tools have been partially offset by the utilisation of cloud-based storage, enhanced security systems and strengthened remote connection mechanisms. The development of our IT systems is viewed as a net benefit to the Group and integral to our business expansion, resilience and flexibility, as evidenced by our successful migration to remote working during lockdown.

Risk tolerance and opportunities

LOW – We are not prepared to risk the day-to-day functioning of business. We are, however, open to evaluating new and leading-edge technology to further enhance businesses processes and are cognisant of the risks inherent in this approach, alongside longer-term strategic opportunities. Through our agile and product-driven methods used to develop software, we have the opportunity to build a system that aligns with our specific business needs and strengthens our competitive advantage.

Speed of risk materialising

FAST – Damage to our systems can have an immediate impact upon our ability to perform and execute business.

8. REPUTATIONAL RISK

Year-on-year change	→
Relevance to achieving corporate goals	
Key responsibility	
Robin Cave, CEO	

What this risk means to us

A threat or danger to our good name or standing, for example as a direct result of our actions or the products we trade, as an indirect result of employee actions, or tangentially through peripheral parties such as joint venture partners or suppliers.

Mitigation strategy

Our commitment to best practice in corporate governance is a core part of our mitigation strategy, alongside robust counterparty due diligence (see Credit risk) and employee training (see Regulatory risk). Our sustainable supply programme, VIVE, also ensures that we are solidifying our reputation by encouraging best practices throughout the supply chain. As we expand our product portfolio and supply chain partners, we have adopted a more proactive approach to engaging with the media, including a growing social media presence, to influence and take on a leadership role in key supply chain topics.

Recent developments

Our broadening product portfolio counters to some extent our high-volume exposure to sugar, which still attracts scrutiny in relation to public health concerns. Product diversification can, however, bring with it a wider breadth of risk, including concerns around plastic packaging, animal welfare and ethical and environmental impacts along the supply chain. We continue to evaluate reputational risks versus commercial opportunities in our pursuit of growth and we work closely with VIVE to strengthen our reputation in sustainability. Our staunch view is that in order to influence best practice we need to be integrated with the supply chains in question.

Risk tolerance and opportunities

ZERO – As a company light in physical assets, we value our people and reputation. These power our business, and it is of utmost importance that we have

+ P32 VIVE review

correct processes in place to mitigate any risk that might undermine these valuable resources. As we expand our product portfolio and become more vocal in the public domain, we see opportunities to lead the debate and are confident that our processes, the strength of our people, and their integrity will underpin our approach.

Speed of risk materialising

MEDIUM – Reputational risks related to certain issues (e.g. sugar and health, sustainability) can take time to emerge, although modern media channels are accelerating the process.

9. INTEREST RATE RISK

Year-on-year change	→
Relevance to achieving corporate goals	
Key responsibility	
Jayshree Barnes, Associate Director, Head of Trade Finance	

What this risk means to us

The Group's business is facilitated through the use of numerous funding facilities and is exposed to interest rate risk, which could impact the cost of funding significantly. As our funding facilities are used predominantly to provide payment terms to our clients, we are not directly exposed to this risk. However, we actively monitor latest interest rates to identify any impact on credit risk exposure or our internal funding requirements. We also communicate any changes or potential impacts to our clients.

Recent developments

While interest rates are generally flat at the moment, many banks are reducing sugar exposure or putting barriers in place to restrict access to funding for the sector. Czarnikow's strong relationships and robust processes have insulated the Company from this trend.

Risk tolerance and opportunities

LOW – Our business model limits our direct exposure to this risk, but we must be vigilant to manage it on behalf of our clients. This gives us the opportunity to deepen strategic client relationships.

Speed of risk materialising

FAST TO MEDIUM – In benign market conditions, interest rates tend to be stable and move slowly over time, although funding rates can change faster in times of economic turbulence.

10. KEY PERSONNEL RISK

Year-on-year change	→
Relevance to achieving corporate goals	
Key responsibility	
Sharon Blore-Rimmer, Head of Human Resources	

What this risk means to us

Our main assets are the intellectual property generated by our employees. Any loss of key personnel through staff turnover represents a risk to our ability to remain profitable.

