CZARNIKOW

A start-up with a track record...

Annual Review 2018

...and 157 years of preparation

OUR VISION

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

OUR MISSION

At Czarnikow, our mission is to deliver effective supply chain, pricing and financing services for all our clients.

We have been doing this for over 157 years and are well known around the world for our expertise in providing added-value services to the sugar industry. Our in-depth market knowledge, strong client relationships, loyal employees and reputation as a trusted, ethical business partner are qualities embedded in the way we operate and have allowed us to stand the test of time.

Our proven business track record gives us and our clients the confidence to challenge the status quo, change the way things are done and branch out into new, exciting areas.

That is why you should not be surprised to read about how we are working with our industrial consumers in new product areas, how our recent investment in IT is generating efficiencies and new business wins, how we are expanding our sustainable sourcing expertise, and how we are constantly transferring best practice skills across our offices around the world.

Global year-round pineapple ingredient procurement

We are working with our clients to source, negotiate, approve and deliver a range of added-value pineapple products, including chilled and ambient juice concentrates, deionised fillers, crushed pineapple, pineapple pieces and purées. Pineapple is one of the first high-volume products (beyond sugar) that we supply year-round to the exacting standards and consistent quality demanded by the global food and beverage industry. Contracts are negotiated during the growing season, which varies by region, and are impacted by market pricing, global availability and local end-user demand.

+ From unrefined sugar to wood pellets, P8-9

Results

FINANCIAL FIGURES

TURNOVER, US$M

1,680.1

2017: 1,921.4

GROSS PROFIT, US$M

39.0

2017: 40.2

PROFIT BEFORE TAX, US$M

5.5

2017: 7.1

RETURN ON CAPITAL EMPLOYED, %

12.19

2017: 16.56

OPERATIONAL MILESTONES 2018

Comparable year-on-year revenue levels despite low-growth consumption rates.

Significant investment made in core skill areas: product, people and technology.

Traded 5.4 million metric tonnes (MT) of unrefined and refined sugar.

Traded 13 different ingredients and packaging products with 30 counterparties.

Financed 100 million litres of ethanol.

REGIONAL TRADING

ASIA

- Refined sugar purchases in Asia increased 19%
- Raw sugar purchases were up 37%
- Total sugar sales in the region up 22% to over 2 million MT

BRAZIL

- Raw sugar volumes sourced in Brazil steady at 2.1 million MT
- We operate at Rumo, Tiplan and Pasa terminals

EU

- Refined sugar sourced up 43% to a quarter of a million MT

MIDDLE EAST AND NORTH AFRICA

- Sales of refined sugar in the region steady, with 3% increase

SUB-SAHARAN AFRICA

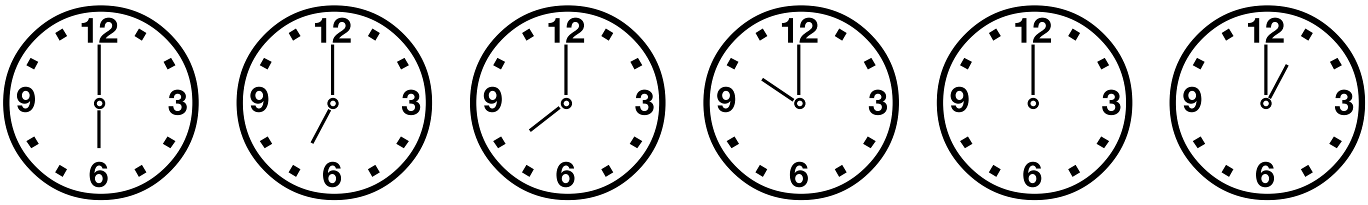
- Refined sugar sourced from Sub-Saharan Africa up 40%

WHAT'S INSIDE

At a glance

WHERE WE OPERATE

* Local presence



Mexico City	Miami	Trinidad*	São Paulo	London (Head Office)	Milan*
-6	-5	-4	-2	12 GMT	+1

IN NUMBERS

EMPLOYEES

190

SHIPS CHARTERED IN 2018

29

GLOBAL ACTIVITY

90 Countries

OFFICES

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

NAUTICAL MILES COVERED

96,000 Bulk vessels only

INDUSTRIAL CONSUMERS

>200

SUSTAINABILITY (VIVE) PARTICIPANTS/ FACILITIES

19 Year to date

GROUPS OPERATING MILLS, FACTORIES, LIQUID PLANTS & REFINERIES

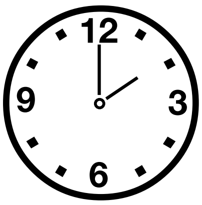
>175 Clients

VALUE OF CORPORATE FINANCE, MANDATES IN EXECUTION, US$M

650

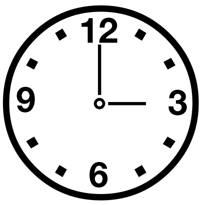
Benefitting all round from our internship programme

Our year-long internship programme equips soon-to-be graduates with practical skills and insights into the workings of complex global supply chains and the intricacies of business customs and cultural diversity. On the flipside, our interns – treated as essential team members from day one – bring valuable fresh ideas and approaches to the table. Through open and collaborative learning culture, and with direct access to management, our programme improves our recruitment process, work environment and talent pool. Its success speaks for itself – since 2014, 41% of our 17 interns and work experience students have joined Czarnikow full time.



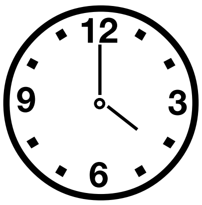
Tel Aviv

+2



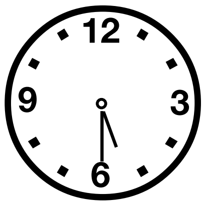
Nairobi & Dar Es Salaam*

+3



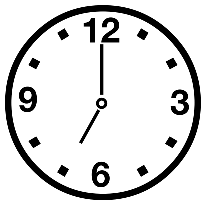
Dubai

+4



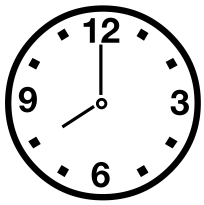
Hyderabad*

+5.5



Bangkok

+7



Singapore & Guangzhou

+8

OUR SERVICES

- Financing solutions
- Market analysis
- Price risk management
- Corporate finance
- Sustainable supply programme (VIVE)
- Logistics and stock management
- Client portal/web app – Czapp
- Physical trading

WHAT TO EXPECT…

More added-value services as we work proactively with our partners to understand their needs in terms of physical products, logistics, sustainability and financing.

OUR KEY PARTNERS

We have carved out a position as an indispensable partner within our chosen services and supply chains. We work with:

- **Mills, factories, liquid plants, refineries, energy producers and industrial consumers**. We optimise physical trading, logistics, stock management and financing.
- **Investors.** We provide specialist market and financial advice.
- **Banks and financial service providers.** We create innovative financing solutions for our clients.
- **Farmers.** We promote best agricultural and supply practices through our sustainable supply programme, VIVE.
- **Logistics providers.** We transport physical products in the most efficient way.
- **Employees.** We nurture the best working environment to enable them to perform to the best of their ability.

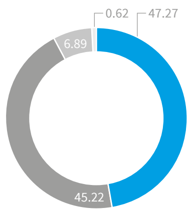
WHAT TO EXPECT…

A further strengthening of relationships with our key partners as we engage with them to develop bespoke added-value services and target growth opportunities.

REVENUE BREAKDOWN

We continue to diversify our revenue streams, by increasing our added-value services and expanding our range of traded products.

REVENUE-GENERATING BUSINESS STREAMS, %



Bulk products: unrefined sugar and ethanol
Containerised products: refined sugar, ingredients and packaging

WHAT TO EXPECT…

An increase in our non-trading revenue and a higher proportion of revenue from new products, resulting in improved gross profit expectations.

+ Business model, P16

+ A year in review, P44

Strategic overview

Clarity and communication

REINFORCING OUR STRATEGY

Our latest Vision and Strategy was launched in 2013 and updated in 2018. With our employees working in 11 locations and across ten time zones we use a variety of channels to ensure that our latest thinking is clearly communicated. Robin Cave, our CEO, provides regular strategy updates via his blog and chairs our annual Strategy Week. Information from this event is shared across the Group through line manager briefings and the intranet to ensure strategic alignment. Robin also hosts regular lunches with employees, where strategic and other information can be discussed in an informal setting, and operates an open-door policy.

OUR VISION

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

OUR 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.

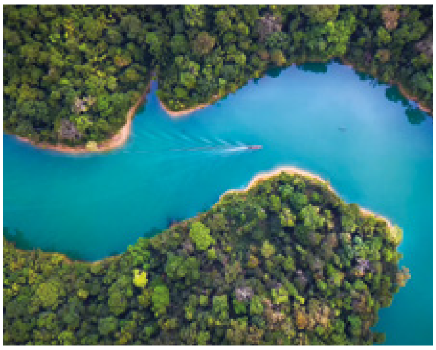
OUR MISSION

Our mission is to deliver effective supply chain, pricing and financing services for all our clients.

+ Governance report, P36

Strategic investment focus

#1 Products



By deepening our relationships with existing clients and broadening our services, we can grow the business while improving efficiencies and returns. We continue to look at creative and innovative ways to expand our product portfolio beyond sugar to achieve this.

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

NO. OF AVAILABLE INGREDIENTS AND PACKAGING PRODUCTS

> 50

+ From unrefined sugar to wood pellets, P8-9

#2 People

We operate in a competitive marketplace and work hard to attract, recruit, retain and reward the best talent. We continue to focus on improving employee benefits, training, amenities and activities, alongside providing remuneration that matches or exceeds market benchmarks.

