CZARNIKOW

Czarnikow redefined

ANNUAL REVIEW 2019

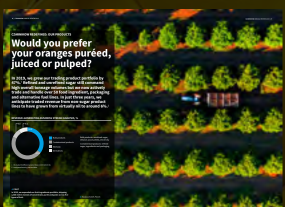
At Czarnikow, we are redefining our role in our supply chains through innovation and entrepreneurship.

We are expanding our product range, venturing into new market areas and delivering modern supply chain services.

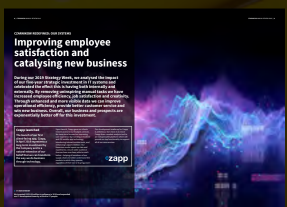
Our employees embrace these new opportunities, safe in the knowledge that our stable strategy, strong leadership, core values, respected client relationships and leading-edge IT systems underpin the continued success of the Company.

As we grow, we acknowledge our leadership role in setting the standard for sustainability across our supply chains.

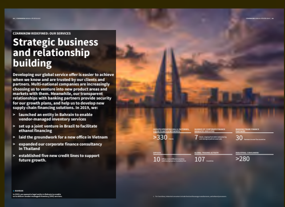
This is Czarnikow redefined



+ Our products, P6



+ Our systems, P8



+ Our services, P10

+ Our responsibilities, P12

+ ALTERNATIVE FUEL LINES (COVER IMAGE)

Through our new, regulated joint venture business CzEnergy, we provide indispensable inventory financing services to Brazilian ethanol producers. In 2019, we financed 233 million litres of ethanol (to a value of US$89 million) for Brazilian producers and stored it at 13 different sites (see page 21).

About Czarnikow

KEY FIGURES 2019

TURNOVER, US$M

1,800.4

2018: 1,680.1

GROSS PROFIT, US$M

42.9

2018: 39.0

NUMBER OF TRADED PRODUCT LINES

56

2018: 38

NUMBER OF EMPLOYEES

208 in 10 offices

2018: 190 in 10 offices

WORKING WITH PURPOSE

OUR MISSION

To deliver effective supply chain, pricing and financing services for all our clients.

OUR PURPOSE

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

OUR VALUES

> Building strong relationships
> Embracing change and entrepreneurship
> Investing in our team
> Acting responsibly and with integrity

OUR SERVICES

> Financing solutions
> Market analysis
> Price risk management
> Corporate finance
> VIVE – sustainable supply programme
> Logistics and stock management
> Czapp – client portal/web app
> Physical trading

OPERATIONAL NEWS

GROUP-WIDE

> Increased number of product lines traded
> Expanded services globally

ASIA

> Increased resources in Thailand
> Laid foundations for new office in Vietnam
> Strengthened VIVE sustainable programme across the region

BRAZIL

> Established joint venture in Brazil to support ethanol expansion

EU

> Partially offset market uncertainties surrounding Brexit by currency gains

MIDDLE EAST AND NORTH AFRICA

> Secured long-term contracts with multi-national clients
> Established legal entity in Bahrain

USA

> Offset subdued market trading through growth with key clients

WHAT'S INSIDE

CEO REVIEW AND STRATEGY

Redefining the way we do things

COVID-19 UPDATE

At the time of writing in late April 2020, our business looks very different compared to the activities of 2019 that we focus on in this Annual Review. The COVID-19 pandemic has taken its toll around the world with tragic human loss, and has devastated livelihoods and disrupted societal norms, supply chains, working practices and expectations. Amid this uncertainty, we have focused on two priorities: protecting the safety of our employees and their families; and doing everything we can to keep our vital, global supply chains moving. It is imperative that we stay connected and informed.

STAYING CONNECTED

Employees in our larger offices have been working remotely, supported by in-house IT teams and tailored systems, while some of our smaller offices have stayed open – local protocols permitting. Ongoing investment in technology and our client portal – Czapp – have eased the transition to remote working and allowed us to connect successfully with each other and our clients.

We are determined to carry on our day-to-day business as best we can to keep food, beverage and energy supply chains moving. However, self-isolation and lock-down measures have impaired the physical supply of commodities and negatively impacted consumption. The sugar and skimmed milk powder markets have been the hardest hit to date, with knock-on effects in other food ingredients, packaging and energy sectors. By managing price volatility, cash flows and financing we can help mitigate supply chain difficulties. To facilitate this we share daily market updates and insights through our social media channels, Czapp and corporate website.

> "Our employees are enthused by our long-term business prospects and I believe this will stand us in good stead as we emerge from the period of disruption and uncertainty caused by the COVID-19 pandemic."

By staying informed and connected we can support our clients and partners to the best of our ability, adjusting our business and services where necessary.

2019 PERFORMANCE

Our Board was pleased with our 2019 performance, especially in light of low-price trading conditions that persisted during the year. We improved turnover and income and generated an operating profit of US$10.3 million (2018: US$8.1 million). However, these results do not yet reflect our long-term aspirations and the potential benefits of recent business developments, which I outline below.

CZARNIKOW REDEFINED

Our strategy is understood and recognised as an anchor that keeps us grounded, while enabling growth. We have started to move beyond our comfort zone and, in this review, you can read how we have redefined our business by expanding our products, services, systems and responsibilities. Employees are enthused by our long-term business prospects and I believe this will stand us in good stead as we emerge from the period of disruption and uncertainty caused by the COVID-19 pandemic.

EXPANDING PRODUCTS & SERVICES

In 2019, our volume of traded non-sugar products made its mark and we expect it to gain critical mass. This development helped to offset last year's low-price sugar market; it also opens up different client conversations and opportunities. We created an entity in Bahrain to support local clients and are planning additional entities elsewhere. Ongoing investment in IT systems facilitates our business expansion, and brings internal and external benefits.

INCREASING RESPONSIBILITIES

With no growing or manufacturing assets of our own, we can work objectively for the good of the supply chain as a whole. By engaging with farmers, factories and financiers through our sustainable supply chain programme, VIVE, we support and promote sustainable best practices. We are committed to helping meet growing end-consumer demand for products that are healthier, ethically sourced, reasonably packaged and beneficial to communities.

INVESTED EMPLOYEES

As outlined above, the impact of the COVID-19 pandemic has shocked the whole world and we anticipate its effects to be far-reaching and long-lasting. I would like to thank our employees for their flexibility and resilience during these difficult times. They continue to demonstrate the entrepreneurial spirit that will help our supply chains to recover from the difficult first months of 2020. I will continue to keep you informed and connected online as the year progresses.

Robin Cave
Chief Executive Officer

+ CFO review, P42 + VIVE review, P48 + HR review, P50

Stability of strategy

OUR VISION

- Our unique network and cutting-edge services will ensure we are a world-leading supply chain, pricing and financing services company.

OUR STRATEGY

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 to existing clients.

OUR CORPORATE GOALS

- Reinforcing the brand of Czarnikow as a world-leading, modern services company
- Delivering on ROCE expectations
- Creating an exciting place to work
- Providing unmatchable client satisfaction.

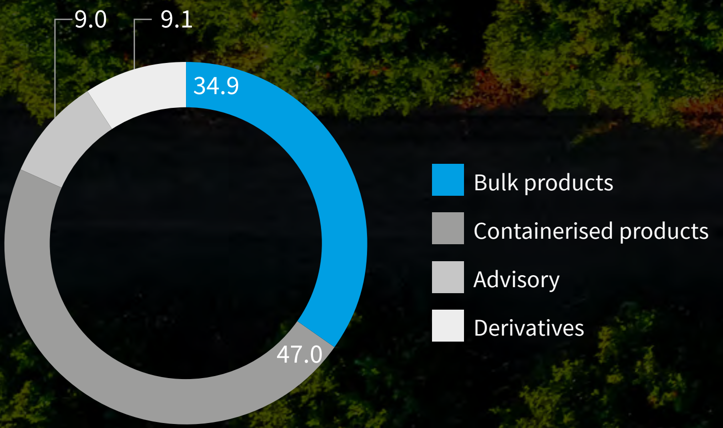
+ Governance, P36

CZARNIKOW REDEFINED: OUR PRODUCTS

Would you prefer your oranges puréed, juiced or pulped?

In 2019, we grew our trading product portfolio by 47%.[1] Refined and unrefined sugar still command high overall tonnage volumes but we now actively trade and handle over 50 food ingredient, packaging and alternative fuel lines. In just three years, we anticipate traded revenue from non-sugar product lines to have grown from virtually nil to around 6%.[2]

REVENUE-GENERATING BUSINESS STREAM ANALYSIS, %



Bulk products: unrefined sugar, ethanol, wood pellets, electricity

Containerised products: refined sugar, ingredients and packaging

1 We traded 56 different product lines in 2019 (2018: 38).
2 Anticipated ratio by year end 2020.

+ FRUIT

In 2019, we expanded our fruit ingredients portfolio, shipping 1,500 metric tonnes of concentrate, purée and paste across five types of fruit.

+ Review of 2019, P42-45

CZARNIKOW REDEFINED: OUR SYSTEMS

Improving employee satisfaction and catalysing new business

During our 2019 Strategy Week, we analysed the impact of our five-year strategic investment in IT systems and celebrated the effect this is having both internally and externally. By removing uninspiring manual tasks we have increased employee efficiency, job satisfaction and creativity. Through enhanced and more visible data we can improve operational efficiency, provide better customer service and win new business. Overall, our business and prospects are exponentially better off for this investment.

Czapp launched

The launch of our first client-facing app, Czapp, in April 2019 represents a long-term investment by the Company and is a natural extension of our belief that we can transform the way we do business through technology.

Upon launch, Czapp gave our clients instant access to our Analysis services. We have since focused on improving user experience by investing in Android and iOS mobile app technology, introducing interactive data tools, and enhancing Czapp's interface. Our freemium model opens up data and expertise to a much wider audience than we have ever been able to reach before – helping all members of our supply chains to better understand the markets in which they operate, regardless of their size or buying power.

Our development roadmap for Czapp is ambitious. Our vision is to move Czapp from a market analysis tool to an indispensable platform which will provide on-tap functionality to support all of our core services.

czapp

+ IT INVESTMENT

We invested US$1.89 million in software in 2019 and expanded our IT development team by a third to 27 people.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CZARNIKOW REDEFINED: OUR SERVICES

Strategic business and relationship building

Developing our global service offer is easier to achieve when we know and are trusted by our clients and partners. Multi-national companies are increasingly choosing us to venture into new product areas and markets with them. Meanwhile, our transparent relationships with banking partners provide security for our growth plans, and help us to develop new supply chain financing solutions. In 2019, we:

- **launched an entity in Bahrain to enable vendor-managed inventory services**
- **set up a joint venture in Brazil to facilitate ethanol financing**
- **laid the groundwork for a new office in Vietnam**
- **expanded our corporate finance consultancy in Thailand**
- **established five new credit lines to support future growth.**

+ BAHRAIN

In 2019, we opened a legal entity in Bahrain to enable us to deliver vendor-managed inventory (VMI) services.

GROUPS OPERATING MILLS, FACTORIES, LIQUID PLANTS & REFINERIES

>330 Clients

NUMBER OF CORPORATE FINANCE MANDATES EXECUTED

7 Deals, ranging from debt restructuring and raising to judicial asset sale

BANKING/TRADE FINANCE PARTNERS

30 Partners in over five countries

OFFICES

10 Offices in ten different countries with local presence in another five

GLOBAL TRADING ACTIVITY

107 Countries

INDUSTRIAL CONSUMERS[1]

>280

1 For Czarnikow, industrial consumers include food and beverage manufacturers, and ethanol processors.

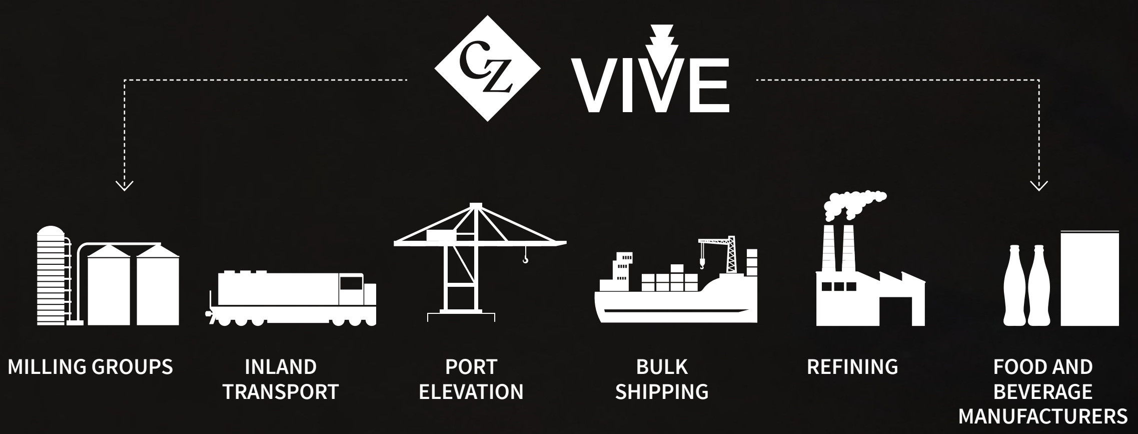
CZARNIKOW REDEFINED: OUR RESPONSIBILITIES

Closing the sustainability loop

Given our unique and intricate network of relationships, we recognise our leadership role as an influencer to improve supply chain practices. This starts by demanding excellence in our own internal processes and traceability systems.

In 2020, through our sustainable supply chain programme, VIVE, we will conclude the first ever trade of sustainable sugar that can be fully traced from sugar mill to sugar refinery and onwards to food and beverage manufacturers, while being funded by sustainable finance partners and moved by VIVE-certified logistics and chain of custody service providers.

OUR SUSTAINABLE SUPPLY CHAIN



+ VIETNAM

In 2020, we plan to open a new office in Vietnam, as regulatory changes will allow us to deliver more value to our clients in this key market.

+ Sustainability leadership, P46

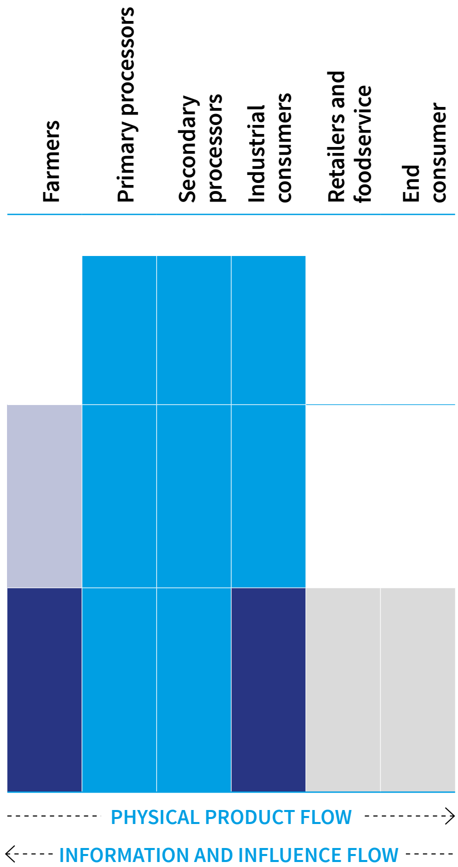
+ Environmental review, P49

BUSINESS MODEL

Providing modern supply chain services

The Group's mission is to deliver effective supply chain, pricing and financing services for all our clients. Since 2018, we have repositioned ourselves as a modern service provider of choice in our chosen supply chains. We have a global outlook, operating from ten offices with a local presence in a further five countries, and we employed 208 people in 2019.

Service categories	Key in-house teams	Third-party partners	Services
1 BUYING, SELLING AND MOVING PHYSICAL PRODUCT	> Trading teams > Logistics team > VIVE team	> Hauliers > Shipping companies > Port authorities	> Physical trading > Logistics and stock management
2 PRICING AND FINANCIAL SERVICES	> Trade Finance team > Derivatives team > Analysis team > Corporate Finance team	> Banking partners > Bioenergy investors > Brokers	> Financial solutions > Price risk management > Market analysis > Corporate finance
3 SUSTAINABILITY ADVICE AND PROMOTION	> VIVE team	> Intellync > Green finance providers > Sustainability benchmarking organisations	> Sustainable Supply Programme (VIVE)



Core clients · Secondary clients · Emerging clients · Indirect influence

CORPORATE STRENGTHS THAT DIFFERENTIATE OUR BUSINESS MODEL IN THE MARKETPLACE

Client service	Supply chain	Risk management	Finance	Technology	Sustainability
A focus on meeting our clients' individual needs and developing strong relationships.	Managing and influencing the most sustainable, cost-effective and efficient movement of products across our supply chains.	Using cutting-edge technology and market knowledge to identify and mitigate risks across challenging markets.	The ability to deliver enhanced value to clients through innovative financing solutions.	Ongoing investment in leading-edge systems, while maintaining flexibility.	Strengthening our leadership role in ethical and sustainable supply chain management, which acts as a commercial differentiator.

A SOPHISTICATED RANGE OF SERVICES

1 BUYING, SELLING AND MOVING PHYSICAL PRODUCT

What we do

We buy, sell and move raw (unrefined) and white (refined) sugar and complementary products (food ingredients, packaging and ethanol). We do not supply or market products to the end user, but are very active in trading to and from primary and secondary sugar processors, and industrial consumers. For some clients, we stock and repackage physical product and organise warehousing and logistical requirements, including the provision of vendor-managed inventory services. In other instances, we take title to goods and agree to sell future production on our clients' behalf ('off-taking'), and develop bespoke distribution and supply strategies.

Our core clients

> Primary processors (sugar beet factories, sugar cane mills)

> Secondary processors (sugar cane refineries, liquid plants)

> Industrial consumers (large food and beverage companies, ethanol fuel blenders).

Resources and relationships

Our physical trading business is transaction-rich and asset-light and we do not own any farming or production assets. However, we are prepared to invest in small-scale or 'synthetic' assets (e.g. silos, warehouses) as a part of our commitment to developing strong client relationships. Successful client engagement helps us facilitate the most effective, efficient and sustainable movement of goods in our targeted supply chains.

Value creation and how we make money

Our business philosophy is not to favour certain clients or our own operations, but to create overall value by optimising the transaction for all parties involved, in return for a small margin on high volumes. Given our strong reputation we are often called upon to negotiate some of the more complex deals in play.