Mitigation strategy

We strive to create an exciting place to work, allowing our employees to realise their potential in alignment with our corporate goals. We identify employee strengths and opportunities through regular check-in meetings, offer formal and informal learning, cross-team training and provide competitive benefits and long-term remuneration. By focusing on 'growing our own' talent, we are building up a strong employee pool to ensure effective succession in the event of personnel moves, supplemented by strong external candidates who fit our culture where necessary.

Recent developments

During lockdowns, our ability to offer the full extent of our training and development plans was curtailed. However, through increased senior manager and HR team engagement, we were able to accelerate plans to improve internal communications and research preferences for future working arrangements. We have implemented these and are reconfiguring our London office (the Group's largest workspace) to accommodate employee-led hybrid working, which further underpins our commitment to a good work-life balance and reduces our risk of key personnel loss.

Risk tolerance and opportunities

LOW – Within our overall key personnel risk profile, the importance of our ongoing IT systems development and implementation means that any loss of personnel in this particular function carries an increased risk to our business; we remain vigilant to any potential changes. Overall, having taken the opportunity to engage with employees more frequently and act on feedback, we are confident of providing an exciting workplace in which all employees can thrive.

Speed of risk materialising

FAST TO MEDIUM – Employees leaving the organisation can have an immediate impact on our operations, but the likely full impact of a key person moving to a competitor may take longer to materialise.

11. POLITICAL RISK

Year-on-year change	↓
Relevance to achieving corporate goals	
Key responsibility	
Robin Cave, CEO	

What this risk means to us

The risk of instability, which could stem from a change in government, legislative bodies, other foreign policymakers, or military control.

Mitigation strategy

Due diligence, insurance and local knowledge are employed to ensure that we carefully manage any trading activities in politically volatile locations. We are a global business with a diversified exposure to many countries and bodies, and our operating structure gives us the ability to respond quickly, flexibly and effectively to events in local markets. Both factors help to reduce the potential impact of this risk.

Recent developments

Overall, our political risk in 2020 lessened marginally. We had considered our exposure to uncertainty relating to Brexit as immaterial, owing to our diverse global business. However, it remained on our radar throughout the year until Brexit finally happened. With uncertainty now removed, management can plan with more visibility. Following the results of the US presidential election, further uncertainty has been removed relating to the possible direction of US trade policy. We continue to monitor countries and regions closely, mindful that political developments can cause sudden and severe changes to open markets, as witnessed for example in Myanmar.

Risk tolerance and opportunities

HIGH – As a global business, we acknowledge that we will at times be open to political risk in varying geographies. Our diverse presence and local knowledge work to our advantage however, as we are able to adapt quickly to the current political climate and make decisions on how, and where, to act. As a business we are very rich in international culture and experience and we see this as an

+ P6 Where we operate/what we supply

opportunity to facilitate our planned geographical expansion, while understanding and respecting complex, political sensitivities.

Speed of risk materialising

MEDIUM – The speed of impact of political risk can vary significantly, with some issues arising over a number of days and other political situations taking years to unfold.

12. PRICE RISK

Year-on-year change	
Relevance to achieving corporate goals	
Key responsibility	
CCL Risk Committee	

What this means to us

The Group is exposed to daily fluctuations in the price of underlying commodities through derivative instruments traded on listed exchanges and over-the-counter markets, and related cross-currency pairs.

Mitigation strategy

CCL's Risk Committee oversees and approves the price risk limit of the Group's activity, working within a set of principles established under our price risk management framework and using derivative financial instruments to mitigate as much risk as possible.

Recent developments

As the Group's product line continues to increase, the Risk team is in the process of designing and implementing new price risk measurement techniques across all new products, as well as making improvements to the current sugar methodology.

Risk tolerance and opportunities

LOW – We have a low tolerance for price risk and use derivatives to hedge our exposure to the market. Our current focus on price risk measurement techniques will facilitate our expansion into new product areas.