OUR VALUES

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

GLASSDOOR APPROVAL RATING AS OF DECEMBER 2018

> 4.3 Glassdoor average 3.2

+ Creating an exciting place to work, P10-11

3 Technology

Our ongoing investment in IT is already reaping rewards through internal efficiency gains and new business opportunities. We know we must continue our investment in technology across all parts of the business to maintain this competitive advantage.

OUR CORE STRENGTHS

- Client service
- Supply chain
- Risk management
- Technology
- Sustainability

NUMBER OF IN-HOUSE IT DEVELOPERS

11

+ Winning through IT, P12-13

From unrefined sugar to wood pellets

Strategic investment focus – #1 Products

STRATEGIC DIVERSIFICATION

Recognising our strengths in sugar trading, financing and logistics, clients are increasingly asking us to work with their transport and procurement departments to help source other products.

We generate value by using our local market knowledge and applying our skills to finance, consolidate, store and release products on a just-in-time basis. In 2019, we were asked by a logistics partner to diversify their throughput and are now investigating sourcing wood pellets – used as a sustainable source of fuel.

RISK MANAGEMENT

What might appear higher risk on paper is mitigated by the strength of our client relationships and our logistical and operational skills. Nonetheless, prior to trading and handling any brand-new products, we undertake comprehensive research, present options to our clients for approval, carry out risk assessments and seek Board sign-off. Since 2018, we have added around 50 new products to our portfolio.

WHAT TO EXPECT…

As we work more closely with our partners and become more embedded in our clients' procurement processes – particularly for large industrial consumers – we expect our product portfolio to diversify further.

CLIENT-LED PRODUCT EXPANSION

	FOOD AND INGREDIENTS	FUEL	PACKAGING
PRIMARY	Unrefined sugar		
SECONDARY	Refined sugar		
	Liquid sugar		
		Ethanol	
COMPLEMENTARY	Nutritive sweeteners and syrups		
	High-intensity sweeteners		
	Fruit concentrates and purées		
	Preservatives and antioxidants		
	Acidity regulators and thickeners		
	Milk products and proteins		
			PET packaging
EXPLORATORY		Wood pellets	

Creating an exciting place to work

Strategic investment focus – #2 People

COMMITMENT FROM THE TOP

We continue to invest in our employees and their working environments to create an exciting place to work, and this commitment is formalised as one of our four corporate goals.

Our Board and senior management teams view expenditure in this area as an investment and not a cost, particularly as we reposition ourselves as a modern services business.

PROMOTING A START-UP CULTURE

Our business is fast-moving and culturally stimulating, with a strong teamwork philosophy, all of which suits self-starters with an entrepreneurial spirit. We encourage new ideas, expect our employees to challenge convention and look for ways to improve business practices that will benefit our clients, other stakeholders, and the environment.

STRENGTHENED BY OUR VALUES

Our Values support and drive our day-to-day business activities. They shape how we behave and serve as a reference point when recruiting and rewarding our people. Our business is stronger because of them, as they guide our people to do the right thing.

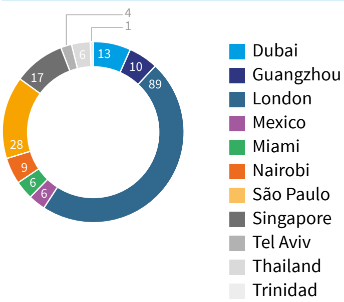
What are Czarnikow's Values?

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

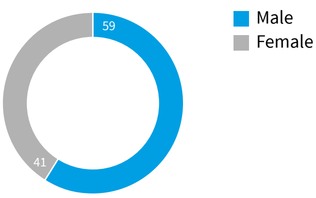
WITH A GLOBAL OUTLOOK

Our relatively small employee network, strong teamwork philosophy and open-door policy mean that Czarnikow employees are exposed to global markets, different cultures and cross-functional projects at an early stage of their careers. This leads to more creative, diverse and inclusive thinking, which helps us to realise our business growth plans more effectively.

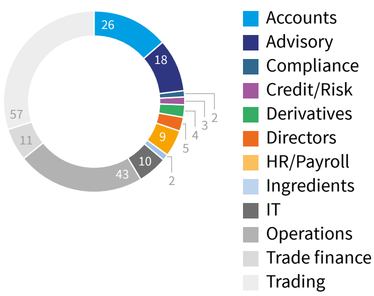
EMPLOYEES BY LOCATION, NUMBER



EMPLOYEES BY GENDER, %



EMPLOYEES BY FUNCTION, NUMBER



INVESTING IN OUR PEOPLE

1 DIVERSITY AND INCLUSION
41% of our employees are female and over half of our employees work outside our UK HQ. However, we can still do more to improve our diversity, particularly at our Management Committee level.

2 BRAND DEVELOPMENT
As a modern services company we are working hard to strengthen our brand presence – especially through social media channels – by aligning our image and aspirations.

3 INTERNSHIPS
We give students the opportunity to gain work experience in an open and welcoming setting. We have offered 17 internships and work placements since our programme started in 2014, with 41% taking up full-time employment.

4 MENTORING
In 2018, we trained a group of mentors and paired them with 17 new joiners. Following the success of this scheme, we are evaluating the expansion of our mentoring programme.

5 GENDER PAY REPORTING
We are working, voluntarily, on a gender pay reporting initiative. Following investment in a new HR database we can provide more accurate and relevant data to all senior management.

6 GLASSDOOR PLATFORM
We believe in transparency and have linked up with Glassdoor to share unbiased insights into life at Czarnikow, improve our recruitment profile, and attract 'best-fit' candidates.

7 TRAINING DELIVERY
As a direct result of employee feedback, we have changed the way we deliver our online training to make it more accessible and engaging.

8 STRATEGY AND VISION
At our latest Strategy Week, the energy of our employees was palpable. We take pains to share not just important information, but our passion too – right across the Group.

Winning through IT

Strategic investment focus – #3 Technology

COMMITTED INVESTMENT

Since 2015 we have invested heavily in leading-edge IT and services across the Group in a bid to capture and convert our specialist knowledge and expertise into bespoke modules, databases and systems.

These are improving our internal transparency, accuracy and efficiency by giving us better oversight of our business and reporting activities. Over time, we have been able to pass on these benefits to our partners across the supply chain.

ADDING VALUE INTERNALLY

An important internal benefit has been the removal of complexity and the automation of basic processes, which means that our employees can spend their time on tasks and projects that are more rewarding – from both a job satisfaction and a business standpoint. Our employees are spending more time 'front of house' rather than processing behind the scenes, and can think more creatively about how to best create value for our partners and grow our business.

BENEFITTING STAKEHOLDERS

Our investment in IT also allows us to interface more efficiently with our clients, delivering services in a more timely and client-friendly way. During 2018 and in the first half of 2019 we have worked on developing a new client portal and app to simplify and tailor market analysis and information.

Through this development, we can provide better value for money for existing clients and open up new revenue streams by offering flexible information levels and delivery options. Our in-house IT skills are instrumental in facilitating our borrowing base – the first of its kind in the industry.

WHAT TO EXPECT...

We are already seeing good returns on our IT investment and we have planned to maintain an ongoing high level, given the fast-moving environment in which we operate and the rate at which technology is developing. We remain open to evaluating evolving systems such as blockchain and machine learning and have the flexibility to integrate these into our systems if required, without being locked in to specific technologies.

IT INTEGRATION AND INVESTMENT FOCUS

OPERATIONS AND SUPPLY CHAIN	TREASURY, FINANCE AND ACCOUNTING	TRADING AND RISK MANAGEMENT	DATA TEAM

BUSINESS APPLICATIONS

OPERATIONS AND SUPPLY CHAIN

> Multi-country accounting requirements
> Planning modules
> Delivery costing
> Expenses management
> Mixed currency invoicing

TREASURY, FINANCE AND ACCOUNTING

> Bank facilities
> Bank integration
> Document tagging and storage
> Loan management and reporting
> Credit insurance
> Interest rates

TRADING AND RISK MANAGEMENT

> Derivatives
> Trade capture
> Compliance
> Credit risk

DATA TEAM

> Database and server reporting services
> Cost profile analysis
> Greenhouse gas data reporting
> Trade and trade finance reporting
> Credit risk analysis

New ideas in experienced hands

CEO review

In 2018 we remained focused on our agreed strategic objectives and successfully progressed investments in a number of targeted areas: our people, our product portfolio, and information technology.

CREDITABLE PERFORMANCE IN LOW-GROWTH ENVIRONMENT

During a period of low consumption growth, we matched our previous year's trading levels and achieved a creditable, but lower, operating profit of US$8.1 million (2017: US$10.2 million). During this time we also carried out considerable strategic groundwork and made targeted investments to strengthen and open up our complex, unique networks, and opportunities for growth.

START-UP MENTALITY…WITH EXPERIENCE

Our repositioning as a modern service provider of choice, capable of creating long-term value in our chosen supply chains, comes at a time when many in our industry are clinging on to outdated and unprofitable models or fending off consolidation approaches. Our agility, focus and enthusiasm for our chosen strategic path have allowed us to forge ahead in our evolution. We were recently described as having a start-up mentality – a unique attribute for a 157-year-old business – and this resonated with us. We consider our reputation and experience to be a valuable springboard from which to pursue new and exciting channels of growth with confidence.

PROVIDING STRATEGIC CLARITY

In Spring 2018, we communicated our updated Strategy and Vision across the Group and reinforced this at our Strategy Week later in the year. We are uniting our people – already bound by values and purpose – even more strongly by providing strategic clarity and direction. This has resulted in a Group that is genuinely excited about taking new ideas to our clients.