What you can expect

A further increase in the ratio of our traded revenue from non-sugar products, as a result of the development of relationships in new industrial sectors (e.g. dairy, energy and fertilisers).

+ Bulk products and containerised products, P44

2 PRICING AND FINANCIAL SERVICES

What we do

We offer a range of client-centric pricing and financial services, which complement our physical trading activities, and include:

> Financing solutions and price risk management
We use derivatives to manage price risk exposure, provide related consultancy and execution services, and arrange financing solutions and securities to extend short- and medium-term payment terms.

> Corporate finance and market analysis
Our Corporate Finance team advises farmers, processors and investors in the sugar and bioenergy markets. Our Analysis team enhances internal and external business decisions by providing world-leading market advice. Czapp (our client portal and app) offers access to bespoke market information and data.

Our core clients

> Physical trading clients

> Banking partners

> Sector-specific investors

As our services expand we are working with larger, more diverse farms and processors.

Resources and relationships

Our global specialist teams benefit from exceptional experience and market knowledge and are responsible for developing key external and internal relationships.

Value creation and how we make money

Our pricing and financial services keep the supply chain moving effectively through the provision of funding, market information and risk mitigation. For us, these services secure additional revenue, offset market vagaries, attract new partners, deepen relationships and strengthen our brand. We are remunerated, depending on risk levels and types of service, through annual subscriptions, consultancy and deal fees, retainers, costs per service/bundled services and commission.

What you can expect

Growth in revenue from our pricing and financing services, and a return on our investment in Czapp. Our new Head of Structured Finance role will expand our capabilities in finance solutions.

+ Derivatives and advisory, P45

3 SUSTAINABILITY ADVICE AND PROMOTION

What we do

VIVE is a continuous improvement sustainability programme that measures, monitors and benchmarks participants' performance against global sustainability standards along the entire sugar supply chain and, recently, for other products. The programme has been developed through a global agreement between ourselves and Intellync (formerly AB Sustain) and has four universal improvement objectives: governance, people, environment and traceability. We also assist industrial buyers in engaging their supply chains to improve sustainability practices.

Our core clients

We work with a number of participants along the supply chain, including:

> Primary and secondary processors
(VIVE participants)

> Farmers, shippers, forwarders and food and beverage companies
(engagement to better understand and implement sustainability requirements)

> Industry-leading sustainability benchmark programmes
(collaboration to streamline audits).

Value creation and how we make money

Through our involvement in VIVE, we are raising the overall quality and ethical standards in our chosen supply chains by promoting sustainable best practices at the farm, facilities and shipping levels. We also create commercial value by helping our industrial consumers meet growing end-consumer demand for transparent information about the provenance of food ingredients. Our income from VIVE is mainly derived from annual subscriptions and one-off consultancy fees.

What you can expect

Active expansion of VIVE into new geographic areas and a continued focus on strengthening VIVE's strategic 'spine' of global producers and processors.

+ VIVE review, P48

BUSINESS MODEL CONTINUED

STRENGTHENING OUR DECISION-MAKING THROUGH STAKEHOLDER ENGAGEMENT

Section 172, Companies Act

In the table below we summarise how we engage with key stakeholders to share and establish a mutual understanding of our long-term business expectations. Stakeholder engagement assists our Directors in performing their duties under s172 of the Companies Act 2006 by providing them with information to consider when developing strategy and making business decisions. We use formal and informal communication channels to engage with our stakeholders. Specific examples of how stakeholder engagement has affected key decision-making during the financial year can be found on pages 17 and 36.

Stakeholder group	Main engagement methods	Stakeholder expectations	Long-term value creation
CLIENTS[1] > Farmers > Primary processors > Secondary processors > Industrial consumers	> Interaction with farmers through VIVE, Corporate Finance and Trade Finance teams > Daily interaction with processors and industrial consumers on trading floor > Weekly strategy planning meetings between Czarnikow's Trading Directors and processors and industrial consumers > Close working relationship with Procurement and Quality Control teams of industrial consumers	> Deeper understanding of client business to provide more added-value solutions > Further cost optimisation > Bespoke knowledge-sharing	> Optimising price, logistics and financing > Providing innovative procurement solutions > Promoting ethical and sustainable supply chains > Reducing environmental impact > Reducing overall supply chain risks > Improved farming and manufacturing practices, including health and safety and product quality
LOGISTICS PARTNERS	> Daily interaction with container shipping partners > Frequent communication with trucking, bulk shipping and warehouse partners	> Strong flow of communication to optimise movement of goods > Long-term cooperation to improve joint operational working practices > Knowledge-sharing to promote best-in-class processes	> Ensuring the safe and timely delivery of goods > Protecting goods from loss and damage during transit and storage > Transporting goods in an efficient and sustainable manner
SUPPLIERS[2]	> Via various teams, e.g. Accounts, Marketing and IT	> Open dialogue > Prompt payment	> Improved bespoke services > Fair payment terms (see P43)
EMPLOYEES	> Team and line managers > 'Open door' policy > Employee intranet > Appraisals > Formal and informal strategy updates > Regular global 'All Hands' meetings	> Improved training courses > Further investment in the workplace > Greater diversity and inclusion > Exciting opportunities for development and career progression	> Creating a more exciting workplace, including benefits and culture > Improving recruitment, retention and rewards > Promoting efficiencies and innovation through teamwork and communication
SHAREHOLDERS	> Quarterly C. Czarnikow Limited (parent company) Board meetings	> ROCE improvements > Transparent, reliable and timely information > Meeting other agreed targets	> Shared understanding of and support for long-term aspirations
SUSTAINABILITY BENCHMARKING PARTNERS	> VIVE team	> Creating the most beneficial and comprehensive umbrella benchmarking programme for the supply chain	> Growing number of VIVE participants as administration burden reduces and global recognition increases > More sustainable supply chains
BANKING PARTNERS	> Annual roadshow with current and new partners, alongside ad hoc calls and meetings	> Transparent, reliable and timely information > Meeting other agreed targets	> Ensuring a financial platform to support growth plans and opportunities
LOCAL COMMUNITIES AND GOVERNMENTS	> Country teams > Direct employee engagement in charity/volunteering initiatives	> Knowledge of local jurisdictions > Local economic development	> Goodwill through local job creation and charity support > Timely tax returns and payments
ENVIRONMENT	> Employee schemes/initiatives to minimise direct impact > Clients and logistics partners to promote operational efficiencies; also through VIVE	> Lower emissions and zero waste to landfill > Evaluation of alternative energy sources > More robust environmental monitoring	> In-house awareness/impact education > Optimising transportation/shipping routes to maximise cargo efficiencies and reduce fuel usage > Reducing environmental impact through VIVE

1 At Czarnikow, we consider all buyers and sellers of physical product as 'clients' – it does not matter where they sit in the supply chain as we provide services to them all.

2 Our 'suppliers' are, in the main, providers of professional services (e.g. consultancy, auditors, marketing services) rather than providers of ingredients, fuel or packaging, who are considered to be clients.

Enduring banking partnerships

In 2019, Standard Chartered Bank introduced a new global policy that reviewed the provision of unsecured credit lines for the sector and company. Given our excellent working relationship with Standard Chartered, together we were able to find alternative solutions in a timely and professional manner with minimal risk to our business. Moreover, Jayshree and her Trade Finance team collaborated closely with Standard Chartered to establish credit lines in our new product areas, which are expanding rapidly and align to revised standards.

+ Trade finance, P52

Upreach partnership

In 2019, we began a partnership with the UK's award-winning social mobility charity UpReach, which supports students from less-advantaged backgrounds to secure top jobs. By working together, UpReach and Czarnikow can reinforce their mutual commitment to engaging a more socially-diverse workforce and improving the prospects of undergraduates participating in the programme.

Czarnikow also benefits directly from being involved: our employees gain valuable personal experience through mentorship and skills development opportunities, and we can recruit from the charity's exceptional talent pool. In 2020, we aim to develop our relationship further.

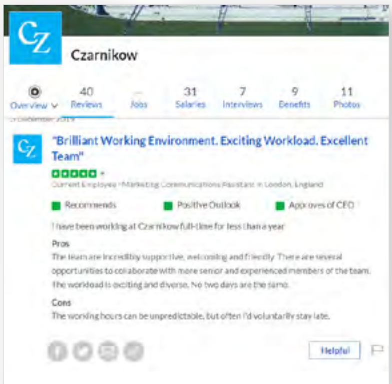
+ www.upreach.org.uk

Modern employee engagement

In addition to our 'open door' culture, which encourages employees to speak up, we welcome employee posts – negative and positive – in our online Glassdoor forum. Our CEO, Robin, replies personally to each post, taking on board any areas of concern and acknowledging plus points.

95% CEO approval rating

4.7/5 rating (one of Glassdoor's top global performers)



+ HR review, P50

OUR MARKET

A sugar market that remains in transition

In 2019, the sugar market was characterised by record stock levels, bumper sugar cane harvests and lower refining throughputs, while global consumption remained static. We expect short-term price volatility in 2020 but with limited price movements for the year as a whole.

2019/20 market: the short read

Last year we predicted a year of transition for the sugar market and that held true for most of 2019, with raw sugar prices never falling below 10USc/lb and only breaking above 13.50USc/lb at the very end of the year.

On the supply side, the market was characterised by record stock levels, bumper sugar cane harvests and lower refining throughputs.

On the demand side, global consumption remained static on a per capita basis, influenced by ongoing government taxation and product reformulation by major food and drink companies.

By early 2020, global sugar stocks were still near record highs, but production for the year ahead was expected to be lower, and the market reacted with a sharp price increase. We expect to see some short-term price volatility in 2020.

However, our medium-term view is that overall price movements will be limited for the year as a whole, as sugar production in Brazil becomes more attractive in response to price increases and Indian supply remains lucrative owing to government incentives. The market remains in transition.

+ Indian farmers continue to benefit from government incentives.

2019/20 MARKET: THE LONG READ

Record stock levels

We started 2019 with close to record global sugar stock levels, and promptly saw these rise further, following several blockbuster sugar cane harvests in the northern hemisphere. India produced a record 33 million metric tonnes of sugar, with refined sugar stocks hitting their highest ever level in April 2019 at 21 million metric tonnes – nearly enough to cover a full year's consumption. In an attempt to clear domestic sugar stocks, the Indian government awarded export subsidies for 5 million tonnes of sugar of up to US$140/metric tonne.

Thailand had its second-best year ever, producing 14.5 million tonnes of sugar. A surplus of refined sugar for export surged onto the market, and was a prime driver in pushing prices lower until the middle of 2019.

Refined sugar from India and Thailand competed fiercely in the Indian Ocean and East Asian markets. As a result, India was only able to export just under 4 million tonnes (in relation to sugar mills only) between October 2018 and September 2019 – despite government incentives. Meanwhile, Thai refined sugar was delivered in huge quantities against the August 2019 futures expiry but was only fully shipped to destination by the year end.

Refining slow-down

Given the above dynamics, re-export refiners (who import and refine raw sugar and were already finding it difficult to compete on cost) were also affected by the impact oversupply had on the 'white premium'. This is the differential between the refined and raw sugar futures price. For most of 2019 the 'white premium' struggled to exceed US$70/metric tonne, falling short of the desired US$80-100/metric tonne to turn a profit, and resulted in many refiners slowing their throughput rates.

Knock-on effect in Brazil

This slow-down had a knock-on effect on global raw sugar demand, in particular for high-quality Brazilian raw sugar. In 2019, shipments were the lowest for a decade at 15.8 million tonnes and left Brazil with an excess of approximately 1.7 million tonnes of unrefined sugar at year end, even though Brazilian sugar mills had allocated the maximum amount of sugar cane possible to ethanol production. For the second season running the ratio of sucrose used to make sugar, not ethanol, was below 35%. As Brazilian ethanol production surged so did motorists' demand for ethanol at the pumps, helped by high local gasoline prices.

Low global consumption

Continued low global sugar consumption growth did little to improve market prices. Sugar consumption is driven by population growth, increasing wealth and urbanisation and – up to 2014 – we assumed a global sugar consumption growth of around 2% per year, with 1% attributed to an expanding population and the other 1% to increasing global affluence. Typically, high sugar prices would edge global consumption growth towards the 1% baseline while low prices would move it towards 3% a year. In 2019, we estimate that global sugar consumption grew by just 1% – the same rate as global population growth. Effectively, per capita sugar consumption was static.

Sudden price upturn

However, at the very end of 2019, the market turned sharply upwards, breaking a year's worth of depressed trading. This was driven by expectations that 2020 sugar production would be significantly worse than in 2018 and 2019 – not because farmers had planted less sugar cane and beet in response to low sugar prices, but due to climatic conditions.

Many major sugar producers had difficult 2019/20 harvests. Indian sugar production is expected to fall by around 7 million tonnes year on year owing to poor water availability in the first half of 2019, followed by flooding in Maharashtra in the middle of the year.

In Thailand the sugar cane harvest was badly stunted by dry weather, leading to a significant shortfall in sugar production. Meanwhile, some of the USA sugar beet crop was left unharvested owing to the early arrival of winter snows. By the end of 2019, global sugar stocks were still near record highs, but production for the year ahead was expected to be lower. With some slack perceived to be coming out of the sugar market, prices surged.

2020 OUTLOOK

Continued pressure on sugar consumption

In 2020, we anticipate another challenging year for global sugar consumption. As an underlying trend, people are moderating the amount of sugar they consume owing to key developments such as government taxation on sugar, product reformulations, portion control and marketing regulations. The impact from the COVID-19 pandemic has reduced consumption further. We discuss each element below.

Growth in sugar taxation

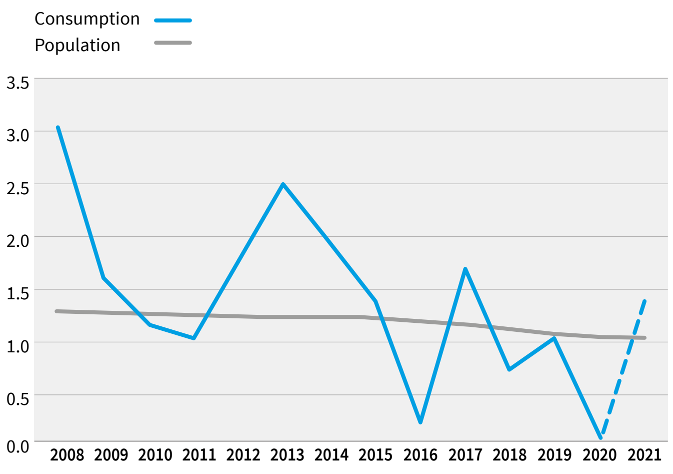
At least 28 countries have introduced some form of sugar tax in the last nine years in a bid to reduce excessive sugar consumption and improve the health of their populations. It is too early to understand if health targets have been achieved, but our view is that once taxes are introduced they are more likely to be extended than taken away as they are also effective revenue generators.

Food reformulation

An increasing number of large food and beverage companies are adjusting their product ranges to include low- and/or lower-sugar options. This is well established in the soft drinks industry, where diet variants have existed for decades and are commonly accepted by consumers. However, reformulation in other areas can be difficult. Sugar acts as a sweetener and preservative, and also gives food texture and bulk. When sugar is removed, other ingredients may need to be added to replace these functions.

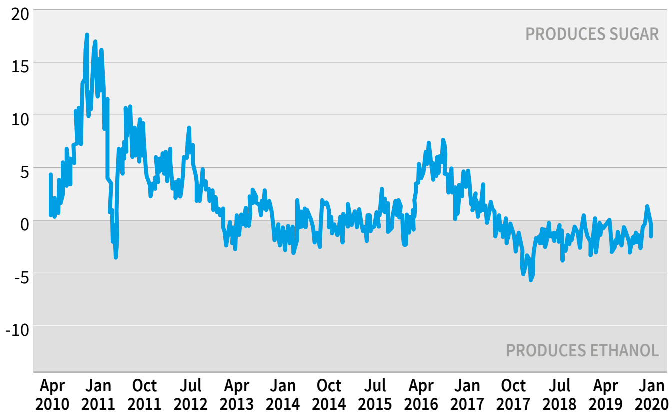
Consumers also expect a consistent experience and taste when they buy well-known food and drink brands. Companies are therefore extremely

UNDERLYING SUGAR CONSUMPTION GROWTH RATE (EXCLUDING COVID-19 IMPACT) VS GLOBAL POPULATION GROWTH RATE, %



Source: Czapp.

SUGAR[1] VS HYDROUS ETHANOL PRICES IN CENTRE-SOUTH BRAZIL, USc/lb



1 Sugar price (No. 11) includes physical differentiation and pol premium.

OUR MARKET CONTINUED

cautious about changing flagship brands. Nonetheless, major food and beverage companies around the world are starting to reduce or replace sugar – with varying success. Dairy products, for example, can use non-sucrose sweeteners to replicate sweetness, and thickeners to improve mouth-feel. Cereal manufacturers have also successfully reduced the amount of sugar in some of their products. In the UK, for example, Kellogg's Coco Pops now contain over 40% less sugar than three years ago.

However, it can be more difficult to reduce the sugar content of confectionery and snack foods and some attempts have resulted in poor sales and failed launches. In these categories in particular, we are seeing increasing expenditure on food technology. For example, Nestlé is replacing sugar with fibre in Milo drinks, and has experimented with adding cocoa pulp to chocolate bars. Mondelēz has launched a Dairy Milk chocolate bar with 30% less sugar, achieved by substituting sugar with soluble maize fibre.

Food portion control

Major food and beverage companies are also reducing portion sizes and calories. By the end of 2017, 99% of Mars Wrigley chocolate and confectionery products were sold in serving sizes under 250 calories. Mars Wrigley's current ambition is to increase the number of its <200 calorie treat packs. Mondelēz is aiming for 25% of its products to be 200 calories or fewer by the end of 2020. Meanwhile, 95% of Ferrero's individually-wrapped products each have fewer than 150 calories, and 40% of The Coca-Cola Company's sparkling drinks brands are sold in serving sizes under 250ml.

Clearly, people can choose to increase the number of portions they consume in a single sitting. But in practice it is hard to find evidence of this happening and, for many consumers, consuming smaller portion sizes equates to cutting back on sugar.

Food advertising and marketing

Regulations relating to on-pack communication are also changing – particularly for children's food. In 2016, Chile regulated the advertising of foods deemed unhealthy for children and banned mascots and promotional toys. Mexico has recently rolled out similar packaging regulations.