Speed of risk materialising

FAST – The major markets in which Czarnikow is active are all freely traded, and are therefore potentially subject to sudden price shocks.

EMERGING RISKS

CLIMATE CHANGE RISKS

Risks associated with climate change remain on our emerging risk list as we continue to investigate and adapt to how related impacts could affect our long-term business.

Our immediate business exposure to the impact of climate change is low as we are a service company, owning few assets. However, other stakeholders along the supply chain could be adversely affected by climate change in the longer term, creating knock-on effects on our own business.

More extreme weather conditions, for example, could lead to crop failures for growers and operational impediments for shippers, hauliers and industrial consumers, potentially impacting price and product availability. Increasing consumer demand for more environmentally-friendly end products may influence how our product portfolio expands and our choice of supply chain and financing partners.

Increasing regulation in this area is likely to bring with it additional costs and extra scrutiny in our industry. We are well positioned to mitigate these risks through our close client partnerships, our global networks and our operational flexibility.

INSURANCE RISKS

Last year, we reported increased insurance losses and cover restrictions for the whole sector owing to the misappropriation of cargo goods in warehouses.

To counter this, we tightened our policies and worked with warehousing partners to improve due diligence. Although COVID-19 restrictions prevented us from vetting warehouses in person, these actions successfully reduced our insurance risk exposure in this area.

However, in 2020, a new insurance risk has emerged relating to increasing numbers of caked sugar claims.

Sugar is hygroscopic and caking occurs when changes in humidity and temperature cause sugar to clump or solidify. We are working to monitor storage and transportation conditions to mitigate our exposure to increased insurance costs.

+ P36 Environmental supply chain impact mapping

Glossary

Educating and influencing

A list of common terms, acronyms and their explanations used in this review and our industry. Please also refer to our online Commodities Trading Glossary and An Introduction to Incoterms on czarnikow.com, website blogs (hyperlinked below) and regular deep dives into supply chain topics and developments on our social media pages.

BILL OF LADING

Transportation document for goods shipped by sea, issued by a carrier or its agent usually in the form of an Ocean bill (Marine bill of lading). It serves as an official receipt for goods taken on board the ship and proof of ownership (title) of the goods.

BIOENERGY/BIOMASS

Bioenergy is a form of renewable energy derived from biomass (organic material).

BROKER LINE

An agreed amount up to which a trader or organisation can borrow funds to purchase commodities of a larger volume than they would otherwise be able to, using the underlying commodity as collateral.

CAKING

Occurs when changes in humidity and temperature cause sugar to clump or solidify.

CCL (C. CZARNIKOW LIMITED)

C. Czarnikow Limited. Parent Company of Czarnikow Group Limited.

CD (CERTIFICATE OF DEPOSIT) CDA/WA (AGRICULTURAL CERTIFICATE OF DEPOSIT/ AGRICULTURAL WARRANT)

Types of credit promised against agricultural products deposited in warehouses. A CDA is similar to a CD but offers greater security as it provides title to the sugar. A WA gives right to security as described in the corresponding CDA.

CGL (CZARNIKOW GROUP LIMITED)

Principal operating company of C. Czarnikow Limited.

CMA (COLLATERAL MANAGEMENT AGREEMENT)

A tri partite agreement between bank(s), the cargo owner and the collateral management service provider which enables the bank to provide finance to the cargo owner under tighter controls over the collateral in a warehouse.

CO-GENERATION

Process where a mill generates sugar and ethanol from sugar cane crushing and uses the ethanol generated to power to its operations.

DEMURRAGE

Compensation cost for delay when, for example, a commercial vessel is prevented from loading or discharging cargo within the stipulated time period.

DERIVATIVES

Securities whose price is dependent upon or derived from one or more underlying assets, such as options and futures 'derived' from shares, bonds, currencies, commodities etc.

CZ blog: Price Risk Management: How We Use Derivatives (czarnikow.com)

ELEVATED SUGAR/ELEVATION

The processing of sugar through a port and its loading onto a vessel.