EXPANDING OUR NETWORKS

We will look back on 2018 as an important work-in-progress year during which we carried out groundwork for the future. We successfully tested our ability to handle new products, such as ingredients and packaging – working closely with our clients' procurement teams. Our expansion into Thailand, where we aim to replicate our Brazilian operational model, has the potential to transform our business in this high-growth region. And our imminent launch of a new borrowing base facility – the first of its kind for the sugar industry – will enable us to increase our capacity to deliver services to clients in a risk-optimised manner.

FOCUSED INVESTMENT

Growth is exciting but it can run the risk of stretching valuable resources – especially our people and systems. Our ongoing focus on these two areas is important and beneficial. We have a dynamic and diverse team, hungry for change, and we have improved our training delivery as a direct result of employee feedback. Maintaining a representative gender balance is high on our agenda and we continue to refine our monitoring and analysis of pay data.

We also continue, passionately, to scout early for talent through our intern programmes and links to leading business schools and universities.

Our IT investment has reached a pivotal point and is now generating excellent returns and tangible results. This 'behind the scenes' work has helped us to create and implement our widening portfolio of added-value client services. Moreover, it is recognised as a competitive strength and our new client web app – Czapp – and bespoke client interface will bear testament to this.

NEW GUIDELINES AND OUTLOOK

As a large private company incorporated in the UK, we are faced increasingly with new legislation and reporting regulations. With zero tolerance for regulatory non-compliance and as a business with a reputation for integrity, we consider relevant aspects ahead of time and look to build them into our existing policies and procedures. On pages 36 to 43 we present our first in-depth governance report, structured around the Wates Principles. At Czarnikow, effective governance and leadership are cornerstones of our approach; they cement our platform for growth, reassure our clients and complement our start-up mentality. I look forward to updating you on our next phase of growth and client-focused initiatives during the course of 2019.

Robin Cave
Chief Executive Officer

Green funding

Rabobank – a multi-national bank with expertise in the global food and agriculture industry – is a committed partner to our VIVE sustainability programme. Rabobank and VIVE are working together to incentivise improved sustainability in the sugar value chain by exploring financing solutions for operations associated with VIVE. For example, in return for Czarnikow meeting certain criteria, such as an intention to trade over 100,000 MT of VIVE-verified sugar each year, Rabobank will offer sustainable funding through a range of discounted interest rates. This is one of several initiatives, alongside green bonds, green private placements and climate-smart agriculture financing, that Rabobank has introduced to reward enterprises that it perceives to be 'frontrunners in sustainability'.

+ VIVE, P24

Business model

Providing services integral to our supply chain

FARMERS | PRIMARY PROCESSORS | SECONDARY PROCESSORS | INDUSTRIAL CONSUMERS | RETAILERS AND FOOD-SERVICE | END CONSUMER

BUY AND SELL	Sugar, sugar-related products and ingredients	PHYSICAL TRADING
MOVE, STORE, RELEASE, ADVISE, ARRANGE, DERISK AND FUND	Over a number of years, we have expanded our range of client-centric services, which complement our physical trading activities. Our management team's efforts are firmly focused on developing these services further, as they are integral to our long-term value creation.	LOGISTICS AND STOCK MANAGEMENT SUSTAINABLE SUPPLY PROGRAMME (VIVE) FINANCIAL SOLUTIONS PRICE RISK MANAGEMENT MARKET ANALYSIS CORPORATE FINANCE

Core clients ■ Trading services ■ Added-value services ■ Indirect influence

Enhancing financial solutions through IT

We continue to invest heavily in IT across the Group to improve efficiencies and client service. In 2018, we focused on strengthening the IT capabilities of our Finance solutions team and appointed senior team member Rodrigo Martins to lead the project full-time. By dedicating an experienced team member with a deep understanding of external requirements and in-house aspirations, we focused quickly on designing and implementing improved and streamlined processes, highly relevant to the needs of both our clients and his team. We are now able to deliver increasingly detailed and complex information to our partners – faster than ever.

+ Our business model in more detail, P19

+ Winning through IT, P12-13

We strengthen our business model through stakeholder engagement to improve decision-making, and targeted investment to reinforce our core strengths.

KEY BUSINESS RELATIONSHIPS

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. This engagement helps us to promote the long-term success of our business and make more effective decisions. We use formal and informal communication channels to engage with our stakeholders throughout the year.

CORE STRENGTHS

Our focus on added-value services is already pulling us away from more 'traditional' business models. However, we continue to operate in a very competitive arena and, as we expand our business, it is imperative that we do not lose sight of the strengths that already set us apart. As part of last year's Vision and Strategy work we identified the skills we need to develop our business model for the long term and to differentiate ourselves further in the marketplace:

> **Client service:** expanding our range of bespoke services to establish ourselves as the service provider of choice

> **Supply chain:** managing and influencing the most sustainable, cost-effective, and efficient movement of products across our supply chains

> **Risk management:** further functional emphasis as we broaden and deepen our client relationships and venture into new areas

> **Finance:** investment in financial training, enhanced by IT capabilities

> **Technology:** ongoing investment in leading-edge systems, while maintaining flexibility

> **Sustainability:** strengthening our leadership role in ethical and sustainable supply chain management, which acts as a commercial differentiator.

PROMOTING THE SUCCESS OF OUR GROUP THROUGH STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS	FOSTERING RELATIONSHIPS	CREATING LONG-TERM VALUE	EXPECTATIONS
CLIENTS	> Daily interaction with clients on trading floor > Weekly strategy planning meetings with Czarnikow's Trading Directors > Close working relationship with procurement teams (industrial clients) > Interaction with farmers through VIVE programme	> Optimising price, logistics and financing > Providing innovative procurement solutions > Promoting ethical and sustainable supply chains > Reducing environmental impact > Reducing overall supply chain risks	> Deeper understanding of client business to provide more added-value solutions > Further cost optimisation > Bespoke knowledge-sharing
EMPLOYEES	> Team and line managers > Open-door policy > Employee intranet > Appraisals > Formal and informal strategy updates	> Creating a more exciting workplace, including benefits and culture > Improving recruitment, retention and rewards > Promoting efficiencies and innovation through teamwork and communication	> Improved training courses > Further investment in the workplace > Greater diversity and inclusion
SHAREHOLDERS AND BANKING PARTNERS	> Quarterly CCL Board meetings (parent company) > Annual roadshow with current/new partners alongside ad hoc calls/meetings	> Shared understanding of and support for long-term aspirations > Ensuring a financial platform to support growth plans and opportunities	> ROCE improvements > Transparent, reliable and timely information > Meeting other agreed targets
LOCAL COMMUNITIES AND GOVERNMENTS	> Country teams > Direct employee engagement in charity/volunteering initiatives	> Goodwill through local job creation and charity support > Timely tax returns and payments	> Knowledge of local jurisdictions > Economic development
ENVIRONMENT	> Employee schemes/initiatives to minimise direct impact > Clients and logistics partners to promote operational efficiencies, and through our sustainability programme VIVE	> In-house awareness and impact reduction > Optimising transportation/shipping routes to maximise cargo efficiencies and reduce fuel usage > Reducing environmental impact through VIVE	> Lower emissions and zero waste to landfill > Evaluation of alternative energy sources > Robust monitoring

+ Creating an exciting place to work, P10-11

+ Decision-making, P43

Borrowing base facility

In 2018, we laid the groundwork for the development of a new borrowing base facility to help finance our planned growth.

While the proposed structure has been set up successfully in other trading sectors (e.g. oil and gas) this is the first of its kind in the 'soft' commodities sector.

WHY ARE YOU DEVELOPING A BORROWING BASE?

We have been working on the borrowing base facility for the last 18 months. This initiative has been driven by our 'Broaden and Deepen' strategy in preparation for future business growth as we scale up. More specifically, given the increasing appetite for forward pricing[1] in the marketplace, we identified that it would be advantageous for us to take on more priced physical forward contracts (PPFCs), particularly in Brazil. As a result, we worked on an alternative source of funding to secure the financing of initial and variation margin calls related to PPFCs, which can currently only be met by using our own resources or by drawing on uncommitted bilateral broker lines.

WHAT BENEFITS DO YOU FORESEE?

Primarily, by addressing this funding gap, we will be able to accommodate a greater volume of long-dated PPFCs, as mentioned above, by using a 12-month committed borrowing base structure. By introducing this type of committed financing arrangement into the mix, the proposed syndicated borrowing base diversifies and strengthens our funding profile, and widens our funding pool. This will help us manage market volatility and reduce our exposure to liquidity risk, to the benefit of both internal and external parties. Finally, it gives us an opportunity to deepen relationships further with our existing banks, explore opportunities with potential new banking clients and make more informed decisions about allocating future ancillary services such as trade finance and foreign exchange.

WHAT ARE THE BENEFITS FOR YOUR LENDERS?

Our borrowing base has been structured to make it as attractive as possible to our lenders. It has been set up within strict parameters and incorporates an innovative insurance cover to reduce lender risk considerably.

Firstly, it is asset-based, with the level of funding in relation to margin calls determined solely by the value of eligible assets such as 'in-the-money' PPFCs, inventories and trade receivables.

Secondly, funds are only drawn down for initial and variation margin call payments where related physical contracts have been assigned. The borrowing base is also self-liquidating, as the lending extended by banks is dependent on limits agreed in advance that apply to the liquidation value of the eligible assets. With a top-up mechanism in place, we can ensure through frequent and transparent discussions with our lenders that loan-to-value ratios stay in line with agreed facility terms.