Impact of COVID-19

At the time of writing in late April 2020, the COVID-19 outbreak, which began in China in December 2019, has spread globally and is now classified as a pandemic. Many countries and regions have taken self-isolation or full lock-down measures to protect their citizens, and commodity supply chains have been severely disrupted. At the global level, we have reduced our global sugar production estimation by nearly 2 million metric tonnes and predict a fall in per capita consumption in 2020.

Sugar production 2020/21

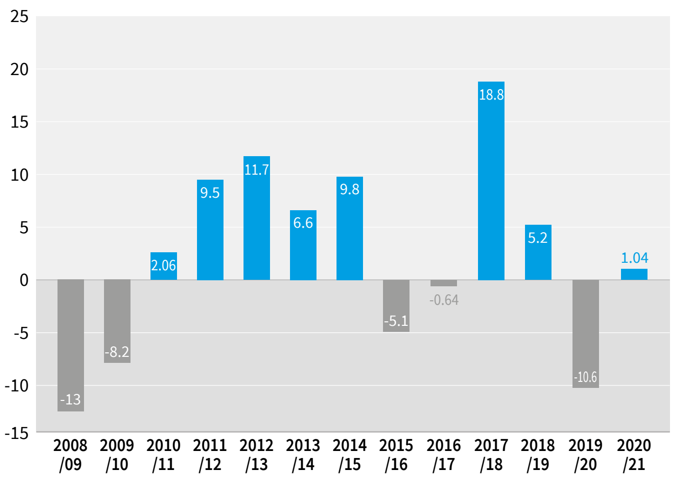
Assuming normal weather conditions, we expect global sugar production to rebound in 2020/21 – mainly influenced by India. For Indian farmers, sugar cane is still the most lucrative crop as the government sets the price that sugar mills must pay to farmers, irrespective of sugar market returns. We anticipate that India's sugar production will rebound from 26.5 million to 30 million tonnes in 2021, sugar stocks will build once more and the government will continue to subsidise future exports.

We also expect the Centre-South (CS) Brazilian sugar cane industry to increase production at the expense of ethanol if sugar returns are strong enough, especially in the first half of 2020. With prices around 10USc/lb, we expect CS Brazil to produce a little under 36 million tonnes of sugar, up from less than 27 million tonnes in 2019.

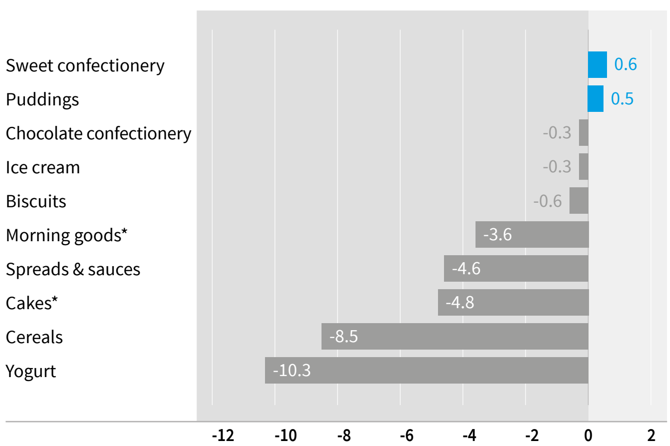
Conclusion

With sugar production expected to rebound and sugar consumption to remain challenging, we anticipate limited price changes as we move through 2020. Sugar prices have fallen back to 10USc/lb, and it is hard to envisage the market sustaining a period above 16USc/lb, given that sugar stocks remain plentiful and we are not anticipating any large-scale cutbacks by major sugar producers, with the possible exception of Thailand. The sugar market transition continues.

STOCK CHANGE, MTRV million



CHANGE IN SUGAR CONTENT ACROSS FOOD CATEGORIES IN THE UK 2015-2018, %



Note: *The baseline year for cakes and morning goods is 2017, not 2015.

Czarnikow's role in managing market complexities

With local teams and global expertise, Czarnikow provides critical support to its supply chain participants by providing market data and insight to help them manage changing market dynamics.

SPEED OF MARKET INTELLIGENCE

During 2019, our Analysis team's products, services and operations were transformed. In April we launched Czapp, which provides cutting-edge sugar market analysis on tap and has already evolved to include information on food ingredients and position-keeping. Behind the scenes, we revolutionised our analysis methods: data is now migrated into purpose-built SQL data tables, ensuring it is available to all Czarnikow users as well as clients around the world.

We are also using Power BI to help our users visualise the data and draw robust conclusions from it. Our model is fully scalable and we post at least three articles a day to subscribers. Our news feed, for example, is open to all Czapp users and uses machine learning to sift the internet – in what we understand to be a sector first – to find and display relevant stories.

SOURCING NEW INGREDIENTS

We have also widened our coverage of commodity markets so that our analysis better matches our growing physical product portfolio. To accelerate this process and reduce our learning curve we have partnered with product experts to share high-quality content with our clients. We collaborate with Wood Mackenzie on PET packaging, CRU on fertilisers and Nixal on corn and ethanol markets. We aim to establish similar, select partnerships in the future as our non-sugar product portfolio expands further, focusing on providing fresh and interesting insights into all the supply chain markets we work in.

ETHANOL JOINT VENTURE

In 2019, we established a new entity in Brazil, CzEnergy, in response to the recent shift from sugar towards ethanol production in Brazil. The entity is a joint venture between Czarnikow and CMAA Group and will be a vehicle to assist ethanol producers to finance inventories in Brazil. Ethanol is produced during a six-month period, but is consumed throughout the year, causing a significant requirement for inventory finance. We expect the entity to be fully operational by the beginning of the next Brazilian season in May 2020.

cz energy

+ DAIRY

In 2019, we shipped around 1,400 metric tonnes of dairy products, including butter, other milk fats and milk powders.

RISK MANAGEMENT

Promoting entrepreneurship by understanding our risks

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, systems and processes.

RISK TOLERANCE

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. This year, for each of our 12 principal risks to the business we have illustrated our associated risk tolerance.

RISK ASSESSMENT

We use a risk 'heat map' on page 24 to help assess our 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. This year we also disclose our 'emerging risks'. These are important enough to be monitored, but not material enough to be 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.

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 Board decision-making. In addition, we have an 'open door' policy and arrangements for employees and contractors to raise concerns about possible wrongdoing.

RISK MANAGEMENT FRAMEWORK

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 senior management. Further support is provided by CGL's Credit Committee, Operational Risk Committee and Legal and Compliance team.

RISK MANAGEMENT FOCUS IN 2019

> **Managing liquidity risk**
  Ongoing work with the Trade Finance team to refine banking facility availability to enhance liquidity management capability

> **Reducing exposure to freight costs**
  Ongoing work to reduce freight cost risks following the International Maritime Organization's requirement to reduce sulphur in marine fuel

> **IT systems development**
  Overseeing IT system roll-out in Risk department to standardise global reporting, improve data capture and enable teams to act with more insight and speed

> **Supporting growth markets**
  Group-wide support of operational expansion, including development of metrics for quantifying non-sugar contract risks, analysis of new types of counterparty, and overseeing shipping operations for new products.

DEVELOPMENTS IN 2020

Our Risk teams will continue to focus on evaluating new partners and processes as our business operations expand. For example, our new entity in Bahrain increased our risk profile to include vendor-managed inventory services, and the search for a joint venture partner in Brazil entailed a high level of scrutiny. We anticipate a positive impact on our liquidity risk profile from the launch of our borrowing base facility and further benefits from our IT system roll-out.

+ Governance, P34

INTEGRATED RISK MANAGEMENT FRAMEWORK

TOP-DOWN LEADERSHIP

THREE COMMON DIRECTORS

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
- Coordinating 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
- Cooperating with the Treasury team to monitor and manage cash payments.

INDIVIDUAL AND COLLECTIVE RESPONSIBILITY

208 EMPLOYEES
INTEGRAL TO OUR RISK MANAGEMENT CULTURE

UNDERPINNED BY

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

RISK MANAGEMENT CONTINUED

PRIORITISING OUR RISKS

PRINCIPAL RISKS (POST-MITIGATED)

GROUP 1:
HIGH LIKELIHOOD/LOW IMPACT

1 Credit risk
2 Political risk
3 Reputational risk
4 Shipment risk
5 Systems risk

GROUP 2:
MEDIUM LIKELIHOOD/MEDIUM IMPACT

6 Currency risk

GROUP 3:
LOW LIKELIHOOD/HIGH IMPACT

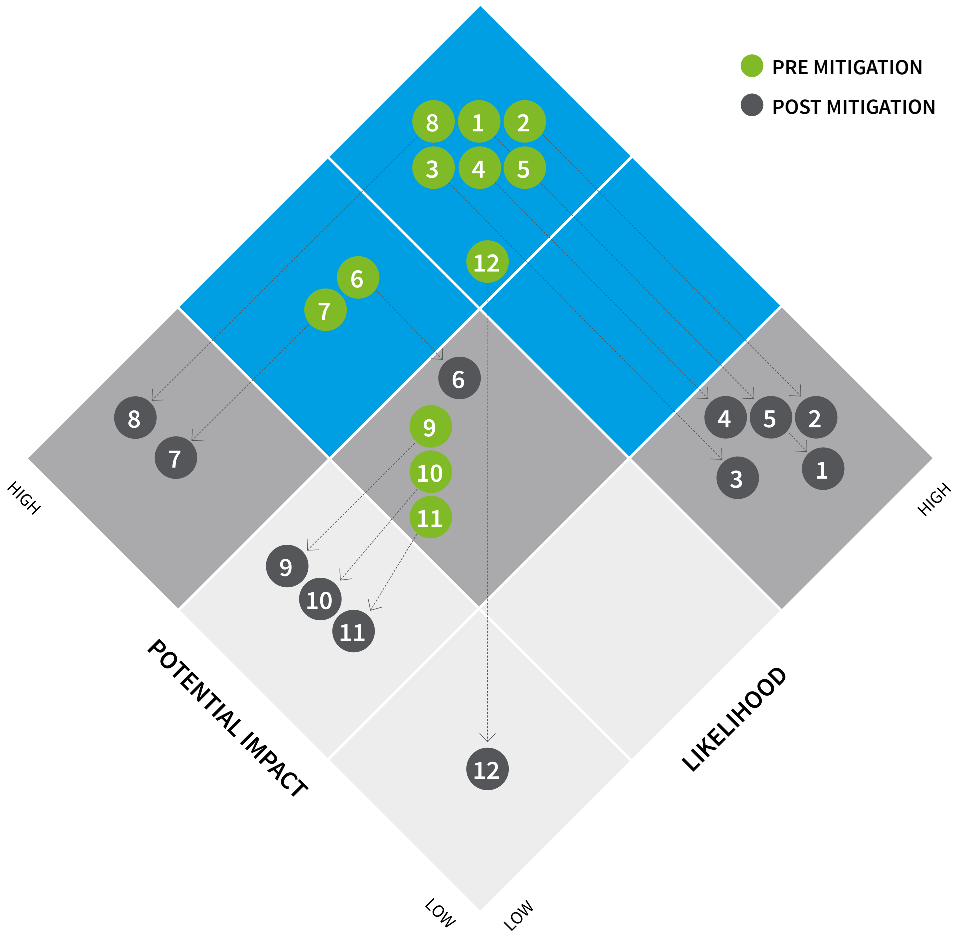
7 Liquidity risk
8 Regulatory risk

GROUP 4:
LOW LIKELIHOOD/MEDIUM IMPACT

9 Employee health and wellbeing risk
10 Interest risk
11 Key person risk

GROUP 5:
LOW LIKELIHOOD/LOW IMPACT

12 Price risk



EMERGING RISKS

In addition to the principal risks plotted on the risk heat map above and described in detail on pages 25 to 29, this year we also disclose our emerging risks. These risks are important enough to be monitored closely, but not material enough to be considered principal risks.

COVID-19

During the year under review, this risk was unidentifiable but at the time of writing the effect of the COVID-19 global pandemic is impacting our day-to-day business. As mentioned above on page 20, local self-isolation and lock-down measures in many countries are disrupting global commodity supply chains and sugar consumption. We are monitoring the situation and updating the markets daily. Our view is published on our social media channels, Czapp and corporate website home page. Despite these challenging circumstances, we are confident that by staying informed and connected we can continue to act to the best of our ability throughout this period to support all our clients and partners until such time as the situation settles.

Brexit

Our exposure to uncertainty relating to Brexit has been immaterial to date, owing to our diverse global business (see Political risk commentary on page 26). However, this topic remains on our radar until the full implications of the confirmed exit are better understood.

Climate change

Our direct business exposure to the impact of climate change is low. However, we are reliant on other services (such as shipping and farming) which could be adversely affected by climate change in the longer term. We remain vigilant in considering and analysing potential climate change-related impacts.

Insurance

In 2019, the industry experienced increased insurance losses owing to misappropriation of goods in warehouses. As a result, we faced insurance cover restrictions for misappropriation of cargo goods in what is now a hardening market. Having tightened our policies, we are working with our warehousing partners to improve mutual practices as part of our mitigation plan.

Brazilian real devaluation

Since the year end, the Brazilian real (BRL) continued to devalue against the US dollar owing to domestic issues and compounded by the impact of the COVID-19 pandemic. Support from Brazil's central bank has stemmed its decline but we continue to monitor this currency in particular, given Brazil's important growing and processing role in the global sugar market.

Principal Risks

In the section below, we describe our principal risks as illustrated in the risk heat map on page 24.

RISK REPORTING

For each principal risk, we indicate the most likely impact each would have on our ability to achieve our corporate goals, our tolerance level, speed of the risk materialising and year-on-year changes.

CORPORATE GOALS

1. Reinforcing the brand of Czarnikow as a world-leading, modern 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, risks to the business increased in four areas:

- Reputational risk (owing to the diversification of our service offer)
- Shipment risk (owing to increased volumes and potential perishability of some new product lines)
- Systems risk (owing to increased reliance on our app and website)
- Currency risk (owing to the volatility of BRL and GBP).

We also identified a new principal risk to the business:

- Employee health and wellbeing risk.

GROUP 1: HIGH LIKELIHOOD/LOW IMPACT

1. CREDIT RISK

YEAR-ON-YEAR CHANGE

→

RELEVANCE TO ACHIEVING CORPORATE GOALS

2, 4

KEY RESPONSIBILITY

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

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 ensure we are 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 (see below).

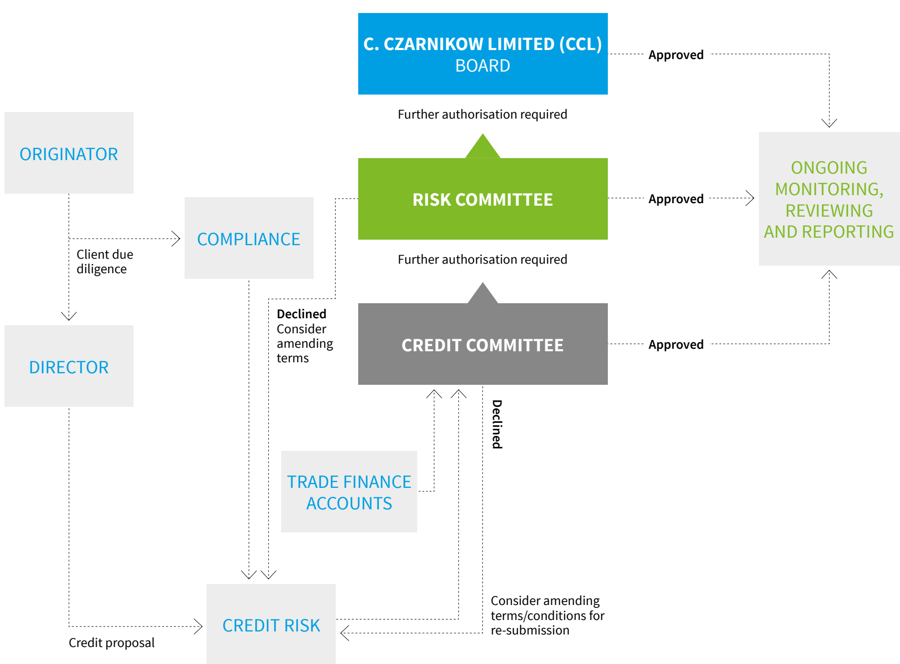
The credit assessment stage, including the information-gathering process, is critical to the proper functioning of this cycle. During this stage, the Risk team determines and quantifies the exact nature, timescale and amount of credit risk exposure which has been proposed, comprising: precise terms and 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.

Recent developments

With the continuation of a low-price environment in the sugar market due to the saturated supply of sugar, our main credit risk relates to the non-performance of contracts under long-term pricing contracts. Our effective relationship management and contractual structures are key mitigating factors.

CREDIT COMMITTEE



RISK MANAGEMENT CONTINUED

Risk tolerance
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 mitigate this exposure given our strong systems and structures, and our track record of client relationships and counterparty management.

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.

Counterparty risk analysis
At year end 2019, we had traded with 100 (2018: 83) newly-approved counterparties from a total of 157 successfully submitted (2018: 158), across 48 (2018: 35) countries. Exactly 12% (2018: 17%) of counterparties with whom we traded are classed in a risk category of adequate or better.

This is a slight worsening on last year, but reflects an ongoing trend of falling averages (2017: 16%; 2016: 73%; 2015: 50%) and reflects the current low-price trading environment. However, our robust counterparty due diligence carried out by our Credit Committee and Credit Risk team, coupled with our strong relationship management and contractual structures, mean that we are satisfied that our counterparty risk is mitigated to within agreed risk tolerance levels.

2. POLITICAL RISK

YEAR-ON-YEAR CHANGE
→
RELEVANCE TO ACHIEVING CORPORATE GOALS
2, 4
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 Czarnikow carefully manages any trading activities in politically volatile locations. As a global business with diversified exposure to many countries and bodies, the potential impact of this risk is reduced.

Recent developments
Our political risk in 2019 increased due to the continued disruption to global trading structures in key areas such as China and the US, in addition to the focus on the health consequences of sugar. Our exposure to uncertainty relating to Brexit was minimised due to our diversified global business, both in terms of where we operate and where we have located our legal entities. We remain focused on responding to these risks quickly, flexibly and effectively.

Risk tolerance
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.

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.