ESOS (ENERGY SAVINGS OPPORTUNITY SCHEME)

Mandatory energy assessment for large UK organisations.

ETC (EXCHANGE-TRADED CONTRACTS)/ ETD (EXCHANGE-TRADED DERIVATIVES)

For derivatives, standardised contracts (e.g. futures contracts and options) that are transacted on a recognised exchange.

FACILITY

The promise of a loan up to a certain amount which will be granted upon request, without collateral requirements. The loan is then used as operating capital to carry out activity, such as the movement of goods.

FCA (FINANCIAL CONDUCT AUTHORITY)

The conduct regulator for nearly 60,000 financial services firms and financial markets in the UK and the prudential supervisor for 49,000 firms, setting specific standards for 19,000 firms. Source: www.fca.org.uk/about/the-fca

FCR (FORWARDER'S CERTIFICATE OF RECEIPT)

Certificate prepared by freight forwarder to confirm it has taken over a consignment and assumes responsibility for the goods.

FOB (FREE ON BOARD)

International commercial term (or 'incoterm') describing sugar, or other commodity, that has been 'elevated' at a port onto a ship (cf. Elevated Sugar/ Elevation).

FUTURES

Types of derivatives (see above) that allow the user to fix a price for a commodity, at which they are then obliged to buy or sell.

CZ blog: Use-by Date: Contract expiries in the commodities market (czarnikow.com)

+ See back cover for our social media handles

GDP (GROSS DOMESTIC PRODUCT)
Value of all finished goods and services produced within a country, normally calculated annually, and commonly used as an indicator of a country's economic health.

GEOTHERMAL RENEWABLE ENERGY
Heat energy generated below the Earth's surface.

CZ blog: Why volcanoes don't have to erupt to be interesting: Czarnikow supports sustainable initiatives (czarnikow.com).

HEDGING
Mitigating or decreasing the risk of a trading a commodity.

IBOVESPA (THE BOVESPA INDEX)
An index of the stocks traded on the B3 and a listing of the major trades in the Brazilian Capital Market.

INDUSTRIAL CONSUMER
For Czarnikow, food and beverage manufacturers and ethanol processors.

LETTER OF CREDIT (LC)
A document issued by a bank that authorises the seller of a commodity to draw an agreed amount of money under specified terms, as in a facility.

LIGHT ASSETS
Small or medium-sized assets/ infrastructure, typically warehouse facilities or sugar silos, facilitating logistics operations.

MAD/MAR
The Market Abuse Directive (MAD) was adopted in 2003 and established an EU-wide framework for tackling insider dealing and market manipulation. In April 2014, a new Market Abuse Regulation (MAR) and a new Directive on criminal sanctions (MAD II) were adopted and came into force in July 2016.

MASS BALANCE POSITION
The total volume that a supply chain participant has of a certain commodity. For VIVE participants, their volume of VIVE-verified sustainable sugar.

MIFID (MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE)
European Union law that regulates investment services across member states of the European Economic Area. Its main objectives are to increase competition and consumer protection in investment services.

MODULE
For the VIVE programme, the criteria used to assess the performance of VIVE participants based on the position they occupy within their supply chain.

MT AND MTRV
Metric tonnes and metric tonnes raw value.

NO. 5 WHITE SUGAR CONTRACT
White (refined) sugar is traded on the Intercontinental Exchange (ICE) Futures Europe in US$/metric tonne. It is officially traded as the White Sugar Futures contract but is commonly known as contract No. 5 (its former contract name).

NO. 11 RAW SUGAR CONTRACT
World market raw (unrefined) sugar is traded on the Intercontinental Exchange (ICE) Futures U.S. in USc/lb and is commonly known as the No. 11 raw sugar contract.

NON-RECOURSE LINE
A contract in which the lender cannot claim the loan amount and assumes the risk of non-payment if the buyer defaults.