Finally, in what is probably the most innovative element of this product, the security that we can offer to banks includes an excess of loss insurance cover extended by an 'A'-rated underwriter. Should mark-to-market performance losses exceed the level agreed by Czarnikow and the insurers, Czarnikow is indemnified and the banks will be named as loss payees under the insurance contract.

WHAT ARE YOUR NEXT STEPS AND TIMINGS?

We have completed the due diligence phase and are finalising certain elements of the facility with a view to launching it before the end of the year.

BORROWING BASE BENEFITS SUMMARY

- ASSET-BASED WITH MARGIN CALL FUNDING DETERMINED BY ELIGIBLE ASSETS
- FUND DRAWDOWN ASSIGNED TO RELATED PHYSICAL CONTRACTS
- SELF-LIQUIDATING WITH TOP-UP MECHANISM AND FREQUENT DISCUSSIONS
- CREDIT-ENHANCED, WITH BANKS NAMED AS LOSS PAYEES UNDER INSURANCE CONTRACT

1 It is widespread market practice to offer selected suppliers and consumers the option to price sugar forward, well ahead of its contractual delivery. When this happens, we enter into back-to-back hedging transactions using the derivatives markets to ensure price protection. This creates a potential funding requirement through initial or variation margins that, prior to delivery under these physical contracts, can only be met by using our own resources or by drawing on uncommitted bilateral broker lines, which can be forfeited without notice. The development of a new committed borrowing base changes our risk profile in relation to forward pricing and opens up new market growth opportunities.

+ Trade finance, P50

Our business model in more detail

MISSION

The Group's mission is to deliver effective supply chain, pricing and financing services for all our clients.

We have been doing this for over 157 years and are well known around the world for our expertise in providing added-value services to the sugar industry. In the last two to three years, we have repositioned ourselves as a modern service provider of choice in our chosen supply chains of sugar and complementary products such as ingredients and packaging. We have a global outlook, operating from ten offices, with a local presence in a further four countries, and employ around 190 people.

PRINCIPAL ACTIVITIES

We split our principal activities into two areas: physical trading and added-value services.

Physical trading (buying and selling)
We buy, sell and move raw (unrefined) and white (refined) sugar and, in development, complementary products in large quantities across a very focused part of the supply chain. Our main trading partners are:

> Primary processors (e.g. sugar beet factories, sugar cane mills)
> Secondary processors (e.g. sugar cane refineries, liquid plants)
> Industrial consumers (e.g. large food and beverage companies, ethanol fuel blenders).

The scope of our activities is also very focused and our physical trading business is transaction-rich and asset-light. We do not own any farming or production assets; nor do we supply or market sugar to end consumers. However, we are very active in the trading of sugar and complementary products to and from primary and secondary sugar processors, and industrial consumers.

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. Our reputation in the marketplace is such that we are often called upon to negotiate some of the more complex deals in play.

ADDED-VALUE SERVICES

Moving, storing, releasing, advising, arranging, derisking and funding

Over a number of years, we have expanded our range of client-centric services, which complement our physical trading activities. Today, our management team's efforts are firmly focused on developing these added-value services further, as they are integral to our long-term value creation. These services help us to: secure additional revenue; attract new partners; deepen our relationships with existing partners; strengthen our presence along the supply chain; and offset market vagaries. A brief overview of our added-value services is provided below.

Logistics and stock management
We stock and repackage physical product and organise the warehousing and logistical requirements needed to move raw, white sugar and other products from A to B, in the right format and at the right time. We take title to goods and agree to sell future production on our clients' behalf (known as 'off-taking'), and develop bespoke distribution and supply strategies. When required 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.

Financing solutions and price risk management
We provide a range of advisory and financial services to support our clients and strengthen our long-term partnerships with them. We use derivatives to manage price risk exposure and provide related consultancy and execution services.

We arrange financing solutions, including appropriate securities, to extend both short- and medium-term payment terms.

Corporate finance and market analysis
Our Corporate Finance team advises farmers, sugar processors and investors in the sugar and bioenergy markets, and our Analysis team helps to enhance our clients' business decisions, as well as our own, by providing world-leading market advice. We are investing in a client platform and interface so that we can offer bespoke client access to our market information.

Sustainability supply programme (VIVE)
VIVE is a continuous improvement sustainability programme that measures, monitors and benchmarks participants' performance against global sustainability standards along the entire sugar supply chain. 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 both the farm and factory levels. We also create commercial value by helping our industrial consumers meet end-consumer demand for transparent information about the provenance of sugar and other ingredients.

We are remunerated for our added-value services in various ways depending on the level of risk we take and the level of services we provide to specific clients. For example, our income includes annual subscriptions and one-off consultancy fees, deal fees and retainers, costs per service or bundled services, and commission.

+ A year in review, P44

Market review

A sugar market in transition?

OUR GLOBAL OVERVIEW

Global sugar stocks have been excessively high since 2012. However, in the past two years farmers have grown so much cane and beet that sugar stocks around the world have now risen to record levels.

A decade of overproduction

At Czarnikow, we use a global stocks-to-use ratio as a good proxy for supply chain stability. As a rule of thumb, if global sugar stocks are below 15% of annual consumption, supply chains run the risk of breaking down and this leads to price increases. A stocks-to-use ratio between 15% and 20% is considered a neutral level, while a ratio above 20% is excessive as stocks are expensive to carry. Since 2012, the global stocks-to-use ratio has exceeded 20% and has been the driving force of this decade's bear sugar market.

Global production 2018/19

At one point, the 2018/19 sugar harvest indicated that vast overproduction may have started to change. However, with this being driven virtually single-handedly by Centre-South (CS) Brazil, which has reduced sugar production in favour of higher-priced ethanol, this is by no means a universal phenomenon.

Elsewhere in the world, high output continues with farmers either failing to read the market price signals or – through government intervention – lacking incentives to make large-scale crop switching decisions. In fact, by the end of 2019 production we predict that in India (the world's largest sugar producer), Thailand (the world's second largest raw sugar exporter) and the EU (the world's largest beet grower) production will be close to record levels.

Why is this the case?

Outside CS Brazil, increased government intervention has undoubtedly played a major role. By shielding farmers from the effects of low sugar prices, governments around the world may have protected local rural incomes in the short term but, in our view, they are probably prolonging the sugar price depression.

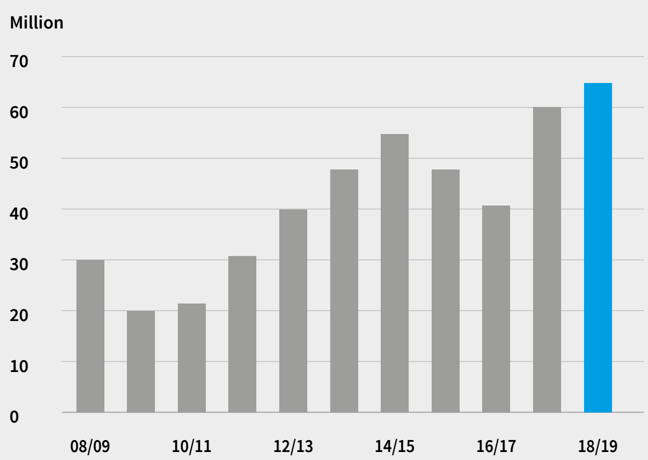
THE REGIONAL PICTURE

Sugar production is dominated by a handful of countries and trading regions:

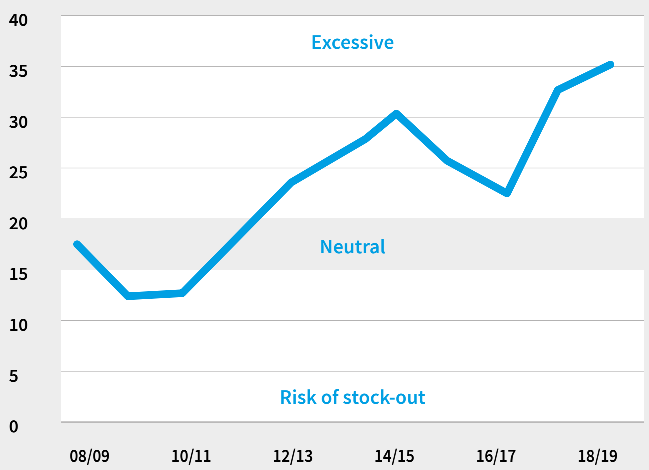
- Centre-South (CS) Brazil
- India
- European Union
- NAFTA (now called USMCA)
- Thailand
- China.

We take a quick tour of local market dynamics below.

GLOBAL SUGAR STOCKS ARE AT RECORD LEVELS, MTRV



GLOBAL STOCKS-TO-USE RATIO, %



CS Brazil

Until 2018, CS Brazil had been the world's largest sugar-producing region for well over 15 years. Unlike other more regulated markets, cane mills in Brazil can (in the main) choose to make either sugar or ethanol, depending on which is the best-returning product. For the current season, relative returns have been hugely in favour of ethanol, and mills have responded by diverting the highest proportion of cane juice to ethanol production since 1997. In the space of just one season, mills reduced their sugar output from 36 million tonnes to 26.3 million tonnes.

Ethanol output beat all forecasts and we think this trend could continue with sugar losing out to ethanol production in 2019. However, this could change if the raw sugar market rallies above US15c/lb, making sugar more attractive again (based on today's ethanol prices).

India

India is now the world's largest producer of sugar. With sugar defined in law as an 'essential commodity' the union government has significant control of sugar growing, processing and selling. This includes fixing the domestic price, and subsidising cane sugar farming and transportation for export.