3. REPUTATIONAL RISK

YEAR-ON-YEAR CHANGE
↑
RELEVANCE TO ACHIEVING CORPORATE GOALS
1
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, as an indirect result of employee actions, or tangentially through peripheral parties such as joint venture partners or suppliers.

Mitigation strategy
Czarnikow's commitment to a sustainable supply chain and best practice corporate governance form the key pillars of its mitigation strategy in the area of reputational risk. Furthermore, our sustainable supply programme, VIVE, ensures that we are at the forefront of encouraging best practice throughout the supply chain.

Recent developments
The continuing high-profile scrutiny of the health consequences of excess sugar consumption puts our reputation at risk. Our recent product diversification will dilute our concentrated exposure to sugar products over time but brings with it a wider breadth of risk, including exposure to the plastic packaging debate. We continue to evaluate reputational risks versus commercial opportunities in our pursuit of growth. When looking to start new ventures, such as with CzEnergy, we strive to select the most appropriate partners with minimal associated risk.

COUNTERPARTY ANALYSIS BY RISK CATEGORY

New counterparties approved with whom we traded (grey)
New counterparties approved with whom we did not trade (blue)

		New counterparties approved with whom we did not trade	New counterparties approved with whom we traded
Extremely strong	(91-100)	0	
Very strong	(81-90)	0	
Strong	(71-80)	1	1
Good	(61-70)	7	7
Adequate	(51-60)	9	4
Uncertainties	(41-50)	28	12
Speculative	(31-40)	42	35
Vulnerable	(11-30)	70	41
Extremely weak	(0-10)	0	

Source: Czarnikow.

Risk tolerance
ZERO – As an asset-light company, we place a large amount of value in our people and reputation. These power our business, and as such it is of utmost importance that we have the correct processes in place to mitigate any risk that might undermine these valuable resources.

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 can accelerate the process.

4. SHIPMENT RISK

YEAR-ON-YEAR CHANGE	↑
RELEVANCE TO ACHIEVING CORPORATE GOALS	3, 4
KEY RESPONSIBILITY	Julian Randles, CFO

What this risk means to us
The risk of costs being incurred in the course of delivering sugar to clients (e.g. relating to shipment windows or demurrage) and/or relating to changes in freight costs.

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.

Recent developments
Consolidation in the shipping industry has brought some stability to the market. In addition, the development of freight hedging tools has strengthened our ability to mitigate price risk in this sector. As we expand into new product areas with potential perishability and increased volumes, we expect some increase in shipment risk.

Risk tolerance
MEDIUM – We are prepared to take on increased risks associated with the shipment of perishable products into new territories in order to promote business growth. We have advanced systems and processes in place to deal with these new challenges, as well as a strong operational team with expertise in managing global shipments.

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

5. SYSTEMS RISK

YEAR-ON-YEAR CHANGE	↑
RELEVANCE TO ACHIEVING CORPORATE GOALS	1, 3, 4
KEY RESPONSIBILITY	Stuart Durrant, ICT Manager

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. 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 access to cutting-edge technology and functionality. In 2019, we launched our first online and mobile client portal, Czapp. Increased reliance on internal systems and the launch our first-ever client-facing IT system have increased our systems risk profile. Despite this, the development of our IT systems is viewed as a net benefit to the Group and integral to our business expansion.

Risk tolerance
LOW – We are not prepared to risk the day-to-day functioning of business, but we are open to evaluating new and leading-edge technology to further enhance businesses processes and are cognisant of the risks inherent in this approach. Through our agile and product-driven methods used to develop software, we mitigate the risk of building a system that is not aligned with our specific business needs.

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

GROUP 2: MEDIUM LIKELIHOOD/MEDIUM IMPACT

6. CURRENCY RISK

YEAR-ON-YEAR CHANGE	↑
RELEVANCE TO ACHIEVING CORPORATE GOALS	2
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
Political risk and uncertainty have led to increased currency volatility risks in our key markets and currencies (GBP, USD, BRL). The Group continues to develop trading facilities to combine commodity and currency portfolio valuation and collateral management.

Risk tolerance
LOW – Where relevant, we will always hedge our exposure to currency risk relating to our trading activities. Furthermore, when needed we will take steps to hedge currency risk related to overheads.

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

RISK MANAGEMENT CONTINUED

GROUP 3: LOW LIKELIHOOD/HIGH IMPACT

7. LIQUIDITY RISK

YEAR-ON-YEAR CHANGE

→

RELEVANCE TO ACHIEVING CORPORATE GOALS

1, 2

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 will enable us to further manage our margin and physical finance requirements.

Recent developments

Sugar prices remained low as major sugar producers expanded crop volumes, adding to an already oversupplied global sugar market, which caused many lending institutions to reconsider their exposure to the sector. Czarnikow's strong banking relationships and proven processes limited the impact of reduced available facilities.

Risk tolerance

MEDIUM – It is a business requirement to be able to meet funding requirements inherent in volatile commodities markets and manage risk accordingly.

Speed of risk materialising

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.

8. REGULATORY RISK (INCLUDING FINANCIAL CRIME)

YEAR-ON-YEAR CHANGE

→

RELEVANCE TO ACHIEVING CORPORATE GOALS

1

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

A recent expansion of the Senior Managers and Certification Regime placed a renewed emphasis on reviewing all compliance processes, policies and training activities to ensure we mitigate regulatory risks effectively and efficiently. Senior managers maintain a strong compliance programme, work closely with the Compliance team and receive regular reports. Czarnikow is working towards full implementation of the Senior Managers and Certification Regime by the December 2020 deadline.

Risk tolerance

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.

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.

GROUP 4: LOW LIKELIHOOD/MEDIUM IMPACT

9. EMPLOYEE HEALTH AND WELLBEING RISK

YEAR-ON-YEAR CHANGE

NEW

RELEVANCE TO ACHIEVING CORPORATE GOALS

1, 3

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 effect proper treatment. Managers hold regular check-in meetings with their direct reports, and confidential employee meetings are held regularly with the HR team. We provide subsidised gym memberships, healthy food and host monthly wellbeing information-sharing updates.

Recent developments

As of 2019, this is a new principal risk. We are encouraging an atmosphere of openness and support to mitigate any deterioration in our employees' mental and physical wellbeing.

Risk tolerance

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.

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.

10. INTEREST RATE RISK

YEAR-ON-YEAR CHANGE	→
RELEVANCE TO ACHIEVING CORPORATE GOALS	2, 4
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 therefore 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 impact 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

LOW – Our business model limits our direct exposure to this risk, but we must be vigilant to manage it on behalf of our clients.

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.

11. KEY PERSONNEL RISK

YEAR-ON-YEAR CHANGE	→
RELEVANCE TO ACHIEVING CORPORATE GOALS	1, 2, 3
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 a rewarding, positive workplace, allowing our employees to realise their potential in alignment with our long-term aspirations. We identify strengths and opportunities through regular check-in meetings, offer formal and informal learning, and provide competitive long-term remuneration.

Recent developments

While Czarnikow's continued strong performance puts our teams at risk of being poached, several competitors' exit from the sugar market offsets this likelihood. Investment in bespoke training, cross-training within teams and provision of support services to employees continues to reduce the impact of this risk.

Risk tolerance

LOW – The importance of our ongoing IT systems development and implementation means that any loss of personnel in this function carries an increased risk to our business. We must therefore remain vigilant in regard to any potential changes. However, we are confident that we continue to provide a stimulating workplace in which employees can thrive and receive competitive remuneration and a good work-life balance.

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.

GROUP 5: LOW LIKELIHOOD/LOW IMPACT

12. PRICE RISK

YEAR-ON-YEAR CHANGE	→
RELEVANCE TO ACHIEVING CORPORATE GOALS	2
KEY RESPONSIBILITY	CCL's 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 the price risk management framework and using derivative financial instruments to mitigate as much risk as possible.

Recent developments

In 2019, the Group successfully implemented a more responsive framework – using potential future exposure (PFE) and a beta-coefficient metric – to measure funding risk for hedges undertaken under physical contracts. This framework delivered enhanced visibility and reporting of price risk throughout 2019.

Risk tolerance

LOW – We have a low tolerance for price risk and use derivatives to hedge our exposure to the market.

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.

MANAGEMENT COMMITTEE

Redefining the business

ROBIN CAVE
CEO

Location	London
Joined Czarnikow	2009
Committee membership	C D T V

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
- Making Czarnikow an exciting place to work
- Targeting investment in our core strengths.

CCL

JULIAN RANDLES
CFO

Location	London
Joined Czarnikow	2012
Committee membership	R C D T

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
- Optimising operational processes and systems
- Overseeing risk management and internal controls
- Managing prudent, effective investment in our employees and facilities
- Developing organisation-wide proprietary IT systems.

CCL

JAMES BRITTAIN
DIRECTOR, ANALYSIS AND ADVISORY

Location	London
Joined Czarnikow	1996
Committee membership	C T

Key responsibilities
- Leading Czarnikow's Analysis and Advisory team
- Managing and developing client advisory, risk management and consultancy services
- Delivering analytical support and tools across the Group.

Current focus
- Enhancing the analysis and advisory product offering on Czapp to increase engagement
- Developing new relationships to broaden content and expand client base
- Utilising technology to widen product coverage with increased automation.

ADAM LEETHAM
HEAD OF RAW SUGAR TRADING

Location	London
Joined Czarnikow	1995
Committee membership	C T

Key responsibilities
- Overseeing global raw sugar trading
- Developing and managing global raw sugar client relationships
- Optimising revenue generated through principal raw sugar purchase and sale.

Current focus
- Enhancing value chain opportunities by assisting clients to mitigate risk and benefit from market opportunities
- Deepening relationships with key trading partners
- Targeting efficiencies through integration of global raw sugar teams and platforms.

+ www.czarnikow.com/about

KEY TO COMMITTEE/BOARD MEMBERSHIPS

- CCL Members of the CGL Management Committee who also sit on the Board of CCL
- R Operational Risk Committee
- C Credit Committee
- D IT and Development Committee
- T Trading Committee
- V VIVE Steering Committee

WILLIAM ROOK
HEAD OF REFINED SUGAR, INGREDIENTS AND VIVE

Location	London
Joined Czarnikow	1989
Committee membership	C T V

Key responsibilities
> Coordinating Czarnikow's global supply chain services for the food and beverage sector
> Leading global key account management
> Managing and promoting our sustainability programme, VIVE.

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
> Driving change and delivering advantage for clients.

CCL

TIAGO MEDEIROS
HEAD OF BRAZIL

Location	São Paulo, Brazil
Joined Czarnikow	1998
Committee membership	C T V

Key responsibilities
> Overseeing all operations in Brazil
> Managing and developing local team in areas of trading, supply chain management, corporate finance and advisory
> Executing our global corporate finance business.

Current focus
> Expanding Brazilian raw sugar origination model
> Developing specialised services for the ethanol market
> Developing structured finance solutions tailored for Brazilian clients
> Growing Brazil's corporate finance division globally.

NICHOLAS WAINWRIGHT
HEAD OF ASIA

Location	Singapore
Joined Czarnikow	2000
Committee membership	C T V

Key responsibilities
> Developing and implementing Czarnikow's strategy in Asia, with a focus on China and Thailand
> Managing derivatives, advisory and corporate finance business in the region
> Overseeing trading and value chain activities for sugar, ingredients and packaging
> Developing our sustainable supply chain programme, VIVE, in Asia.

Current focus
> Developing new partnerships in the raw sugar supply chain
> Broadening VIVE coverage in the region
> Enhancing our corporate finance network
> Identifying new markets to develop a local presence.

JONATHAN WILLIAMS
HEAD OF AMERICAS AND EU PREFERENTIAL TRADE

Location	London
Joined Czarnikow	1986
Committee membership	C T

Key responsibilities
> Overseeing raw and white sugar trading within EU preferential trade structures and the Americas (excluding Brazil).

Current focus
> Continuing to implement and enhance Czarnikow's Strategy for post-2017 EU market developments
> Optimising the trading strategy for raw and white sugar in the Americas (excluding Brazil).

BUSINESS SPECIALISTS AND LEADERS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REGIONAL LEADERS

LILY CHEN
COUNTRY MANAGER, CHINA

Location	Guangzhou
Joined Czarnikow	2007
Committee membership	T V

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

1

DOUG AARVOLD
REGIONAL MANAGER, AFRICA

Location	London
Joined Czarnikow	2013
Committee membership	T V

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

2

TOM BALLARD
GENERAL MANAGER, THAILAND

Location	Bangkok
Joined Czarnikow	2008
Committee membership	T

Tom has worked in London and Singapore. Setting up our Bangkok office, he has developed our supply chain, risk management and stock finance services for the Thai market.

3

PABLO COLLADO
GENERAL MANAGER, AMERICAS

Location	Miami
Joined Czarnikow	2016

Pablo has been leading the charge for the restructuring of Czarnikow in the Americas. He has worked hard to raise the bar for core business in the USA by increasing our customer base and volumes.

4

JOHN IRELAND
ASSOCIATE DIRECTOR

Location	London
Joined Czarnikow	2010
Committee membership	T

John is responsible for raw and bagged sugar trading within preferential trade structures. Chairman of the Sugar Traders Association of the UK and Council Member of the Refined Sugar Association of London.

5

DIEGO DOURADO
ASSOCIATE DIRECTOR

Location	São Paulo
Joined Czarnikow	2004
Committee membership	T

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

6

INGREDIENTS LEADERS

TANIA AGUILAR
HEAD OF GLOBAL SOURCING

Location	Dubai
Joined Czarnikow	2019

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

7

AMIR LATIF
INGREDIENTS TRADER

Location	London
Joined Czarnikow	2012

Amir joined the Trade Finance team before moving to the white sugar trading desk. He is now working on the new ingredients and packaging business line.

8

INTERNAL SPECIALISTS

JAYSHREE BARNES
ASSOCIATE DIRECTOR, HEAD OF TRADE FINANCE

Location	London
Joined Czarnikow	2004
Committee membership	R T V

Jayshree has worked extensively with our banks, creating a portfolio of banking lines totalling US$707.8 million to support all our global trade flows. She led the implementation of our borrowing base facility and developed and manages our multi-debt and single-risk insurance policies, and receivables finance.

9

LUIS FELIPE TRINDADE
ASSOCIATE DIRECTOR, HEAD OF CORPORATE FINANCE

Location	São Paulo
Joined Czarnikow	2006
Committee membership	T

Luis has contributed to positioning Czarnikow as a leading M&A advisory firm in Brazil. As Head of our international corporate finance service, Luis has developed capital structure solutions across global sugar and bioenergy value chains.

10

NATALIA BARBOSA
LEARNING AND DEVELOPMENT MANAGER

Location	London
Joined Czarnikow	2012

Natalia's experience with our international branches allows her to design and deliver learning and development solutions across Czarnikow, empowering the business, teams and individuals to achieve their development aspirations.

11

SHARON BLORE-RIMMER
HEAD OF HUMAN RESOURCES

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 and nurtures our team.

12

HIJA ALI
HEAD OF RISK

Location	London
Joined Czarnikow	2017
Committee membership	R C

Hija's experience helps Czarnikow to identify potential risks, guiding internal stakeholders in their decision-making whilst enabling value protection and creation.

13

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.

14

STUART DURRANT
IT MANAGER

Location	London
Joined Czarnikow	2005
Committee membership	R D V

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

15

NATALIA DZIEDZIC
COMPLIANCE MANAGER

Location	London
Joined Czarnikow	2016
Committee membership	R C

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

16

TANYA EPSHTEYN
HEAD OF STRUCTURED FINANCE

Location	London
Joined Czarnikow	2020

Tanya is responsible for working with new and existing finance partners to bring innovative finance solutions to Czarnikow's client base.

17

RAINE LIM
ASSOCIATE DIRECTOR

Location	Singapore
Joined Czarnikow	2009

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

18

KEY TO COMMITTEE/BOARD MEMBERSHIPS

- R Operational Risk Committee
- C Credit Committee
- D IT and Development Committee
- T Trading Committee
- V VIVE Steering Committee

GOVERNANCE REPORT

Recognising the value of our governance culture

OUR GOVERNANCE ARRANGEMENTS

Very large private companies are required from this reporting year onward to include a 'statement of corporate governance arrangements'.[1] As a large private company, we are not required to do this, but have chosen to publish our second governance report on a voluntary basis.

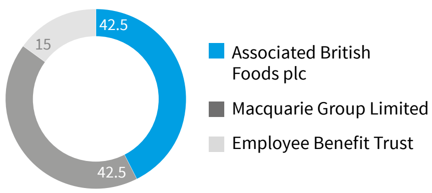
Following internal discussion and positive feedback from external stakeholders, the CCL and CGL Boards agreed that, once again, we would use the Wates Principles and guidance (the 'Principles')[2] as a practical and meaningful framework for sharing our governance approach, information and actions.

Governance in context

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.

The two entities have a strong working relationship, not least owing to the three Directors who sit on both CCL's Board and CGL's Management Committee. CCL's shareholding structure is provided in the pie chart opposite and its Directors are listed in the table below. The names and biographies of CGL's Management Committee can be found on pages 30 and 31.

C. CZARNIKOW LIMITED SHAREHOLDER STRUCTURE, %



- **Associated British Foods plc, 42.5%**
  Associated British Foods plc is a diversified international food, ingredients and retail group operating in 52 countries, and a FTSE 100 company listed on the London Stock Exchange.
- **Macquarie Group Limited, 42.5%**
  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.
- **Employee Benefit Trust, 15%**

C. CZARNIKOW LIMITED INFORMATION

CCL Directors	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	Associate Director, Macquarie Bank Limited

Notes about the CCL Board:

- Qualifying Members are registered holders of not less than 7.5% of 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 Companies (Miscellaneous Reporting) Regulations 2018.
2 The Wates Corporate Governance Principles for Large Private Companies, Financial Reporting Council, December 2018.

'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 for 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',[2] in last year's Annual Review we identified ten areas across the six Principles to consider for improvement. In the table below we have updated our progress for each area and plan to do so each year.