OECD (ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT)
An international organisation that works to build better policies for better lives. Its goal is to shape policies that foster prosperity, equality, opportunity and wellbeing for all. Source: www. oecd.org/ about/

OFF-TAKER
A buyer of goods who has agreed with the producer to purchase/sell portions of their future production.

OPTIONS
A type of derivative (see above) offering the option, but not the obligation, to buy or sell at a certain price.

OTC (OVER-THE-COUNTER)
Trading in derivatives on a market outside the jurisdiction of a recognised exchange.

PHYSICAL DELIVERY
Settlement of a futures contract characterised by the delivery of the goods to the buyer.

RECEIVABLES
All financial obligations owed to a company by its debtors or customers. This includes all debts owed, even if they are not currently due, and are recorded in the company's balance sheet.

SCOPE 1 EMISSIONS
The greenhouse gases directly emitted as a result of an organisation's actions, for example business travel. These must be disclosed as per SECR legislation.

SCOPE 2 EMISSIONS
The greenhouse gases emitted from energy sources purchased by an organisation, for example electricity and gas. These must be disclosed as per SECR legislation.

SCOPE 3 EMISSIONS
The greenhouse gases emitted as a result of an organisation's operations through the value chain. Disclosure of Scope 3 emissions is voluntary.

SECR (STREAMLINED ENERGY AND CARBON REPORTING)
A policy implemented by the UK government that requires UK organisations to report their energy usage and climate impact.

SMA (STOCK MANAGEMENT AGREEMENT)
An agreement for a stock financing solution where the terms allow flexibility and the financing party does not require strong control over the commodity.

SYNTHETIC OWNERSHIP
Ownership taken on in the form of securities rather than by buying physical assets.

TOLLING
An arrangement whereby raw material is supplied to the producer for the refining process and the seller maintains ownership and receives the end product.

VHP (VERY HIGH POLARITY) SUGAR
Light brown raw sugar normally used for refined sugar production given its high polarity (percentage of sucrose) of over 99.4%.

VMI (VENDOR-MANAGED INVENTORY)
Symbiotic approach to order fulfilment and inventory management, whereby vendors manage the supply chain end to end and buyers share inventory, demand, forecasting and delivery parameters – to the benefit of both parties.

CZ blog: Vendor-Managed Inventory: Building the Modern Supply Chain (czarnikow.com)

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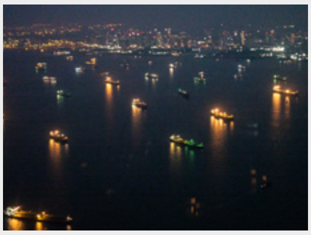
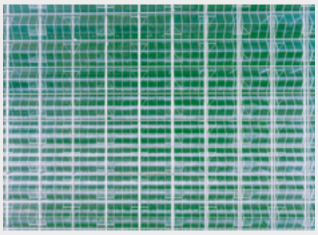
IMAGE CAPTIONS

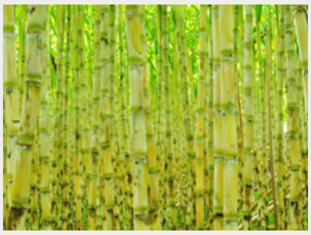


Cover
Night-time macro view of container ships in the Singapore Strait – a major shipping channel used for global trade.

P2/3
Aerial macro view of field in Vietnam. In 2020, we expanded our global presence further by establishing a new entity in Vietnam.



P4/5
Aerial macro view of greenhouses, symbolising our expanding ingredients portfolio – typically influenced by synergies with existing products, clients and geographical footprints.



P32/33
Micro view of sugar cane, increasingly used as a source of renewable energy, with the crushing process producing ethanol, electricity and biomass.

+ Information in this Annual Review (published May 2021) is provided on a voluntary basis. It complements Czarnikow Group Limited's statutory Directors' report and consolidated financial statements for the year ended 31 December 2020, which was signed off by the Board on 24 March 2021 and is available from Companies House and on our website. To stay connected and informed, please check our website, social media pages and Czapp, where we share further corporate and market information.

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www.czarnikow.com