With the price mills pay farmers for cane sugar having no relation to global market prices, sugar cane remains the best-returning crop in the country, cane acreage continues to rise and cane oversupply is virtually a given. Vagaries of the weather allowing, this trend is unlikely to reverse.

Surplus stocks, however, are taking their toll on the mills and creating a financial burden for the government. But rather than addressing the oversupply of cane, the Indian government believes that successful development of a domestic ethanol industry (similar to Brazil's) would relieve economic pressure from high oil prices and increase domestic energy security in the longer term. In 2019, the Indian government introduced measures to encourage mills to make more ethanol and the oil industry to buy it.

Once limited to producing ethanol from low-sucrose C Molasses (normally used as animal feed), mills are now allowed to use higher-sucrose B Molasses. The ethanol price is fixed at levels which make it profitable for mills, especially if they use B Molasses as a feedstock. And a change in import regulations (ethanol can be imported for potable/industrial use, but no longer for fuel) means that oil companies are being pushed to buy ethanol from sugar mills.

We think this will result in a reduction in sugar production of 350k tonnes in 2019, and perhaps of up to 750k tonnes in 2020.

Once cane juice distilleries are built, production numbers could reduce further. However, with measures driven by regulatory changes, and not by sugar prices, we still forecast little incentive for farmers to switch away significantly from cane cultivation in the long term.

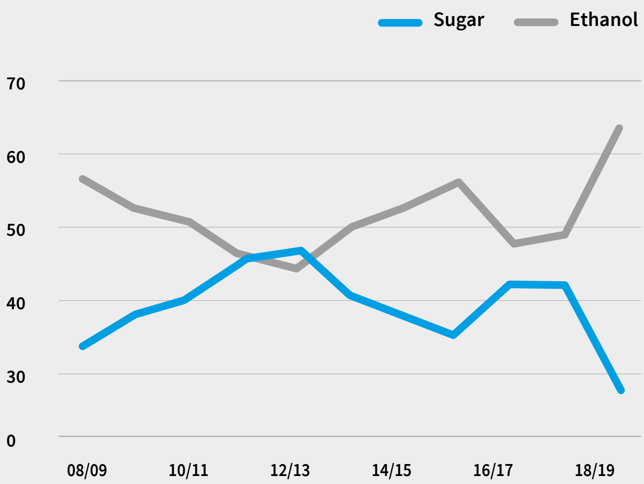
Thailand

In 2018, the Thai government reformed the country's sugar industry, aligning it more with the world market, and fixed domestic prices and quotas were abandoned under the threat of a Brazilian WTO challenge. In the past, fixed domestic prices had softened the effect of a weak world market on Thai farmers and meant that cane had been their best-returning crop for a long time.

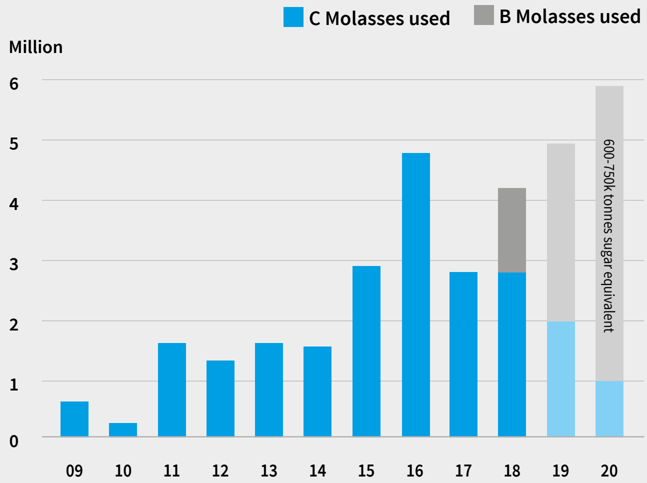
However, the global market price has now fallen far enough that, combined with floating domestic market prices, cane returns are now negative. With the provisional cane price for 2019 estimated at the lowest in over a decade, this may just be enough incentive for farmers to switch to more profitable crops such as cassava.

However, erosion of cane farmer returns is not acceptable to the government, and subsidies such as reduced interest loans and grants are on the table. Ostensibly, these cover cane transport and fertiliser costs. In practice, they will continue to protect farmers from soft prices and reduce the incentive for farmers to divert cane acreage.

CS BRAZILIAN PRODUCTION MIX BY CROP YEAR, %



INDIA: MOVE TO B MOLASSES FOR ETHANOL PRODUCTION WILL REDUCE SUGAR PRODUCTION, TONNES



China

Once the world's largest importer of raw sugar, the Chinese government restricted imports from 2016 to bolster the domestic market and ensure that sugar mills remained profitable enough to pay farmers for cane. Chinese cane prices are among the highest in the world and the market also suffers from huge-scale smuggling: one of the largest sugar flows in the world at around 2.5 million tonnes a year.

Following Brazil's WTO challenge, China looks likely to relax its import restrictions in 2019, and the Ministry of Finance is looking at various other ways to support cane farmer income. From a farming point of view the price signal to grow less cane is lost. On the flipside, should cane prices fall over a longer period farmers may be forced to reduce cane acreage or increase intercropping activity in order to stay profitable.

European Union

European sugar is made from beet (not cane) and growers in this region are among the world's most efficient sugar producers. In October 2017, the European sugar sector was deregulated and many beet processors signed three-year beet supply deals with farmers to ensure stability through the transition. As the sugar price was significantly higher then than today, recent farmer returns have been excellent.

With these deals starting to expire in 2019, however, and the beet price forecast to fall by around 10%, farmer returns will deteriorate. As beet is an annual crop with a short growing cycle, farmers can respond very quickly to changes in returns and we predict a fall in acreage. Another factor to take into consideration is the ban on neonicotinoid pesticides, which may lead to yield drops or increased spraying costs.

However, even this newly-deregulated market is not completely immune from intervention, as Poland, Hungary, Italy and Spain may subsidise beet farming through a measure called Voluntary Coupled Support.

Our prediction is that European sugar production in 2019/2020 will remain at a similar level to the previous year.

USA

A new Farm Bill was signed into law at the end of 2018, preserving the Sugar Program for another five years, which supports American cane and beet farmers, including minimum domestic prices, low-interest non-recourse loans and restrictions on sugar imports. This means that American sugar prices today are roughly double world market levels.

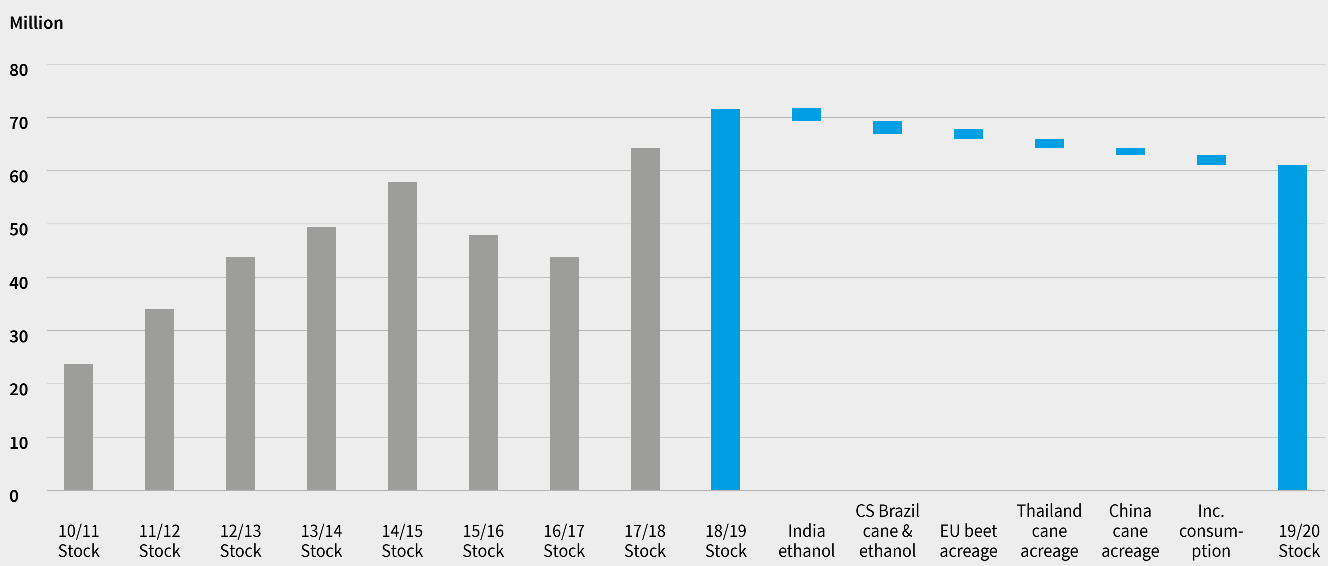
LOOKING AHEAD

Although ethanol production from cane could grow in importance and some of the less regulated regions could consider a move into cassava, soy and corn, there is still too much sugar in the market. We do not anticipate a large enough global reduction in cane and beet acreage in the 2019/20 season to address the macro oversupply. Put simply, there is too much support for growers.

If acreage does not drop, the only other major factors that could impact price are weather or catastrophes. There are some indications of dry growing conditions in India and Thailand which, if prolonged, could lead to sugar production shortfalls in 2020. Indeed, our forecast is for global sugar production in the 2019/20 harvest to be below consumption for the first time since 2016/17, and this raises the possibility that sugar prices may have bottomed.