Wates Principles[3]	Areas considered in 2019	Progress made to date
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.	> Monitoring the understanding of our culture through employee surveys	> Rather than focusing on specific culture surveys, we have prioritised feedback from employees through Glassdoor, as we believe this allows employees to discuss the issues of most importance to them in an open, neutral forum > In addition, in early 2020, the CGL Board agreed and communicated the Group's purpose (see page 36)
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.	> Development of diversity and inclusion policy to guide senior management recruitment and promote a balanced leadership pipeline	> We have started preparing this policy and will look to approve it at Board level in 2020 > We have included our first diversity and inclusion statement in this review (see page 51)
	> Formal evaluation of Management Committee as a whole	> At present, we evaluate CGL's Management Committee members on an individual basis through our existing appraisal system > Whole Board evaluation remains open for consideration
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.	> Building a stronger culture of data integrity across the organisation to promote consistent use of high-quality data to inform decision-making	> Data is now used and shared widely across the Company, which has increased our understanding of further opportunities on how to use our high-quality data for the betterment of the organisation
	> Completing internal management reporting pack development process	> Departmental reporting across the senior management team has been implemented and we expect further refinement of this process during 2020
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.	> None	> Despite not articulating any formal consideration areas last year, we introduced some new risk reporting elements, namely emerging risks and risk tolerance levels for each principal risk
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.	> Voluntary disclosure of pay ratios	> Czarnikow has disclosed how Directors' year-on-year remuneration compares with other financial expenditure in this review for the first time (see page 41)
	> Further gender pay gap analysis	> Our HR database has been developed to facilitate greater evaluation of our gender pay gap > We have published our first gender pay gap analysis in this review (see page 51)
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.	> More formal stakeholder prioritisation	> Stakeholder issues are discussed and prioritised at the departmental/functional level but not formally overall. However the communication of material stakeholder issues is facilitated by our integrated risk management approach. We remain open to improving our formal stakeholder reporting process
	> Further channels of communication	> In 2019, we expanded our communications channels to include social media and regular blog posts on our website. Transparency continues to be at the heart of our business and we will expand our communication channels further in 2020 to include events (both live and streamed online)
	> Environmental/climate change impact	> We report material greenhouse gas emissions to one of our shareholders, submit ESOS data, and influence the industry positively through our own actions and sustainability programme, VIVE (see page 48)

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

GOVERNANCE CONTINUED

1 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. In the first quarter of 2020, the Management Committee articulated the Group's purpose – to exert a positive economic and sustainable influence in our food, beverage and energy supply chains. This purpose encapsulates Czarnikow's overall business approach and the holistic value that the Group generates. Our latest strategy, vision and corporate goals were published and communicated to the Group in 2018 and considerable thought was put into explaining what we mean by each element. These are summarised in the table below.

Each year, we run an internal Strategy Week, during which the strategic focus for the upcoming year is discussed by the senior management. In 2019, we implemented a new initiative – 'All Hands' meetings – which allows all employees to have transparent access to and comment on CGL's strategic decision-making rationale and focus.

During the 2019 Strategy Week, the leadership team formally debated our existing strategy and concluded that it is still relevant to the business.

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, shared with shareholders and banking partners, among others, and accompanied by annual roadshows organised and attended by our CFO.

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. 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.

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 are working to achieve full compliance with the extension to the Senior Managers and Certification Regime. We use our employee average length of service as a proxy for having a healthy culture, and share unabridged, online views on our working environment through our partnership with Glassdoor.

Areas to consider:

- Monitor Glassdoor feedback to evaluate understanding of culture and other important employee issues

2 PRINCIPLE TWO: BOARD COMPOSITION

CHAIR

Robin Cave is CEO of CGL and responsible for CGL's overall effectiveness. Robin joined Czarnikow in 2009 with a strong background in investment banking but little knowledge of the sugar industry. Robin has promoted fresh ideas, open debate and constructive discussion, and steered CGL in a new direction while building on its inherent core strengths and business reputation. Robin's Management Committee members, between them, have an unrivalled depth of knowledge of the international sugar sector and related added-value services. The Management Committee's average length of service is 20 years.

At the 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.

HOW OUR STRATEGIC ELEMENTS WORK TOGETHER

Strategic element	What this means to Czarnikow	More information
VISION	> Sets out an inspiring picture of Czarnikow's future. We use it to motivate and focus us towards what we are trying to achieve.	P5
STRATEGY	> The high-level approach we will use to be successful. We use it to guide our business decisions and actions.	P5
OUR CORE STRENGTHS	> 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.	P14
OUR VALUES	> Represent the culture which underpins our success as an organisation. We use them to support and drive all our business activities.	P3
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.	P5
MISSION	> Defines the business we conduct on a day-to-day basis. We use it to help maintain focus on our core business activities.	P3
PURPOSE	> Our reason to exist – why we do what we do, for both financial and non-financial reasons.	P3

BALANCE AND DIVERSITY

We believe that CGL's Management Committee has a good balance of knowledge, skills and international outlook which, coupled with our culture as described above, allows for effective decision-making and genuine enthusiasm for its agreed strategic direction. However, we acknowledge that CGL's current Management Committee profile does not adequately reflect the diversity or gender balance of our next layer of management, nor our overall group of employees, who work in ten different country offices and are rich in international culture.

GENDER ANALYSIS, %	FEMALE	MALE
CCL Board	-	100
CGL Management Committee	-	100
CGL business specialists and leaders	50	50
CGL all employees	41	59

As part of the Management Committee's commitment to creating an exciting place to work and to reinforce Czarnikow's brand as a world-leading modern services company, we are currently developing a diversity policy which we plan to launch later in 2020. We have also improved our HR data systems to analyse gender pay and our first gender pay gap report can be found on page 51. We continue to recruit and promote people on merit – and not by quota – and are committed to ensuring that our diverse group of employees can attain Group leadership roles.

SIZE AND STRUCTURE

We have eight Management Committee members (CGL), three of whom sit on the CCL parent board (see page 34). This number of members is considered practical and appropriate to meet the strategic needs and challenges of the organisation, whilst enabling effective decision-making. This set-up also facilitates an effective flow of information between CGL and CCL, ensuring 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 pages 38 to 39.

EFFECTIVENESS

We are committed to the ongoing professional development of CGL's Management Committee and senior management team. Each week the senior management team attends presentations made from across the Group to keep them abreast of latest business developments. We also run an 'innovator series' – inviting external speakers from successful start-up businesses – to inspire entrepreneurial thinking. Our annual Strategy Week always includes keynote sessions on business trends and regulatory updates. In 2019, these included technical development, business expansion and organisational focus.

We evaluate CGL's Management Committee on an individual basis through our existing appraisal system. This allows us to formally monitor each member's performance against overall corporate goals, individual strategic objectives, our values and expected cultural behaviour. Our appraisal process helps inform training and development needs, future remuneration, bonus outcomes and succession planning. We consider our process adequate for the size and spirit of our Management Committee, but acknowledge the opportunity to evaluate the effectiveness of our Management Committee as a whole to highlight collective strengths and development areas, and to help individual members contribute more effectively.

At the CCL committee level, each Committee arranges for periodic reviews of its own performance and, at least annually, 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.

Areas to consider:

- Launch of diversity and inclusion policy to guide senior management recruitment and promote a balanced leadership pipeline
- Formal evaluation of Management Committee as a whole

3 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, describing Director accountabilities in detail and setting out delegated authorities. Committees supporting CCL and CGL also have formally documented 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 vision and strategy work, CGL's Management Committee monitors the performance indicators used across the Group. CGL's external KPIs are presented on page 43. CGL's Management Committee challenges the relevance of existing indicators against its five-year plans, either reconfirming them or introducing new ones to best measure performance. Our recent investment in 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.

Protocols are in place for the circulation of information before and after Board and Committee meetings to ensure that Directors can carry out their duties as effectively as possible, as set out on pages 38 and 39.

Areas to consider:

- Building on our existing strong data-led culture to promote consistent and advanced use of high-quality data to inform decision-making
- Refining internal management reporting pack development process

GOVERNANCE CONTINUED

COMMITTEES

CCL's Board has three committees and CGL's Management Committee has five committees to help with the consideration of certain matters, although the CCL Board and CGL Management Committee retain responsibility for final decisions. In carrying out their duties, all Committees have regard to the values, strategy and culture developed by the CCL Board for CCL and CGL.

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

For all Committees, members can seek any information they require from any employee, consultant and other provider of services to CCL (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.

CCL

SUPPORTING COMMITTEES

For CCL's Committees, the notice of meeting, agendas and supporting papers are forwarded to each committee member and invitees at least five working days before each meeting.

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.

1. RISK COMMITTEE

Reports to
CCL Board.

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.

Chair
Appointed by CCL Board each meeting on a rotating basis 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.

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.

2. REMUNERATION COMMITTEE

Reports to
CCL Board.

Principal purpose
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 Ltd, a regulated firm under the FCA, categorised as Tier 3 under the FCA Remuneration Code.

Chair
Appointed by CCL Board on a rotating basis each meeting between shareholder Directors, excluding all CGL employees.

Membership
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.

Frequency of meetings
At least twice a year.

3. AUDIT COMMITTEE

Reports to
CCL Board.

Principal purpose
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 on a rotating basis each meeting between shareholder Directors.

Membership
At least three members, including at least one representative of each CCL shareholder. Other people by invitation.

Frequency of meetings
At least twice a year, before and after the audit process.

CGL

SUPPORTING COMMITTEES

The same protocol for the circulation of information (as described on page 38 for CCL Committees) is followed for CGL Committees 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.

1. OPERATIONAL RISK COMMITTEE

Reports to
CGL's Management Committee and from time to time the CCL Board.

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.

Chair
Hija Ali, Head of Risk.

Membership
At least four members made up of CGL's CFO and relevant members of the Accounts, Operations (including bulk shipping), Trade Finance, Risk and Compliance teams. Other people by invitation.

Delegated authority
Recommends policies and actions to the CGL Board, relevant teams, and other committees.

Frequency of meetings
Fortnightly, and as required.

2. CREDIT COMMITTEE

Reports to
CGL's Management Committee and from time to time the CCL Board.

Principal purpose
Responsible for reviewing, approving and monitoring CGL's credit exposure, credit policies and counterparty compliance status.

Chair
Robin Cave, CEO.

Membership
At least four members, made up of the Directors of CGL's Management Committee. Other people by invitation.

Delegated authority
Delegates authority to approve trades on a Tier 1, 2, 3 and Price movement risk basis and to strict criteria.

Frequency of meetings
Weekly and as required.

3. IT AND DEVELOPMENT COMMITTEE

Reports to
CGL's Management Committee and from time to time the CCL Board.

Principal purpose
Responsible for reviewing, sharing and monitoring all IT and development activities, setting the overall IT strategy, and deciding upon short-term priorities for CGL.

Chair
Robin Cave, CEO.

Membership
At least four members, made up of CGL's CEO, CFO and Head of IT, and key members of the IT and Development teams, as required. Other people by invitation.

Delegated authority
Has the power to set up working parties and may delegate authority to them.

Frequency of meetings
Weekly and ad hoc.

4. TRADING COMMITTEE

Reports to
CGL's Management Committee and from time to time the CCL Board.

Principal purpose
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.

Chair
Robin Cave, CEO.

Membership
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.

Delegated authority
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.

Frequency of meetings
Weekly and ad hoc.

5. VIVE STEERING COMMITTEE

Reports to
CGL's Management Committee and from time to time the CGL Board.

Principal purpose
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
Robin Cave, CEO.

Membership
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
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
Ad hoc.

GOVERNANCE CONTINUED

4 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. Teams across the Group continue to be buoyed by the prospect of expanding growth opportunities in new product areas and geographies, which have been made possible by a culture of innovation and entrepreneurship, supported by investment in IT systems.

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 pages 38 to 39. The work of CGL's Risk team and Risk Committee is set out in the risk management section on pages 22 to 29, and includes new reporting elements on emerging risks and tolerance levels.

5 PRINCIPLE FIVE: REMUNERATION

REMUNERATION AND POLICIES

CCL's Remuneration Committee, whose principal purpose is outlined on page 38, determines and agrees the framework and broad policy for the remuneration 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.

The Remuneration Committee's other duties include:

> reviewing the ongoing appropriateness and relevance of the Remuneration Policy, particularly with reference to C. Czarnikow Sugar Futures Limited ('CCSFL'), a regulated firm under the Financial Conduct Authority (FCA), and its compliance as a Tier 3 Firm under the FCA Remuneration Code
> within the terms of the agreed Remuneration Policy and in consultation with CGL's Chief Executive Officer, monitoring and reviewing the total individual remuneration package of each Executive Director and other senior executives and senior management including (where appropriate) bonuses, incentive payments and share options or other share awards
> reviewing the design of, and determining targets for, any performance-related pay schemes operated by CGL and making recommendations to the CCL Board (for approval as a matter requiring special authorisation under CGL's Articles of Association) concerning key performance indicators, the total annual payments to be made under

REMUNERATION INFORMATION 2019 (AUDITED), US$'000

	2019	2018 Restated	2017
Staff costs for the Group (CGL):			
Wages and salaries	**20,846**	19,465	17,724
Social security costs	**2,310**	2,278	1,828
Pension costs	**815**	823	1,205
Total	**23,971**	**22,566**	**20,757**
Directors' emoluments for the Group (CGL) and Company (CCL):			
Total emoluments	**2,305**	2,946	3,526
Total Company contributions to money purchase pension schemes	**-**	10	207
Share-based payments	**488**	-	-
Total	**2,793**	**2,956**	**3,733**
Highest-paid Director:			
Emoluments	**542**	744	596
Share-based payments	**72**	-	-
Total	**614**	**744**	**596**

Notes:
The highest paid Director did not exercise share options in the year (2018: nil), however was granted share awards in the year (2018: nil). One Director exercised share options in the year (2018: nil). Five Directors were granted share awards during the year (2018: nil). The share price at date of exercise was US$71.655. The pension scheme is a defined contribution scheme. Pension costs of US$126,000 were accrued for as at 31 December 2019 (2018: US$116,000). There were no pre-paid contributions at 31 December 2019 (2018: nil). Pension contributions were made in respect of nil Directors (2018: five). The 2018 wages and salaries costs have been restated to include the profit share scheme expense.

such schemes, and any modifications to such schemes

- reviewing the design of all share option or share incentive plans, employee share trust or share ownership plans, or retirement benefit schemes. For any such plans, reviewing each year whether awards will be made, and if so, based on the proposals of CGL's Chief Executive Officer, making recommendations to the CCL Board (for approval as a matter requiring special authorisation under CGL's Articles of Association)
- ensuring that contractual terms on termination, and any payments made, are fair to the individual and CGL, that failure is not rewarded and that the duty to mitigate loss is fully recognised
- determining the policy for and scope of pension arrangements for each Executive Director and other senior executives and senior management
- agreeing the policy for authorising claims for expenses from the CEO and the CFO of CGL
- being aware of, and advising on, any major changes in employee benefit structures throughout CGL
- when setting remuneration policy for Directors, reviewing and having regard to pay and employment conditions across the Company or Group, especially when determining annual salary increases
- ensuring that all provisions regarding disclosure of remuneration, including pensions and gender pay gap reporting, as set out in ss.420 and 421 of the Companies Act 2006, and the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, are fulfilled, and producing an annual report to submit to the CCL Board each year in this regard
- being exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee, as well as obtaining reliable, up-to-date information about remuneration in other companies
- reviewing and reporting to the CCL Board on any amendments and/or changes to the regulatory regime applicable to the remuneration of CCSFL executives and staff.

OTHER PAY DISCLOSURES

Gender pay analysis

Our first published pay gap data and analysis can be found on page 51.

Relative importance of spend on pay

The graph below shows how our Directors' year-on-year remuneration compares with other financial expenditure in 2019. As a comparison, the UK inflation rate[1] (Consumer price index including owner occupiers' housing costs) was 1.7% in 2019.

Areas to consider:

- Further gender pay gap analysis and proposal for next steps

For more information:

+ HR review, P50-51

6 PRINCIPLE SIX: STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

STAKEHOLDERS

We share a list of our key stakeholders, how we engage with them and a summary of what they expect from us on pages 16 and 17 in our business model disclosure. Our ability to engage with our stakeholders has been an important part of our business growth planning as it provides assurance that we are moving in a positive direction and reduces risk as we venture into new areas. In 2019, all our product expansion plans, the opening of our new legal entity in Bahrain and our joint venture in Brazil were the direct result of engagement with clients. Other key business decision-making activities influenced by our engagement with key stakeholders are summarised below.

DECISION-MAKING

During the year under review, engagement with and understanding of our key stakeholders influenced the Directors' decision-making in the following material areas:

- Redefining the business as a modern services company
- Increasing our global network by building a new global presence in Bahrain and replicating our Brazilian supply chain model further in Thailand
- Expanding our product portfolio and accelerating our move into trading more complementary ingredients and packaging
- Launching our borrowing base facility
- Developing new software to streamline our internal processes
- Launching our new client portal and app, Czapp.

EMPLOYEE ENGAGEMENT

We engage with our employees through 'open door' policies, training, mentoring etc., to demonstrate our commitment, which is recorded as a corporate goal, to creating an exciting place to work. Employee policies are available to download on our website. As mentioned on page 36, our 'All Hands' meetings also engage employees in the Group's strategic decision-making rationale and focus.

STAKEHOLDER COMMUNICATION

In 2019, we expanded our communications channels to include social media and regular blog posts on our website. Transparency continues to be at the heart of our business and we will expand our communication channels further in 2020 to include the livestreaming and uploading of events. In 2019, we increased our followers on LinkedIn by 45% and the views of our videos on YouTube rose by 246%.

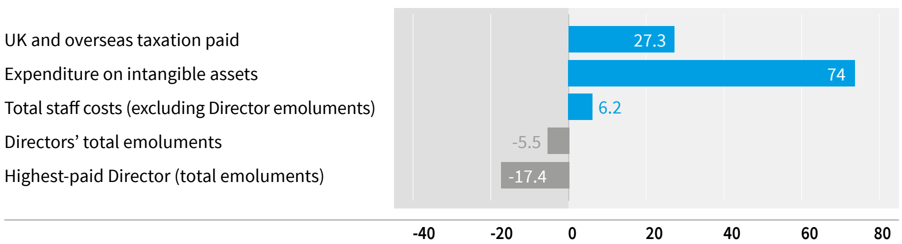
Areas to consider:

- More formal evaluation and prioritisation of stakeholder issues
- Ongoing evaluation of the effectiveness of stakeholder communication channels
- More formal environmental/climate change impact analysis and reporting.