However, reaching a low is not the same as establishing a new uptrend, given the weight of stocks – which can easily offset lower production – and the level of government intervention around the world. There are also further market complexities (detailed on page 23) which may delay the time taken for global sugar production to adjust to lower prices. As such, we foresee the sugar market entering a period of choppy transition, with prices between US10c/lb and US15c/lb at today's foreign exchange levels.

STOCKS STILL HIGH IN 2019/20, MTRV



Understanding market complexities

GLOBAL VERSUS REGIONAL

Trade partnerships, treaties and global over-arching trade deals are partially fragmenting into regional and bilateral deals. Ironically, more sugar than ever is traded with reference to world market prices, but how these benchmarks relate to actual physical sugar trade is becoming increasingly complicated.

The Trans-Pacific Partnership (TPP) has begun despite the USA's withdrawal from the pact. We are likely to see increased flows of Australian sugar into Japan in 2019 as Australia will have a duty advantage over other raw sugar suppliers under TPP. Meanwhile the NAFTA agreement between the USA, Mexico and Canada was renegotiated without major changes to sugar; the agreement has been re-born as United States-Mexico-Canada Agreement (USMCA).

In Europe, Brexit has dominated the UK's political chatter for over two years and created untold uncertainty, not least about what tariffs will be applied to sugar trade if/when the UK departs. Who knows if the impact on the UK's deficit sugar market might leave the EU in sugar surplus once again?

With the recent launch of Czapp, our free client portal, we can now share our market information with you. You can sign up today free of charge at www.czapp.com to stay up to date with market insights and developments.

LOW-SULPHUR MARINE FUEL

On 1 January 2020, the level of sulphur permitted in marine fuel will drop from 3.5% to 0.5% as agreed by the International Maritime Organization (IMO). This transition is expected to start towards the end of 2019, with ships burning low-sulphur fuel oil (LSFO) or backfitting costly exhaust scrubbers.

At Czarnikow, our experienced global analysts and logistics teams are monitoring this development closely and predict that vessel owners will favour using low-sulphur fuels for their existing fleet. However, although the IMO reported in 2016 that enough LSFO would be available, we understand that certain trade routes will not have ready access. This may lead to an increase in bunker prices and dry bulk freight rates.

As freight is a significant component of the delivered price of sugar, this may encourage buyers to source local sugar. We experienced this effect in 2008 when dry bulk freight rates rose to record highs and made it harder for Brazil to compete against Thailand in the East Asian markets. Forewarned is forearmed.

GROWTH OF SUSTAINABLE SOURCING

End-consumer demand for increased visibility of food ingredients and packaging has prompted a notable shift in the sugar procurement patterns of industrial buyers, with volumes of sustainable sugar traded around the world expected to increase. Czarnikow is at the forefront of delivering sustainable sugar through VIVE – a continuous improvement sustainability programme for sugar cane and beet supply chains – and is utilising its unique position to drive this change.

Czarnikow's on-the-ground presence and expertise around the world is critical to helping market participants succeed given these changing market dynamics.

+ VIVE, P24

VIVE

Our sustainable approach

VIVE is a sustainability programme that focuses on continuous improvement and value creation throughout the supply chain.

VIVE enables businesses to deliver sustainable improvements, demonstrate traceability and differentiate products – creating commercial advantage.

SUSTAINABLE SUPPLY PROGRAMME

VIVE has been developed through a global agreement between ourselves and AB Sustain. Now in its fourth year and gaining global traction, it combines AB Sustain's experience in developing and delivering sustainable agricultural commodity programmes with our extensive commercial knowledge networks and strategic relationships within the sugar sector. We perceive our ongoing role within VIVE to be of significant strategic importance and a core competitive differentiator.

2018/19 DEVELOPMENTS

In 2018 – and drawing on its spirit of continuous improvement – VIVE evolved further to meet the needs of its participants. VIVE's management team launched a new website and implemented the VIVE Excellence Level. This award can be achieved by participants within Step 3 of the VIVE programme; it offers a unique level of differentiation for businesses aiming to go beyond essential sustainability requirements and demonstrate a high level of sustainability across their operations. Other developments included the introduction of green funding in conjunction with Rabobank (see case study page 15), bringing two more benchmarks (Smartcane BMP and ProTerra) under the VIVE 'umbrella', and starting a new multi-commodity service. This means that the VIVE programme can now be implemented in supply chains outside VIVE's specialised focus on sugar cane and beet, allowing new stakeholders to benefit from VIVE's valuable learnings to date.

The positive reception of these developments is reflected in the increasing number of VIVE's participants and its expanding geographical reach. In 2018, the VIVE programme added five refineries and one chain of custody client (a traceability and assurance service, see page 25) to its list. Another refinery, beet facility, two mills and an additional chain of custody client were added in the first half of 2019. VIVE is now active in the following ten countries: Australia, Brazil, Egypt, Indonesia, Malaysia, Mauritius, Saudi Arabia, South Africa, Thailand and the United Kingdom.

GLOBAL RECOGNITION

VIVE continues to gain recognition amongst industrial consumers – large food and beverage companies – such as The Coca-Cola Company (TCCC), Diageo, Heineken and Kenafric, who have all actively encouraged their suppliers to participate in the VIVE programme.

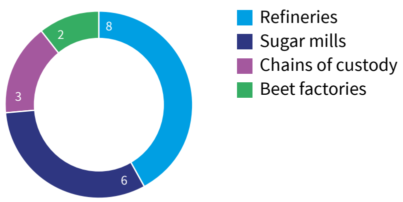
By participating in the VIVE programme, suppliers can meet the in-house sustainability sourcing requirements of numerous industrial consumers. By sourcing 'VIVE Claim Level' sugar, industrial consumers can also demonstrate more effectively how they are responding to end-user demand for responsibly-sourced ingredients.

A major milestone was reached in May 2019, when TCCC promoted VIVE to its top tier of partners to advance continuous improvement in sustainable agriculture, alongside other programmes, acknowledging VIVE's commercial and relationship-led approach. As VIVE gains traction and 'VIVE Claim Level' volumes gain momentum, we expect other large manufacturers and retailers to show increasing interest in VIVE.

WHAT TO EXPECT...

> Continued focus on strengthening VIVE's strategic 'spine' of global producers and processors to ensure VIVE's participants can effectively meet the growing requirements of industrial consumers for sustainably-sourced sugars
> Active expansion of geographies resulting from growing traction and services
> Expansion of 'multi-commodity' service
> Increased sales of 'VIVE Claim Level' refined sugar to industrial consumers
> Launch of 'Buyers supporting VIVE' membership programme
> Heightened marketing efforts.

NO. OF VIVE PARTICIPANTS/SERVICES



'VIVE CLAIM LEVEL' TONNAGES 2018, MT

115,538 Unrefined (bulk) sugar

1,900 Refined (containerised) sugar

VIVE GEOGRAPHICAL REACH

10 Countries (including H1 2019)

BENCHMARKS ACHIEVED IN 2018

Smartcane BMP
ProTerra

+ www.vivesugar.com

HOW DOES VIVE WORK?

The VIVE programme measures, monitors and benchmarks a participant's current performance against global sustainability standards along the entire sugar supply chain, and sets bespoke improvement plans. This facilitates the understanding of sustainability risks and mitigation strategies, and fosters positive change through a continuous improvement approach.

The programme 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 traceability of raw materials back to source location.

VIVE SUSTAINABLE SUPPLY PROGRAMME

BENEFITS OF VIVE

FARM
Promotes good agricultural practices that result in the efficient and environmentally sustainable production of sugar.

FACILITIES
Manages facilities ensuring the health, safety and wellbeing of employees and visitors.

SHIPPERS
Demonstrates responsibility for each step of the supply chain where shippers retain ownership of, or duty of care for, moving sugar products.

FORWARDERS
Ensures traceability of raw materials from individual farms to the finished products forwarded to individual customers.

+

CHAIN OF CUSTODY
For elements of supply chains operated by supply chain companies who are *not* VIVE participants, the VIVE Chain of Custody module assesses the traceability of VIVE sugar once it leaves the control of the producer.

PARTNERS AND ENDORSERS

During VIVE's development to date, we have established numerous strategic partnerships and relationships with service providers, financial institutions and industrial consumers in the sugar sector. These formal acknowledgements strengthen the programme by providing additional resource and expertise and increasing brand exposure.

The Coca-Cola Company | Usina Santa Terezinha | Rabobank | CSRSB | Kenafric | Khonburi Sugar | Wangkanai Group

+ Green funding case study, P15

Risk management

Enabling value creation and protection

Our ability to understand and manage risk underpins our value creation. It is critical, therefore, that all people involved in the Group Risk function ensure that the Group can effectively identify sources of risk, communicate these risks and monitor and report all pertinent risks, enabling value creation and protection.

RISK APPETITE

Given our line of business we cannot be risk-averse. In fact, we seek actively to introduce innovative products and services to markets which exhibit volatile and complex characteristics, and we encourage this through the deliberate cultivation of a culture which embraces a start-up mentality. However, we aim to mitigate and control the risks associated with working in such environments through our global network, market knowledge, systems and processes. We also 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.

RISK ASSESSMENT

We use a risk 'heat map' to help assess our key risks both against their potential impact (low, medium or high) on our ability to achieve our target budget and operate our business model, and against their likelihood of crystallising (remote, possible, probable). This exercise helps us to understand – as a Group – which risks we can mitigate through our own actions (e.g. investment in client-led new products, employees and IT systems to mitigate Reputational risk, Key person risk and Systems risk respectively) versus those risks which are outside our control (e.g. volatile markets affecting Price risk, changing trade agreements affecting Political risk, and new regulations set by legislative and regulatory bodies affecting Regulatory risk).

On the risk 'heat map' on page 28, we illustrate our risks pre- and post-mitigation. The position of our mitigated, or 'net' risks, takes into consideration our mitigation strategies and demonstrates how these already lower the likelihood and/or potential impact of each 'gross' risk, bringing them more in line with our risk appetite.

+ Governance report, P36

RISK MANAGEMENT CULTURE

Over its long history of operation, Czarnikow has built a culture of risk management, which guides how we operate – individually and collectively. This culture is reinforced through top-down leadership, enabled through our risk management framework, combined with comprehensive training and awareness programmes.

RISK MANAGEMENT FRAMEWORK

Our risk management programme seeks to limit any potential adverse effects on the financial performance of the Group. The policies and limits operated by the Group are set and reviewed regularly by the Parent Company, C. Czarnikow Limited (CCL). CCL has delegated the responsibility for managing the Group's principal risks to the Risk Committee, the CEO of Czarnikow Group Limited (CGL), and CGL senior management. The Risk Committee sets all policies and Committee terms of reference and monitors CGL activities. The CEO of CGL is assisted by three bodies: the Credit Committee; the Operational Risk Committee; and the Legal and Compliance team.

RISK FOCUS

Our teams focused on the following risk-related initiatives during the year:

Managing liquidity risk

During the year, the Risk team worked with the Trade Finance team to develop and refine a new banking facility, unique to the soft commodities industry, which provides the Group with an enhanced liquidity management capability. (See case study page 18.)

Reducing exposure to freight costs

Work was completed to reduce risks associated with freight by hedging physical freight through freight forward agreements (FFAs) and fuel oil swaps on our various routes. The first FFA and fuel oil hedges were transacted in April 2018. These activities remain high on the agenda in light of the International Maritime Organization's forthcoming requirement to reduce the sulphur permitted in marine fuel, which we believe may lead to increased bunker prices and dry bulk freight rates (see Market review, page 23 and case study, page 47).

IT systems development

We committed resources throughout 2018 to plan the development of our new IT systems, which will deliver enhanced depth and speed to the analysis of our risk profile. Development is expected to begin in 2019.

Supporting growth markets

The Risk team supported various teams and functions across our business in relation to our targeted geographical and product expansion.

DEVELOPMENTS IN 2019

We will focus on evaluating and working with new partners to facilitate responsible growth as we expand further into new product categories and geographies. Our groundwork in 2018 will start to deliver results as our new IT systems and borrowing base facility are implemented during 2019; although both will require continued focus to ensure successful completion.

RISK MANAGEMENT FRAMEWORK

An overview of each body's responsibilities is outlined below, with more Committee details provided in the governance section, pages 40 to 41.

RISK COMMITTEE

Provides 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 is responsible for maintaining sound risk management and internal control systems.

LEGAL AND COMPLIANCE TEAM

Ensures compliance with all local rules in jurisdictions in which CGL operates, including anti-financial crime areas such as anti-bribery and anti-money-laundering.

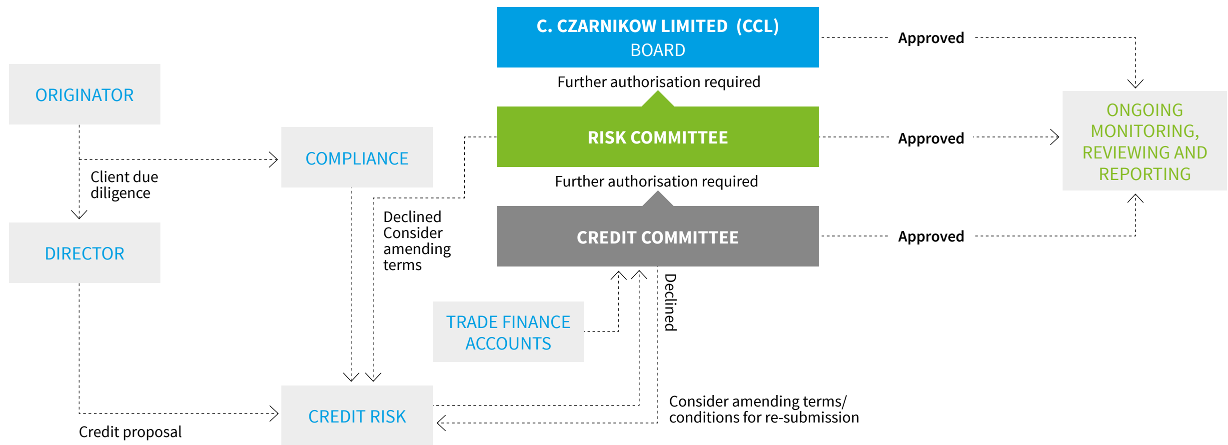
CREDIT COMMITTEE

Reviews, approves and monitors all credit exposure of CGL, by counterparty and by country. Also approves the granting of credit to all new clients.

OPERATIONAL RISK COMMITTEE

Monitors operational risks facing the business over time and provides governance and assessment of the operational risk management policies, procedures and controls that are currently in use and as required by the business. The Committee also reviews operational risks and incidents, and reviews and approves mitigations.

CREDIT COMMITTEE

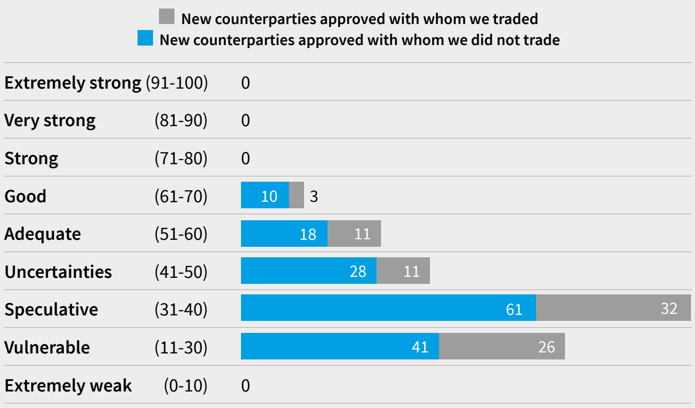


COUNTERPARTY RISK ANALYSIS

At year end 2018 we had traded with 83 newly-approved counterparties from a total of 158 approved counterparties, across 35 countries. Just under 17% of counterparties with whom we traded are classed in a risk category of adequate or better.

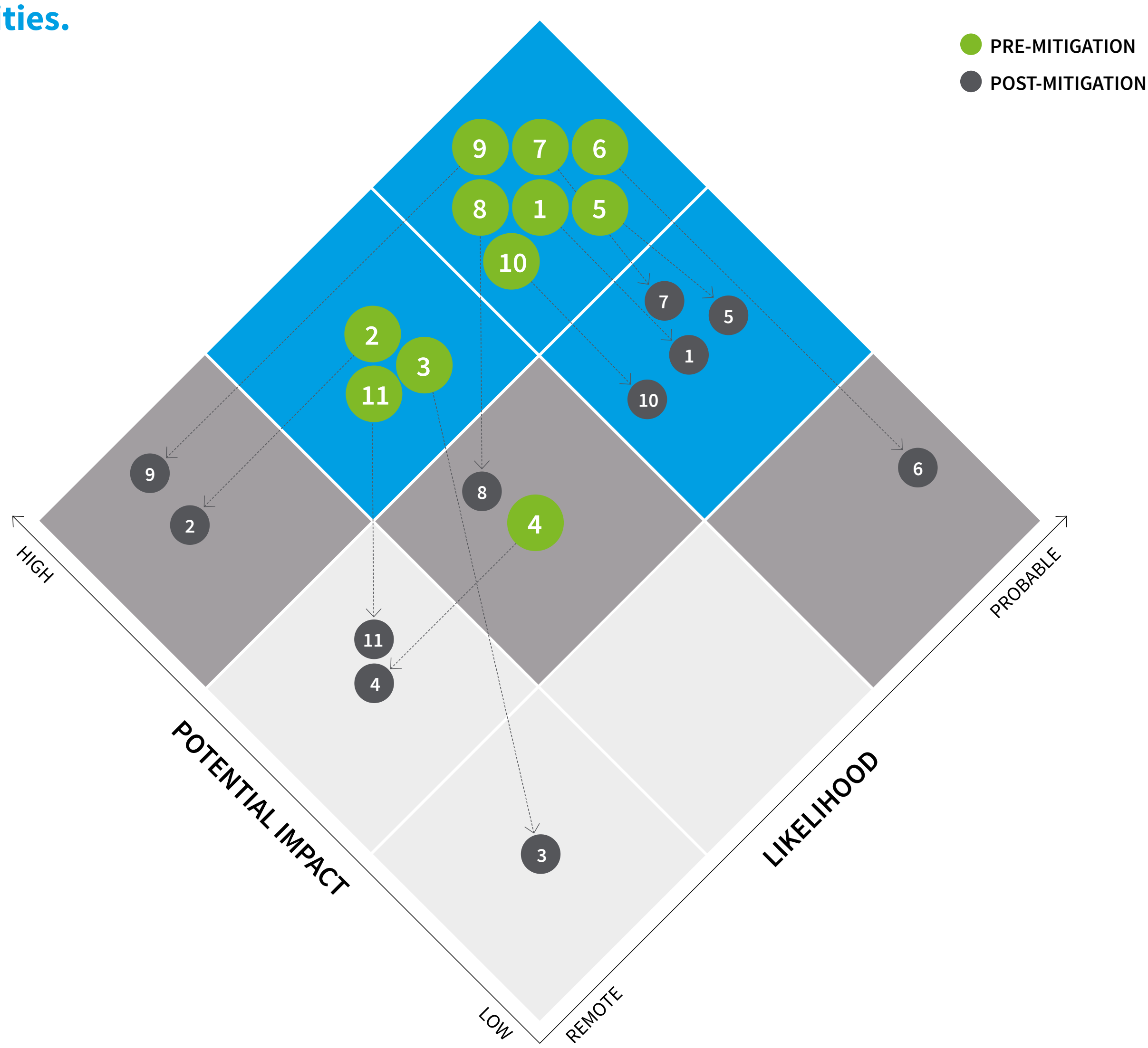
This is a slight improvement on last year (2017: 16%), but is still below long-term averages (2016: 73%; 2015: 50%) and reflects the current low-price trading environment. However, our robust counterparty due diligence carried out by our Credit Committee and Credit Risk team, coupled with our strong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

COUNTERPARTY ANALYSIS BY RISK CATEGORY



Prioritising our risks

We analyse our principal risks by their likelihood of materialising and their potential impact on our ability to create value and achieve our strategic priorities.