For more information:

+ HR review, P50
+ Section 172 statement, P16

2019 COMPARATIVE DATA, YEAR-ON-YEAR % CHANGE



1 Source: www.ons.gov.uk

FINANCIAL AND OPERATIONAL REVIEW

A year in review

PERFORMANCE OVERVIEW

In 2019, Czarnikow Group Limited ('the Group') generated US$42.9 million gross profit (2018: US$39.0 million) on a turnover of US$1,800.4 million (2018: US$1,680.1 million), giving a pre-tax profit of US$7.01 million (2018: US$5.5 million). This was a commendable performance during another year of a prolonged low-priced sugar market and static sugar consumption growth.

OVERHEADS AND INVESTMENT

Our ability to stay profitable, despite difficult trading conditions, gives us and our stakeholders confidence in our service-led business model and ongoing expansion plans. To prepare for further growth, we increased our level of investment in our systems (as evidenced by intangible assets rising from US$2.0 million in 2018 to US$3.5 million in 2019), products and people in 2019 and are already seeing good returns from our actions.

The most significant investment was in our IT team, where we engaged 20 developers in 2019. Our ability to develop our own, bespoke software is a key competitive differentiator. Our relentless focus on improving our 'tech' competencies in recent years means we now have full control of our core systems, all of which have been brought back in house. The successful launch of Czapp, our client-facing app, is further evidence of our leading-edge 'tech' capabilities, allowing us to supply data and intelligence internally and for our clients.

During the year, we expanded our global team to manage our widening product portfolio, formed a new entity in Bahrain and planned for the opening of a further three offices in 2020. One of these will be in Vietnam and exemplifies our ability to respond rapidly to opportunities created by regulatory change.

We continued to invest in our people by increasing the level of internal training. For example, Power BI and SQL training was carried out across our offices – complementing our overall focus on digitisation – and has enabled employees to analyse and present data more effectively.

> "We look forward to realising financial and operational benefits from our activities and investments in 2019, and will continue to focus on our 'Broaden and Deepen' strategy, advancing our existing relationships while we build new ones."

Our overheads increased slightly on 2018, owing in part to our investment in local expertise in Thailand, Miami and Brazil, which upskills our operational capabilities and facilitates the expansion of our product lines. We are prepared to increase overheads further to support growth, but these will be targeted and carefully costed to ensure maximum value.

BUSINESS FOCUS AND OUTLOOK

At the start of 2020, the anticipation of climate-related sugar production difficulties in the northern hemisphere triggered a sudden surge in sugar market prices. At this stage we do not foresee this rally's momentum lasting deep into the year; however we remain primed for immediate ongoing price uncertainty. Our medium-term position is more conservative and takes into account the market fundamentals of government intervention policies and high global stocks.

More importantly, as Robin explains on page 4, global supply chains and consumption are being affected by the devastating impact of the COVID-19 pandemic and it is hard to predict how long it will take for global isolation and lock-down measures to ease. We are experienced in managing short-term price volatility and longer-term market disruptions – we have lived through many cycles. However, the impact of COVID-19 is complex and far-reaching. Nonetheless, our logistics, trade finance and price risk management services have a role in keeping vital supply chains moving. To enhance these financing capabilities, we have created a new role – Head of Structured Finance – to widen our client offer across the entire supply chain. Similarly, the roll-out of our borrowing base facility will increase the volume of forward contracts we can take on, reduce our liquidity risk and help mitigate market volatility.

In 2019, we traded 56 product lines (up 47% on 2018) and we intend to continue expanding our product portfolio. New products generate revenue and facilitate our development into new markets, where we can scale up our operations quickly and effectively given our IT capabilities. However, while the market remains uncertain, we will continue to exercise prudence and discipline in assessing all expansion plans and associated investments.

Despite the challenging and unpredictable year ahead, we aim to act to the best of our ability to create value by facilitating the most ethical, efficient and cost-effective movement of products across our supply chains.

Julian Randles
CFO

KEY PERFORMANCE INDICATORS

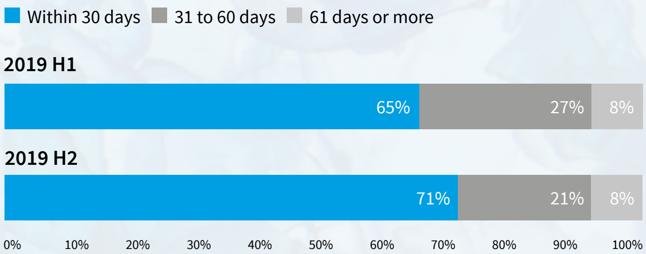
In assessing the performance of the Group, the Directors look to a number of different measures, both financial and non-financial, a selection of which are detailed below.

	2019	2018
Net revenue growth	10.19%	(3.17)%
Return on equity	7.23%	6.09%
ROCE	14.85%	12.19%
Jaws ratio[1]	4.52%	(5.88)%
Number of contractual physical trading counterparties in the period	652	617
Available financial facilities[2]	US$791.7M	US$730.2M

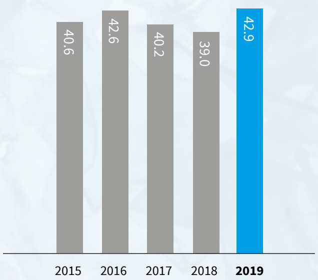
1 Demonstrates the extent to which income growth rate exceeds expense growth rate.
2 These figures have been updated and include consolidated Group bank facilities and broker facilities combined.

A RESPONSIBLE PAYMENT CULTURE

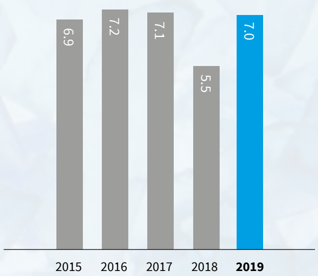
We keep our client supply chains moving through our pricing and financing services. Although we have no standard payment terms, owing to the nature of our business, which offers tailored solutions to a wide range of international clients, we recognise that we must do our part by paying promptly and fairly. The average time taken to pay our invoices was 35 days in 2019 H1 and 31 days in 2019 H2 and a breakdown is provided below.



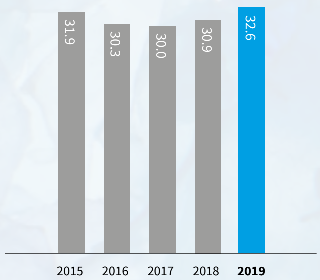
GROSS PROFIT, US$M



PROFIT BEFORE TAX, US$M



ADMINISTRATIVE EXPENSES, US$M



TURNOVER, US$M

1,800.4

2018: 1,680.1

ROCE, %

14.85

2018: 12.19

TOTAL EQUITY, US$M

74.4

2018: 69.4

+ PET PACKAGING

We are working with our food and beverage manufacturing clients to understand and reduce the lifetime carbon footprint of products and packaging.

BULK PRODUCTS

Bulk products include unrefined (raw) sugar and ethanol and, in 2019, accounted for 34.9% of revenue-generating business.

In 2019, our traded volumes of bulk sugar products continued to grow, with tonnage volume for the year reaching 4.6 million metric tonnes versus just under 4.0 million metric tonnes in 2018. In light of the switch from sugar to ethanol production in Brazil, this growth justified our strategic decision to replicate and grow our value chain service model in Thailand, with our logistics services in particular seeing improved demand further up the supply chain. Brazil's unrefined sugar origination saw only marginal reduction in volumes and, given the falling sugar production, this performance is testament to the strength of our value chain and service model in this key market.

With ethanol production gaining importance in the Brazilian sugar market throughout 2019, the division continued to rebuild its presence in this key area, culminating in the launch of our new entity, CzEnergy (see page 21). Overall, our service-led business model and ethos were important factors in the division's ability to increase global volumes.

CONTAINERISED PRODUCTS

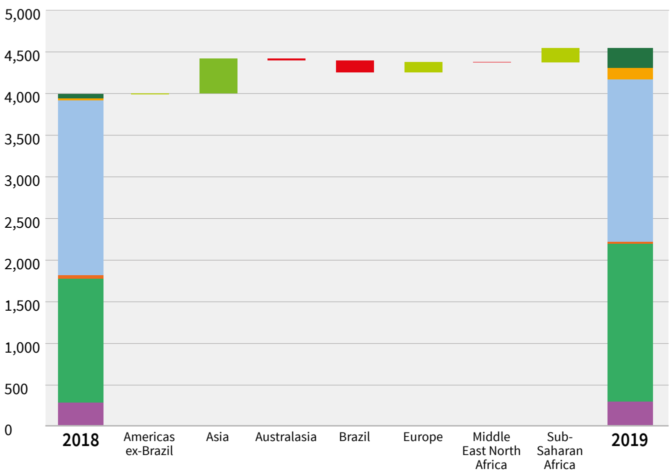
Containerised products include refined (white) sugar, ingredients and packaging and, in 2019, accounted for 47.0% of revenue-generated business.

In 2019, containerised volumes of refined sugar fell slightly to 1.3 million metric tonnes (2018: 1.4 million metric tonnes). We consider this to be strong divisional performance, with our business showing considerable resilience in the face of product reformulation and regulatory pressures, which reduced sugar volumes in several key markets. Furthermore, our relentless focus on delivering value to our clients meant that revenues grew 10% despite the small fall in tonnages.

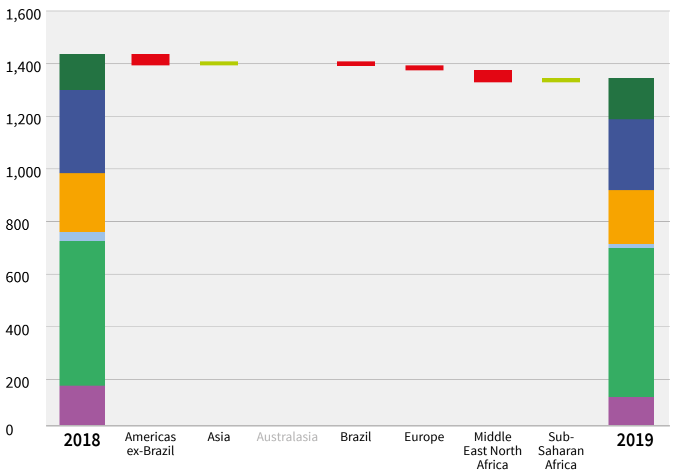
The strength of our service offering is further evidenced by the maturation of our expansion into ingredients and packaging. In these areas we experienced strong volume and revenue growth, and demonstrated our ability to seamlessly process and execute this new business expansion without any negative impact on existing business lines. During the year, the division also launched a new VIVE programme for food and beverage manufacturers – Buyers Supporting VIVE – which we anticipate will enhance engagement in this key part of our supply chain.

Americas ex-Brazil | Asia | Australasia | Brazil | Europe | Middle East North Africa | Sub-Saharan Africa

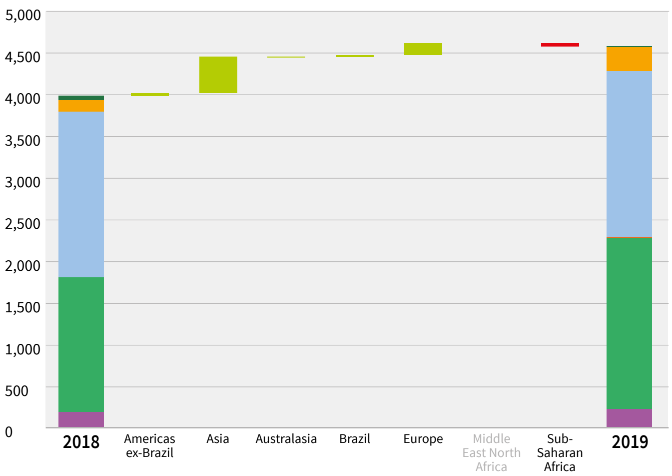
RAW SUGAR ORIGIN ANALYSIS 2019, MT'000



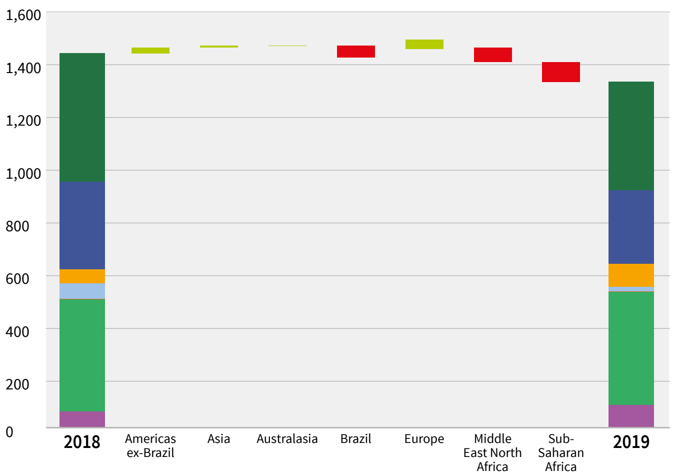
WHITE SUGAR ORIGIN ANALYSIS 2019, MT'000



RAW SUGAR DELIVERIES ANALYSIS 2019, MT'000



WHITE SUGAR DELIVERIES ANALYSIS 2019, MT'000



DERIVATIVES

In 2019, our derivatives business accounted for 9.1% 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 low-price and low-volatility market conditions during the reporting period, strong growth in revenue from our derivatives business was particularly pleasing. Our continued commitment to using derivatives and hedging instruments only when it makes sense to do so and when they add value has strengthened loyalty and relationships with our clients, who appreciate this pragmatic and transparent approach.

To build on this, during the year we launched a number of educational initiatives to demystify the use of derivatives for our clients, ranging from live events to videos and articles. Furthermore, we continually strive to avoid the use of confusing jargon to ensure that our clients feel empowered to make the decisions which most benefit their organisations.

ADVISORY

In 2019, our Advisory division – comprising analysis, corporate finance and risk management services – accounted for 9.0% of revenue-generating business.

With the launch of our client-facing app and portal Czapp in April 2019, this was a year of major transformation for our Analysis team. The switch to Czapp for the delivery of our advisory content allowed us to pass on to clients the benefits of our long-running investment in building a world-leading data structure. In addition, we were able to open up our interactive data tools to clients for the first time, in a way which is fully scalable. This investment is now beginning to bear fruit, with Czapp user numbers rising to 1,500 by the end of 2019 and over 2,000 by April 2020. In 2019, our Corporate Finance team advised on several projects in the global sugar and bioenergy space, concluding seven deals, which included debt restructuring, debt raising and a judicial asset sale. Furthermore, our price risk management service continued to provide value to clients.

Overall, advisory revenues appreciated significantly during the year and we anticipate this trend continuing into 2020.

Financial restructuring to secure long-term competitiveness

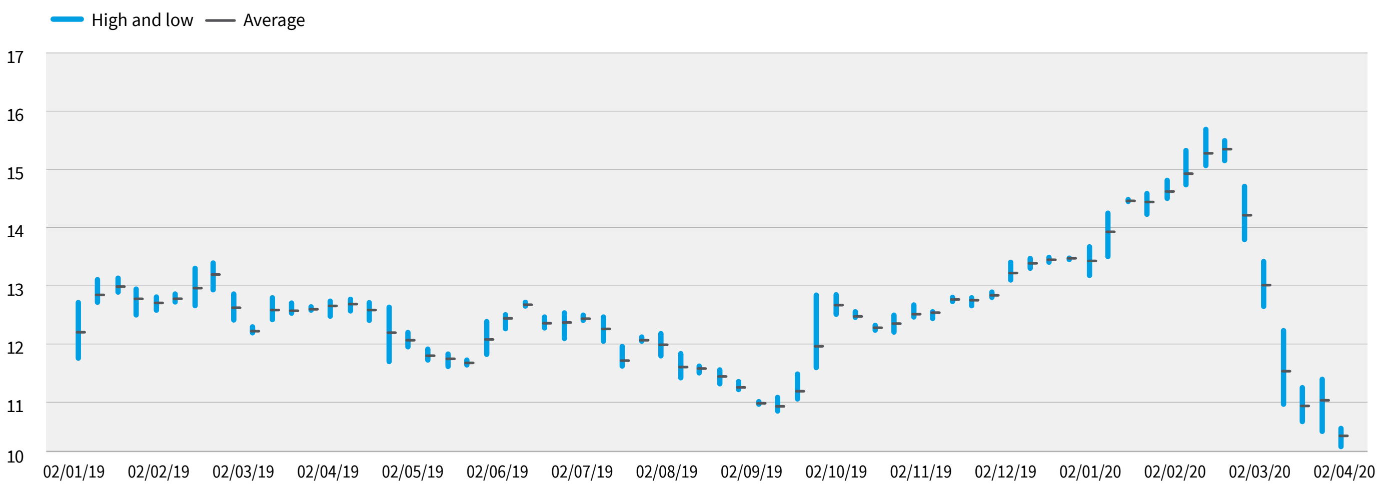
In 2019, our Corporate Finance team advised on the financial restructuring of the Usina São Domingos sugar plant in Brazil's Catanduva region.

Alongside a renewed commitment to its cost reduction programme, Usina São Domingos restructured 80% of its debt over an eight-year term – an important step to strengthen its balance sheet. To improve liquidity and increase investment in agricultural initiatives, Czarnikow arranged a US$10 million long-term loan backed by a supply of very high polarity (VHP) sugar for export.

In the 2019/20 growing season, Usina São Domingos achieved a record cane crushing volume of 2.34 million tonnes and aims to increase this to 2.5 million tonnes in 2020/21 – an achievable target given its higher operational efficiency and stronger balance sheet.

+ Trucks loaded with sugar cane outside sugar cane factory.

NO.11 RAW SUGAR FUTURES PRICE 2019, USc/lb



SUSTAINABILITY LEADERSHIP

Managing global sustainable sugar shipments

Working with our VIVE team, at Czarnikow we are using our unique position in the global sugar supply chain to facilitate the physical flow and finance high volumes of sustainable sugar – from the sourcing of raw product to the delivery of refined sugar for global food and beverage manufacturing plants.

One of our current projects oversees the logistics and green financing for a 50,000 metric tonne shipment of VIVE Claim Level sugar from South America to Asia. With raw sugar produced from cane grown on Brazilian farms, milling activities pre-financed via refineries in Malaysia, receivable financing secured through green finance partners in Singapore and advice provided by Czarnikow and VIVE team members in various countries, this sustainable sugar trade involves many partners, market sectors, regions and touchpoints along the supply chain.

We bring these elements together using our own platform to promote cross-sector engagement and collaboration that ensures the integrity of sustainable supply, while maintaining commercial and operational efficiency.

+ VIRTUAL PLATFORM

Our IT systems promote supply chain collaboration and track sustainable metrics in real time.

UNIQUE SUPPLY CHAIN PLATFORM

Our unique platform brings together all supply chain participants involved in the trade and shipment of sustainable sugar. Our leading-edge IT systems facilitate the tracking and measurement of sustainable sugar operations and funding to ensure integrity of supply at all touchpoints.

MILLING GROUPS

VIVE-certified milling groups commit to processing sustainably-sourced sugar cane and beet and working with farmers to improve agricultural practices.

INLAND TRANSPORT

Czarnikow's third-party inland logistics, surveyors and terminals partners sign VIVE's chain of custody code of conduct and use mass balance protocols and sophisticated record-keeping to control sustainable supply from mills to ports.

PORT ELEVATION

Using Czarnikow's experience and partnerships, sugar flows are managed efficiently through ports, while the integrity of sustainable supply is assured through Czarnikow's IT systems and VIVE's chain of custody code of conduct.

BULK SHIPPING

Czarnikow's VIVE-certified shipping partners ensure that high sustainability standards are maintained across this key part of the supply chain.

REFINING

VIVE participant refineries are committed to driving continuous improvement within their own business, as well as upstream.

FOOD AND BEVERAGE MANUFACTURERS

Support from our world-leading Buyers Supporting VIVE partners increases manufacturing demand for sustainable sugar.

VIVE PARTNER PRE-FINANCING

Reflecting their commitment to full supply chain sustainability, downstream VIVE-certified partners provide green pre-financing to upstream VIVE partners.

CZAPP TECHNOLOGY

Our leading-edge IT systems and interfaces improve the quality of information and accelerate knowledge flow. We track and measure all sourcing, logistics and financing activities associated with global sustainable sugar shipments to create commercial, operational and sustainable value.

RECEIVABLE FINANCING

VIVE financing partners provide advantageous financing terms ('green discounts') to companies that receive cargoes of VIVE Claim Level refined sugar.

+ VIVE review, P48   + www.czapp.com

VIVE REVIEW

Improving supply chain integrity

VIVE is a voluntary sustainability programme, jointly owned and managed by Intellync and Czarnikow, that focuses on continuous sustainability improvement and value creation throughout ingredient supply chains. As VIVE matures and gains global traction we perceive Czarnikow's ongoing role to be of significant strategic importance to the Group and a core competitive differentiator.

2019/20 DEVELOPMENTS

VIVE is in its sixth year of operation and gaining global commercial recognition. In 2019, a major milestone was reached when The Coca-Cola Company (TCCC) promoted VIVE to its top tier of partners to advance continuous improvement in sustainable agriculture. TCCC joins other large food and beverage companies – Diageo, Heineken and Kenafric, who actively encourage their suppliers to participate in VIVE. Over 25 companies have signed up to Buyers Supporting VIVE – a free platform that helps buyers engage their suppliers in sustainable improvement initiatives. Our aim is to encourage all buyers currently working with Czarnikow to join the platform.

In 2019, we collaborated with industry-leading sustainability benchmarking programmes – Smartcane BMP, Proterra and SAI's Farm Assessment Sustainability platform – to seek further alignment under the VIVE 'umbrella', including pilot benchmarking exercises and audits. We also partnered with SGS and Control Union, who provide third-party audit services.

Based on participant feedback and VIVE's expansion into new product areas, we launched VIVE 2.0 in January 2020. VIVE 2.0's scope covers all agricultural supply chains and focuses on improved traceability. We revised around 30% of metrics to balance quantitative and qualitative performance indicators, simplify reporting against global targets such as the United Nations Sustainable Development Goals, and improve peer benchmarking. In June 2020, the VIVE shipping module will be piloted with our shipping partner Swire Shipping, tracking a shipment of VIVE-certified sugar from Brazil to Malaysia. This module focuses on improving the sustainability of shipping operations and related activities – a critical touchpoint in improving the overall sustainability of ingredient supply chains, as set out on pages 46 to 47.

VIVE CLAIM LEVEL TONNAGES 2019, MT

> 3 million

VIVE GEOGRAPHICAL REACH

10 countries (to date)

VIVE PARTICPANT PERFORMANCE

In 2019, we added three sugar mills, three refineries, one chain of custody participant (a warehouse) and one sugar beet factory to the VIVE programme, bringing the number of participants to 21 and the availability of unrefined and refined VIVE Claim Level sugar to just under 3 million metric tonnes. Significantly, five of these new participants achieved VIVE Claim Level in their first year. Santa Terezinha, one of the largest sugar producers in Brazil, achieved VIVE Claim Level across all participating facilities for the fourth year running, cementing its status as a leading supplier of sustainable raw sugar to global refineries.

In January 2020, Central Sugars Refinery (CSR) attained VIVE Claim Level at its second refinery (Padang Terap). CSR also announced its VIVE 25 impact agreement – a commitment to source at least 50% of annual raw sugar requirements from VIVE Claim Level producers (around 400,000 metric tonnes) for its two refineries by 2025.

We also facilitated VIVE cross-functional sustainability workshops. Indonesian sugar refineries, PT Sugar Labinta and PT Kebu Mas, hosted a two-day workshop focusing on the commercial opportunities that VIVE brings and how continuous improvement in sustainable practices has the potential to increase profits through cost-savings, growth and risk reduction.

LONG-LASTING IMPACT

VIVE has four 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.

Through VIVE, we are witnessing enduring step changes in line with our improvement objectives. Examples 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.

WHAT YOU CAN EXPECT

- Increased participation in our Buyers Supporting VIVE platform
- Higher volumes of VIVE product supplied to the food and beverage sector
- Roll-out of multi-ingredient offering through VIVE 2.0
- Roll-out of additional impact agreements similar to VIVE 25
- Reporting against the UN's Sustainable Development Goals.

ENVIRONMENTAL REVIEW

ENVIRONMENTAL IMPACT AND RESPONSIBILITY

As a purely office-based service company (with no assets in growing, refining or manufacturing) our direct environmental impact is limited predominantly to the buildings in which we work. In 2020, we committed to offsetting our greenhouse gas (GHG) Scope 1 (direct) emissions to obtain carbon neutrality as well as finding ways to reduce them.

We have many initiatives across the Group to refuse, reduce, reuse, repurpose and recycle – using compostable plastic cups in our largest office, having double-sided paper printing and turn-off computer policies, using sugar processing by-products as material for merchandising products, and setting recycling targets (for example, zero waste to landfill in our London office). We also run a bike-to-work scheme for our UK employees.

ENVIRONMENTAL RISK

However, within our industry we also work with supply chain participants who have a higher environmental footprint (e.g. logistics and manufacturing) and natural resource usage (e.g. irrigation for farming), and who may be adversely affected by climate change in the longer term. This is now on our ‘emerging risks’ radar (see page 23).

ENVIRONMENTAL DISCLOSURE

As a large UK organisation we disclose our mandatory ESOS (Energy savings opportunity scheme) data. We also share material transport emissions data with one of our major shareholders Associated British Foods plc. We also monitor the environmental impact of our chartered vessels. In 2019, we chartered 50 vessels and just under one third had a GHG rating of C and above on a tonnage.km basis.

SUSTAINABLE DEVELOPMENT GOALS

Through our sustainability programme, VIVE, and our own supply chain relationships, we are assuming more of a leadership role in addressing supply chain issues. Examples of initiatives include sustainable shipping, water reduction and soil improvement.

We are currently mapping VIVE 2.0 to the United Nations’ Sustainable Development Goals and plan to include more details on this work in the future.

+ WATER USAGE

We measure and monitor the most efficient use of water at farms that supply our VIVE participants.

HR REVIEW

Making Czarnikow an exciting place to work

We continue to focus on making Czarnikow an exciting place to work (one of our corporate goals) by introducing and reinforcing initiatives to engage and retain our talented people.

RECRUITMENT AND RETENTION

We have a policy of promoting from within, offering considerable cross-Group opportunities in various departments and locations. When we go outside to supplement our internal talent we recruit using our values, seeking entrepreneur-ship and self-starters. Our internship and graduate intakes are tailored to specific business needs and offer on-the-job experience and responsibilities from day one. In recent years, graduates and interns from our London office have been given the opportunity to transfer to our business operations in Dubai, Thailand, Singapore and Miami. Overall, we have a strong track record of graduates progressing and being promoted quickly.

'On-boarding' and mentoring

We work hard to integrate people into the business and have a 'buddy' programme to help employees settle in during the initial probation period and, since 2018, an ongoing mentoring programme. We are receiving positive feedback from both mentees and mentors and are looking to entrench this across all office locations.

Formal and informal HR metrics

Each month we report on staff retention and discuss this with our CEO Robin Cave and CFO Julian Randles. Alongside these statistics, we monitor Glassdoor reviews and employee engagement, reflecting our business aim to create a working atmosphere that motivates our people to stay with us. We also use several informal proxies – for example, the number of interns who decide to join us upon graduation (6% of current total employees) and the number of female employees who return after maternity leave (85% in the past five years).

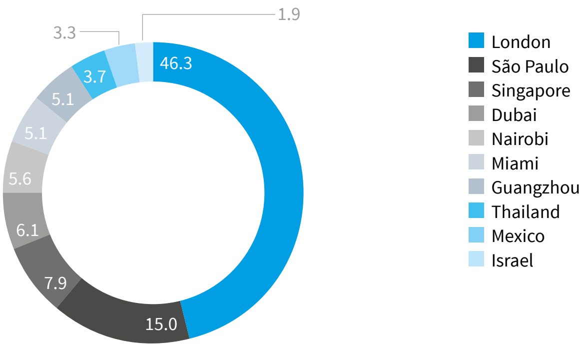
TRAINING AND DEVELOPMENT

We nurture an environment of employee-led learning and development based on business needs and market trends, such as improving in-house SQL and Power BI skills to support our data analytics capabilities. Furthermore, we have over 150 internal courses available on our Czarnikow Academy portal including soft skills, mandatory compliance training and industry-specific topics. We complement these with external training, conferences, in-house shared-knowledge 'Talk sugar' sessions and professional certification opportunities. In 2019, the average number of training hours per employee was 9.9 and just under 1,800 Czarnikow Academy courses were completed. Following the appointment last year of a full-time Learning and Development Manager we are building a more comprehensive training framework based on improved Group-wide analysis.

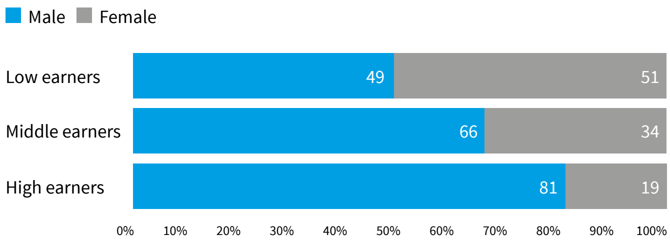
PROMOTING WORK-LIFE BALANCE

The health and wellbeing of our employees is important and has been identified as a principal risk to the business (see page 28). Across our offices there are football teams, running groups, healthy-eating clubs and, at our first employee-led 'Learning at Work Week' in 2019, we included mindfulness and stress management techniques. We run family events and, as an enhanced benefit in the UK, offer voluntary shared parental leave. Other benefits include subsidised gym memberships and a bike-to-work scheme. In our London office we issue a monthly e-letter that raises awareness of mental health, good eating habits and local activities and we encourage 'volunteer days', allowing employees to apply their skills with our partners Teach A Man To Fish, Bhubesi Pride, and other local charities.

EMPLOYEES BY LOCATION, %



GENDER SPLIT BY PAY CATEGORY 2019, %



DIVERSITY AND SOCIAL INCLUSION

While we have a stable number of female employees (41% in 2019) which is commendable in the financial services sector, we have recognised through our recent gender pay work that we need to do much more. We discuss our findings and how we plan to implement change below. To address the need for better social mobility, we work with the charity Upreach, which helps students from disadvantaged backgrounds to be mentored in a workplace environment and gain insight into career opportunities in different sectors. We provide more information on page 17.

WHAT YOU CAN EXPECT

Although we are a large private company, our small number of employees means that in the past we have managed to run and communicate certain areas of our HR approach effectively in a relatively informal way. However, following recent Group-wide analysis, for example on the impact of our learning and development programmes and on gender pay, we are realising the benefits of more structured insight. As we grow, we aim to invest more in analysing these and other areas in order to focus our resources based on improved knowledge.

DIVERSITY AND INCLUSION STATEMENT

We believe having a diverse and inclusive working environment that brings together 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

> an enhanced ability to recruit and retain talent in a competitive sector.

In 2019, we employed 208 employees in ten different country offices. As a business, we are very mindful of sharing and promoting cross-cultural differences. However, diversity comes in many guises – including socio-economic, age, gender, disability, sexual orientation, cultural and cognitive – with some elements harder to measure than others. In this first voluntary report, we have focused on gender and gender pay diversity to better understand where we stand and where we need to improve. By being fully aware of our current status and sharing data transparently, we recognise these findings as motivation for change to support a more diverse workforce.

GENDER DIVERSITY AND PAY

Current situation

Globally, 41% of our employees are female and this figure has remained relatively stable over recent years. Among our business specialist and leadership team (below our all-male Management Committee), 50% of positions are held by women. Our gender pay gap data, however, points to a situation that is far from ideal – around a 30% disparity between male and female salaries (excluding Management Committee) with a slight year-on-year worsening on the prior year (see chart below).

Many factors contribute to this. The most prominent is that, overall, a higher percentage of male employees are in higher-earning geographies and roles. For example, our recent investment in IT, which has been transformational for the Group at large, has contributed to this situation. Our IT team is predominantly male and London-based and as a highly-skilled group has a high remuneration level. This profile is reflective of industry trends, but is making it harder to support our female staff in reaching equality. Despite these various contributing factors we have acknowledged that change is needed.

Striving for balance

Our research has revealed a very small overall improvement trend in gender pay disparity since 2015 (see chart below). While the slow pace of change is problematic, we have seen encouraging evidence that our gender pay gap is reducing. We have good female employee retention rates, which is leading to more senior positions being taken up by women.

While at this stage we are not putting any specific targets in place, we are actively interrogating how we can improve this situation, including:

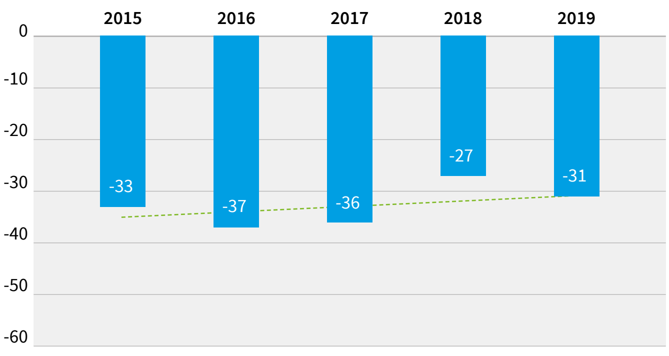
> supporting the organic development of internal talent, and providing opportunities that will foster a continued increase in senior female members of our team

> investigating new initiatives, such as unconscious bias training, that will encourage an increasingly diverse workplace

> considering the collection of data on other aspects of diversity, on a voluntary basis, as an additional opportunity to evaluate our commitment to diversity and increase transparency

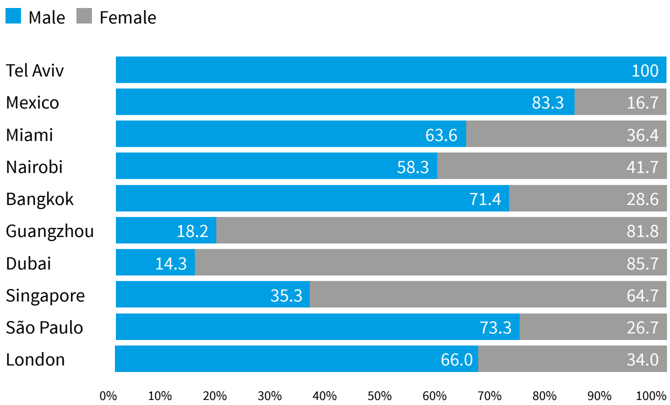
> reporting on our findings annually to raise awareness and focus our resources.

FEMALE SALARY VERSUS MALE SALARY (‘GENDER PAY GAP’) 2015-2019, %



Note: Excluding Management Committee.

GENDER SPLIT BY OFFICE 2019, %



TRADE FINANCE REVIEW

A year of transformation

In the longer term, we are confident of being perceived as an essential partner for the overall sustainability of food, beverage and energy supply chains.

OVERVIEW

Our strong working relationships and innovative culture mean that our Trade Finance team is able to adapt rapidly and evolve our financing solutions portfolio. We experienced a year of transformation – both internally and externally – and believe that our proven ability to embrace change and new ideas stands us in good stead as we redefine our role in the light of changing market dynamics.

IT DEVELOPMENT

A key focus for our team during the year was the synchronisation and improvement of our internal IT systems. This work has revolutionised the way we operate in terms of efficiency and accuracy. For example, the number of manual tasks has been reduced and input overlap eliminated. Our bespoke Power BI 'dashboards' give us greater visibility of and access to information including invoicing, accounts payable, loans and bank lines, which leads to quicker and better decision-making internally as well as for our banking partners. Our 'built for purpose' IT systems will continue to be improved and updated, responding to the needs of our team, clients, and partners.

SUSTAINABLE CRITERIA

Our banking partners are increasingly questioning their long-term capital allocation criteria, and we are seeing an emerging trend that is favouring more sustainable funding policies. For example, some banks are responding to the recent low-price environment by showing a preference to support ingredients and packaging activities rather than sugar-related ones, and this is having a knock-on effect on industry credit ratings as well. Despite our sustainability work, green funding initiatives and efforts to communicate our widening product portfolio, this shift has presented some short-term challenges.

We are tackling these in a number of ways: we nurture transparent relationships to explain and communicate our business model; we have formed new banking relationships in geographies which are seeing an increase in ingredients imports (in Africa, for example); and we have adopted a more imaginative 'mix and match' approach – using global banks in some instances and local ones in others to cover our portfolio, depending on varying sustainability criteria and interpretation. In the longer term we are confident of being perceived as an essential partner for the overall sustainability of food, beverage and energy supply chains. Meanwhile, we continue to work hard to communicate our position and initiatives, which include:

- development of 'green' structured finance using ethanol as collateral
- our ongoing work with Rabobank and OCBC to secure advantageous financing terms for companies certified through our sustainable supply programme, VIVE
- implementation of alternative 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.

INGREDIENTS AND PACKAGING BUSINESS

We continued to develop financing solutions for our expanding ingredients and packaging business, which we estimate will represent around 6% of traded revenue by the end of 2020. Trades for these products are structured to carry limited price risk. Furthermore, stock financing is needed to support our clients' exacting just-in-time delivery and product specifications.

BORROWING BASE FACILITY

In 2020, we expect to launch our borrowing base facility, which allows us to take on more priced physical forward contracts (particularly in Brazil and Thailand), reduce our liquidity risk, help manage market volatility and prepare us for future growth opportunities. The facility is also attractive to lenders as it has an asset-based structure, is self-liquidating and incorporates an excess of loss cover.

GEOGRAPHICAL EXPANSION

We have expanded in the Middle East region by establishing a new entity in Bahrain. This has opened up opportunities with our clients in this region and led to new relationships with local banks. We have also strengthened our presence in Thailand and are exploring further potential business expansions in Asia and Africa.

PRODUCTS AND SERVICES

We have developed a range of over 55 different products and expanded our services – an overview of these is provided in our business model description on page 15. Given the strength of our relationships and our unique vantage point, we continue to support clients along the supply chain in areas such as cash flow, debt, risk management and how to communicate better with their banks. This symbiotic approach benefits all participants in the supply chain over the longer term.

SUMMARY AND OUTLOOK

In 2019, our total available financial facilities (including consolidated Group facilities and broker lines) increased from US$730.2 million to US$791.7 million. We also opened three new credit lines. Our ability to maintain credit lines and secure financing despite changing market dynamics reflects our transparent relationships with our banks and our innovative thinking and implementation. As we head further into 2020, we expect to remain focused on:

- embedding our new borrowing base facility
- communicating our sustainability credentials
- strengthening our alternative funding and financing initiatives
- benefiting from further in-house IT development investment to date.

CONSOLIDATED GROUP FACILITIES FOR THE YEAR ENDED 31 DECEMBER 2019, US$ MILLION

	Transactionally secured sub limit	Transactionally unsecured sub limit	Clean/Margin sub limit	Total
Transactional bilateral lines – Czarnikow Group Limited				
ABSA – South Africa	40.0	-	-	40.0
Barclays Bank – UK	8.0	-	3.0	11.0
British Arab Commercial Bank (BACB) – UK	40.0	-	-	40.0
GarantiBank – UK	10.0	10.0	5.0	25.0
Gazprombank – Switzerland	23.0	-	7.0	30.0
ING –The Netherlands [(a)]	25.0	-	-	25.0
Leumi – UK	30.0	4.0	6.0	40.0
Natixis Bank – Paris	45.0	-	-	45.0
Rabobank – The Netherlands	19.0	-	5.5	24.5
Santander – UK	5.0	-	-	5.0
Société Générale – Paris [(b)]	40.0	-	-	40.0
HSBC UK	15.0	10.0	-	25.0
Banco do Brasil – UK	40.0	-	-	40.0
OCBC Singapore	30.0	-	-	30.0
Standard Chartered Bank – UK	35.0	18.0	2.0	55.0
Total	**405.0**	**42.0**	**28.5**	**475.5**
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**
Export finance lines – Czarnikow Brasil Ltda				
Banco do Brasil – Brazil	-	17.0	-	**17.0**
Rabobank – Brazil [(c)]	-	30.5	-	**30.5**
China Construction Bank (Bic Banco) – Brazil	-	10.0	-	**10.0**
Bradesco – Brazil	-	7.5	-	**7.5**
ING – Brazil [(d)]	-	20.0	-	**20.0**
Itaú – Brazil	-	7.1	-	**7.1**
Santander – Brazil	-	15.0	-	**15.0**
Total	**0.0**	**107.1**	**0.0**	**107.1**
Transactional bilateral lines – C. Czarnikow Sugar (East Africa) Limited				
Rabobank – The Netherlands [(e)]	15.0	-	-	**15.0**
Total	**15.0**	**0.0**	**0.0**	**15.0**
Transactional bilateral lines – C. Czarnikow Sugar (Guangzhou) Co. Limited				
Rabobank Nederland, Shanghai Branch[(f)]	10.0	-	-	**10.0**
HSBC, Shanghai Branch	7.2	-	-	**7.2**
Total	**17.2**	**0.0**	**0.0**	**17.2**
Transactional bilateral lines – Czarnikow Thailand Ltd				
HSBC – Thailand	3.0	-	-	3.0
Total	**3.0**	**0.0**	**0.0**	**3.0**
Total consolidated Group facilities				**707.8**

(a) The ING global limit of US$45.0 million is a swing facility between Czarnikow Group Limited and Czarnikow Brasil Ltda.
(b) C. Czarnikow Sugar Inc, C. Czarnikow Sugar (Mexico), S.A de C.V. and Czarnikow Italia Srl are co-borrowers of the US$40.0 million facility.
(c) Rabobank Brazil line capped at US$30.5 million has been carved out from the US$80.0 million facility from Rabobank, The Netherlands.
(d) The ING global limit of US$45.0 million is a swing facility between Czarnikow Group Limited and Czarnikow Brasil Ltda.
(e) C. Czarnikow Sugar (East Africa) Ltd is a co-borrower with a limit capped at US$15.0 million from the US$80.0 million facility from Rabobank, The Netherlands.
(f) C. Czarnikow Sugar (Guangzhou) Co. Limited is a co-borrower with a limit capped at US$10.0 million (US$8.0 million for financing and USD$2.0 million for FX margin) from the US$80.0 million facility from Rabobank, The Netherlands.

TRADE FINANCE CONTINUED

TRADE FINANCE AND BANK FACILITIES – FINANCING SOLUTIONS ACROSS THE SUPPLY CHAIN

SUPPLY CHAIN STAGE	CANE	MILL	INLAND TRANSIT AND STORAGE	FREE ON BOARD (FOB)	REFINERY/ PROCESSING/ BEET FACTORY	TRANSIT	STORAGE	INDUSTRIAL USER
	RAW SUGAR				WHITE SUGAR			
	2-3 YEAR TIMEFRAME FOR SUGAR TO BE PRODUCED THROUGHOUT THE VALUE CHAIN							
DESCRIPTION	This stage is the agricultural process of growing cane sugar	A sugar mill is where cane sugar is processed into raw sugar or ethanol	Once milled, raw sugar is transported via train or truck to port for onward shipment	Sugar which has been 'elevated' at a port and loaded onto a vessel	Refined/white sugar from raw sugar processed in a refinery, or beet sugar processed in a sugar factory; and specialist sugars	Refined sugar is then typically transported in containers or tankers, via ship, truck, rail or barge	Refined sugar is often stored in warehouses or silos in order to enable just-in-time deliveries to industrial consumers	Industrial consumers or retail packagers
FINANCING SOLUTIONS	Prepayment to pre-approved supplier or advance payment with performance insurance cover and hedge financing		Finance against FCRs for truck movement, rail receipts, barge bills of lading and for storage against warehouse receipts, Certificates of deposit (CDs), CDA/WA and Bono de Prenda	Finance of freight and elevation against invoice with shipping documents, bills of lading or transport documents to follow	Hedge and finance of credit period against insured receivable, collections, and avalised bills of exchange, or as stock under stock management agreement	Finance of freight and elevation against invoice with FCR, rail receipt, bills of lading or transport documents to follow	Warehouse receipt issued by a pre-approved collateral manager or with third-party inspection	Insured receivable or pre-approved buyer and hedge finance

FINANCING APPLICATION

FINANCING FOR COMPLEMENTARY PRODUCTS

As Czarnikow expands its product portfolio, the Trade Finance team has worked assiduously to ensure we can offer the same high standards of financing for our complementary products as we do for sugar.

LIGHT ASSET FINANCE

Czarnikow has developed the capability to offer light asset finance to support investment in the supply chain both by ourselves and our clients.

SUSTAINABLE FINANCE

Rabobank and Czarnikow are working closely together to investigate finance solutions across VIVE's global supply chains, with the aim of improving sustainable performance by increasing access to financial services.

FINANCING SUPPORT

MARINE CARGO AND CREDIT INSURANCE

All shipments handled by Czarnikow are fully insured under our Marine Cargo Insurance Policy, which also covers all sugar stocks in various locations around the world. Credit insurance is used to provide enhanced financing solutions to a wider range of clients along the supply chain.

+ Glossary, P58

TRADE FINANCE BANK FACILITIES AND UTILISATION

The Group has bank lines in five entities: Czarnikow Group Limited, Czarnikow Brasil Ltda, C. Czarnikow Sugar (East Africa) Limited, Czarnikow Thailand Ltd and C. Czarnikow Sugar (Guangzhou) Co. Limited. Total facilities at year end amounted to US$707.8 million (2018: US$645.5 million). Changes to facilities and credit lines in 2019 are summarised by entity below.

Czarnikow Group Limited

In 2019, new facilities were confirmed for Czarnikow Group Limited with Absa (US$40.0 million), Gazprombank – Switzerland (US$30.0 million) and Santander (US$5.0 million). In addition, Banco de Brasil – UK increased its facility by US$20.0 million. These changes result in an overall total of bilateral lines for Czarnikow Group Limited of US$475.5 million (2018: US$418.0 million).

Czarnikow Brasil Ltda

Czarnikow Brasil Ltda gained increased facilities from Banco do Brasil US$2.0 million), Rabobank – Brazil (US$5.5 million), China Construction Bank (Bic Banco) – Brazil (US$ 2.5 million), Itaú (US$2.1 million) and Santander (US$5.0 million), resulting in an increased total of US$107.1 million in export finance lines (2018: US$93.0 million).

Czarnikow Thailand Ltd

Czarnikow Thailand Ltd gained a new facility from HSBC – Land Pledge (US$3.0 million).

C. Czarnikow Sugar (Guangzhou) Co. Limited

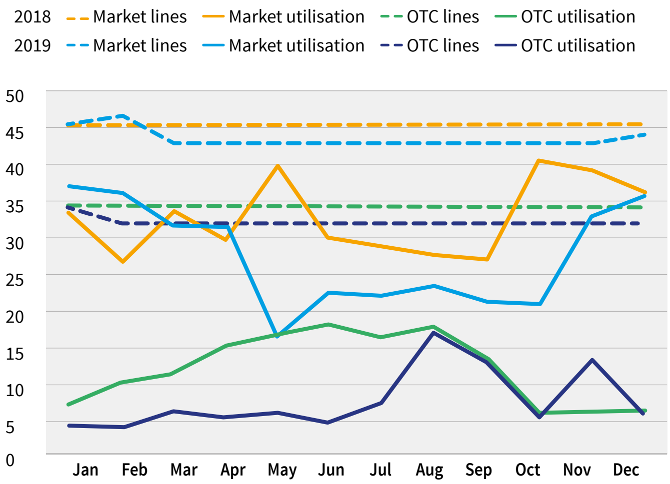
C. Czarnikow Sugar (Guangzhou) Co. Limited gained a new facility from HSBC – Shanghai Branch (US$7.2 million), resulting in an increased total of US$17.2 million in transactional bilateral lines (2018: US$13.0 million).

BROKER LINES 2019

	Type of line	**US$M**
ADM	ETD	12.0
International FC Stone	ETD	3.0
Macquarie – Central Division	ETD	5.0
Marex	ETD	5.0
New Edge	ETD	7.0
Sucden	ETD	12.0
Cargill	OTC	0.9
Goldman Sachs	OTC	2.0
JP Morgan	OTC	4.0
Macquarie – Market Operation Division	OTC	6.0
Rabobank	OTC	5.0
Santander	OTC	3.0
Standard Chartered Bank	OTC	10.0
Société Générale	OTC	1.0
Subtotal ETD/OCD lines	-	**75.9**
ADM/OCBC	TPA	5.0
New Edge/Société Générale	TPA	3.0
Subtotal TPAs	-	**8.0**
Total	-	**83.9**

OTC= Over-the-counter, ETD= Exchange-traded, TPA= Tri-partite agreement

BROKER FACILITIES AND UTILISATION BY MONTH, US$M



TRADE FINANCE BANK FACILITIES 2019 – UTILISATION BY TYPE, US$M

Utilisation by type	Average utilisation, US$M											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Advances	29.11	23.85	12.90	16.79	16.16	20.25	26.27	29.24	22.67	26.07	35.05	38.31
Guarantees/Letters of credit	2.56	3.05	3.05	9.96	3.25	5.47	7.24	5.65	5.65	4.57	4.44	2.62
Margin calls	6.92	5.58	6.51	6.51	7.87	8.05	8.11	8.05	8.05	8.05	8.05	8.23
Receivables	71.19	66.51	65.67	66.74	63.13	63.18	54.59	45.05	46.32	48.71	59.25	68.42
Stock finance at origin	115.95	110.71	113.20	105.19	106.56	80.30	67.14	86.66	101.62	110.56	110.15	124.76
Stock finance at destination	8.02	7.71	9.40	8.27	11.59	7.38	6.59	5.62	4.41	6.53	7.20	6.75
Total	**233.75**	**217.41**	**210.73**	**213.46**	**208.56**	**184.63**	**169.94**	**180.27**	**188.72**	**204.49**	**224.14**	**249.09**

SUMMARY OF FINANCIAL INFORMATION

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

for the year ended 31 December 2019	2015	2016	2017	2018	2019
Revenue	1,661,080	1,713,964	1,921,358	1,680,125	**1,800,406**
Cost of sales	(1,620,437)	(1,671,339)	(1,881,124)	(1,641,168)	**(1,757,481)**
Gross profit	40,643	42,625	40,234	38,957	**42,925**
Administrative expenses	(31,897)	(30,260)	(30,049)	(30,862)	**(32,612)**
Other (expense)/income	(1)	21	(5)	(1)	**-**
Operating profit	8,745	12,386	10,180	8,094	**10,313**
Finance cost	(4,107)	(7,867)	(7,674)	(12,022)	**(11,690)**
Finance income	2,233	2,721	4,562	9,458	**8,391**
Profit before taxation	6,871	7,240	7,068	5,530	**7,014**
Taxation	(1,917)	(1,644)	(1,990)	(1,473)	**(1,997)**
Profit for the year	4,954	5,596	5,078	4,057	**5,017**
Other comprehensive income					
Exchange movement on foreign net investment	(2,039)	(153)	343	(864)	**(290)**
Revaluation reserve recycled to profit or loss	-	(1,597)	-	-	**-**
Unrealised surplus on revaluation of financial assets	268	-	-	-	**-**
Income tax relating to components of other comprehensive income	359	-	-	-	**-**
Total comprehensive income	3,542	3,846	5,421	3,193	**4,727**

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

as at 31 December 2019	2015	2016	2017	2018	2019
Non-current assets					
Property, plant and equipment	2,875	2,904	2,643	2,596	**7,212**
Available-for-sale financial assets	1,667	-	-	-	**-**
Intangible assets	-	-	680	2,028	**3,530**
Investment in joint venture	-	-	-	-	**1,165**
Deferred tax assets	1,326	1,439	1,135	1,311	**1,615**
Total non-current assets	5,868	4,343	4,458	5,935	**13,522**
Current assets					
Inventories	64,365	115,414	171,594	156,421	**188,441**
Trade and other receivables	118,249	192,034	173,373	162,401	**212,395**
Financial assets held for trading	175,722	93,936	105,468	143,837	**108,678**
Current tax assets	-	456	203	84	**1,904**
Cash and cash equivalents	14,402	16,164	11,112	12,347	**14,395**
Total current assets	372,738	418,004	461,750	475,090	**525,813**
Total assets	378,606	422,347	466,208	481,025	**539,335**
Non-current liabilities					
Trade and other payables	-	-	-	-	**4,991**
Deferred tax liabilities	199	335	34	-	**152**
Total non-current liabilities	-	-	-	-	**5,143**
Current liabilities					
Trade and other payables	243,883	297,133	351,374	342,015	**420,891**
Financial liabilities held for trading	76,523	62,705	46,956	68,478	**35,854**
Current tax liabilities	44	1,026	1,478	1,097	**3,035**
Total current liabilities	320,450	360,864	399,808	411,590	**459,780**
Total liabilities	320,649	361,199	399,842	411,590	**464,923**
Net assets	57,957	61,148	66,366	69,435	**74,412**

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

as at 31 December 2019	2015	2016	2017	2018	**2019**
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**
Revaluation reserve	1,597	-	-	-	**-**
Foreign currency translation reserve	(3,202)	(3,355)	(3,012)	(3,876)	**(4,166)**
Retained earnings	48,512	54,615	60,016	64,337	**70,134**
Capital contribution	2,928	1,766	1,240	852	**322**
Total equity	57,957	61,148	66,366	69,435	**74,412**

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

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

+ Czarnikow Group Limited's full financial information for the year ended 31 December 2019 is provided in its Directors' report and consolidated financial statements, available from Companies House.

GLOSSARY

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).

CCL
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.

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.

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.

FCA (Financial Conduct Authority)
The conduct regulator for 59,000 financial services firms and financial markets in the UK, and the prudential regulator for over 18,000 of those firms.

FCR (Forwarder’s certificate of receipt)
Certificate prepared by freight forwarder to confirm it has taken over the 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)

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.

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

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.

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.

MT AND MTRV
Metric tonnes and Metric tonnes raw value.

NO. 5 WHITE SUGAR CONTRACT
White 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 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)
The OECD’s mission is to promote policies that will improve the economic and social well being of people around the world.

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

OTC (Over-the-counter)
Trading in derivatives on a market outside the jurisdiction of a recognised exchange.

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 pol (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.

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+ Information in this annual review (published on 6 May 2020) is provided on a voluntary basis. This review complements Czarnikow Group Limited's statutory Directors' Report and consolidated financial statements for the year ended 31 December 2019, which was signed off by the Board on 25 March 2020 and is available from Companies House. To keep our stakeholders updated, in this review we have provided additional commentary relating to COVID-19 and its fast-moving impact on our global supply chains and markets since the end of March 2020. To stay connected and informed, please check our corporate website, social media pages and Czapp, where we share further information daily.

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www.czarnikow.com