During the year, risks to the business increased in four areas:
Credit risk (owing to the continued low-price environment), Political risk (owing to increased global political uncertainty in particular relating to trade flows), Reputational risk (owing to the diversification of our service offering) and Currency risk (owing to the volatility of BRL and GBP). We also identified Interest rate risk as a new principal risk to the business. More detailed analysis is provided in the principal risk commentary opposite.

For each principal risk, we highlight its speed of materialising and its significance in relation to our ability to achieve our four 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.

YEAR-ON-YEAR CHANGES TO RISK

Key	Risk	Change
1	Credit risk	Increase
2	Liquidity risk	Stable
3	Price risk	Stable
4	Key person risk	Stable
5	Systems risk	Stable
6	Shipment risk	Stable
7	Political risk	Increase
8	Reputational risk	Increase
9	Regulatory risk	Stable
10	Currency risk	Increase
11	Interest rate risk	Stable

1. CREDIT RISK

Credit risk arises from the payment terms we offer clients, and the risk that these counterparties may fail to meet their contractual obligations relating to those payment terms.

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 graphic on page 27). The credit assessment stage, including the information-gathering process, is critical to the proper functioning of this cycle. During this stage, the 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.

Speed of risk materialising	Year-on-year change
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.	↑ **Relevance to corporate goals** 2, 4 **Key responsibility** Credit Risk team and Credit Committee

2. LIQUIDITY RISK

Liquidity, or cash flow risk, is when the Group is exposed to requests to meet its payment obligations when they fall due, and margin calls on derivative financial instruments used to mitigate price risk.

Mitigation strategy

We produce daily reports to model and forecast liquidity requirements based around 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 the underlying business, with its maturity dependent on the tenor of the physical transaction. The Group has developed many long-term relationships with a diverse selection of funding partners to secure reliable sources of funding 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.

Recent developments

Sugar prices continued to fall as major sugar producers expanded crop volumes, adding to an already oversupplied global sugar market. More information can be found in the Market review on pages 20 to 23. From a cash flow point of view, the Group benefitted from a strong origination book and well-priced sugars in a falling market, resulting in high levels of liquidity throughout the year.

Speed of risk materialising	Year-on-year change
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.	→ **Relevance to corporate goals** 1, 2 **Key responsibility** Risk, Treasury and Derivatives teams have joint responsibility

3. PRICE RISK

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

The 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

Last year the Group implemented a more responsive framework – Potential Future Exposure (PFE) – to measure funding risk for hedges undertaken under physical contracts. This framework has delivered enhanced visibility of price risk and there are plans to improve the model in 2019. The introduction of a beta coefficient metric has improved how we monitor risks relating to potential changes in the shape/slope of the sugar forward curve.

Speed of risk materialising	Year-on-year change
Fast The major markets in which Czarnikow is active are all freely traded, and are therefore potentially subject to sudden price shocks.	→ **Relevance to corporate goals** 2 **Key responsibility** Risk Committee

4. KEY PERSON RISK	Mitigation strategy	Recent developments	Speed of risk materialising	Year-on-year change
Our main assets are the intellectual property generated by our employees. Any loss of key personnel represents a risk to our ability to remain profitable.	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.	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 systemisation continues to reduce the impact of this risk.	**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.	→ **Relevance to corporate goals** 1, 3 **Key responsibility** Sharon Blore-Rimmer, HR Manager

5. SYSTEMS RISK	Mitigation strategy	Recent developments	Speed of risk materialising	Year-on-year change
The risk of failure of core processes and technologies that the business relies on for the smooth functioning of daily activities.	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.	We engaged external IT security experts to conduct a full evaluation of our systems to identify weaknesses and put in place a plan to deliver best practice across our systems. Having completed this process, we continue to cooperate to stay fully abreast of latest threats and act accordingly.	**Fast** Damage to our systems can have an immediate impact upon our ability to perform and execute business.	→ **Relevance to corporate goals** 1, 3, 4 **Key responsibility** Stuart Durrant, ICT Manager

6. SHIPMENT RISK	Mitigation strategy	Recent developments	Speed of risk materialising	Year-on-year change
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.	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.	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.	**Medium** The nature and speed of our physical shipments mean that issues can sometimes take weeks to fully materialise.	→ **Relevance to corporate goals** 3, 4 **Key responsibility** Julian Randles, CFO

7. POLITICAL RISK	Mitigation strategy	Recent developments	Speed of risk materialising	Year-on-year change
The risk of instability, which could stem from a change in government, legislative bodies, other foreign policymakers, or military control.	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.	Our political risk in 2018 increased due to rising disruption to global trading structures, in addition to a focus on the health consequences of sugar. Our exposure to uncertainty relating to Brexit is 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.	**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.	↑ **Relevance to corporate goals** 2, 4 **Key responsibility** Robin Cave, CEO

8. REGULATORY RISK (INCLUDING FINANCIAL CRIME)	Mitigation strategy	Recent developments	Speed of risk materialising	Year-on-year change
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.	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.	The implementation of MiFID II and GDPR regulations have been the defining feature of previous years, but no major regulations are expected in the short term. Looking ahead, our focus will switch to reviewing all compliance processes and policies to ensure we mitigate regulatory risks effectively and efficiently.	**Slow** Regulations by their nature are slow to emerge, as they go through the development process and subsequent approval by legislative bodies.	→ **Relevance to corporate goals** 1 **Key responsibility** Robin Cave, CEO

9. REPUTATIONAL RISK	Mitigation strategy	Recent developments	Speed of risk materialising	Year-on-year change
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.	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.	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. We must fully evaluate reputational risks versus commercial opportunities associated with other high-profile products, such as packaging.	**Medium** Reputational risks related to certain issues (e.g. sugar and health) take can take time to emerge, although modern media channels can accelerate this process.	↑ **Relevance to corporate goals** 1 **Key responsibility** Robin Cave, CEO

10. CURRENCY RISK	Mitigation strategy	Developments in 2018	Speed of risk materialising	Year-on-year change
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.	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.	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.	**Fast** Currency markets are highly liquid and therefore can experience volatile, fast-moving trading conditions.	↑ **Relevance to corporate goals** 2 **Key responsibility** Julian Randles, CFO

11. INTEREST RATE RISK	Mitigation strategy	Recent developments	Speed of risk materialising	Year-on-year change
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.	This risk was identified as a new principal risk in 2019. Our focus is on monitoring the evolution of interest rates and communicating any changes or potential impact to our clients.	**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.	→ **Relevance to corporate goals** 2, 4 **Key responsibility** Jayshree Barnes, Associate Director, Head of Trade Finance

Leading the business

Management Committee

ROBIN CAVE
CEO

Location	London
Joined Czarnikow	2009
Committee membership	C D T

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.

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

JAMES BRITTAIN
DIRECTOR, ANALYSIS AND ADVISORY

Location	London
Joined Czarnikow	1996
Committee membership	C T

Key responsibilities
- Leading Czarnikow's Analysis team
- Developing and managing client advisory and consultancy services
- Delivering analytical support across the Group.

Current focus
- Enhancing analysis and advisory product offering and delivery through digital media and tools
- Implementing efficiency gains to allow greater focus on client service
- Broadening analysis to support Czarnikow's ingredient and packaging product offering.

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.

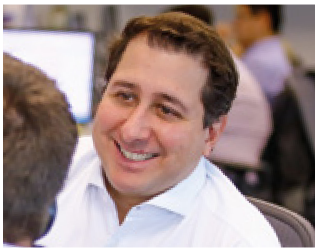
Current focus
- Enhancing value chain opportunities by assisting clients to mitigate risk and benefit from market opportunities
- Deepening relationships with key trading partners
- Targeting efficiencies through integration of global raw sugar teams and platforms.

+ Governance report, P36

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



TIAGO MEDEIROS
HEAD OF BRAZIL

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

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.

WILLIAM ROOK
HEAD OF REFINED SUGAR AND INGREDIENTS CCL

Location	London
Joined Czarnikow	1989
Committee membership	C T

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.

NICHOLAS WAINWRIGHT
HEAD OF ASIA

Location	Singapore
Joined Czarnikow	2000
Committee membership	C T

Key responsibilities

> Trading and value chain activities across Asia for sugar, ingredients and packaging
> Managing derivatives, advisory and corporate finance business in the region
> Developing and implementing Czarnikow's Strategy in Asia, including China and Thailand
> Overseeing and expanding regional client relationships
> Ensuring operational efficiency in the region.

Current focus

> Developing new partnerships to support the ingredients and packaging business
> Promoting our sustainable supply programme, VIVE, across Asia
> Building regional client coverage using our Analysis marketing tools
> Developing our corporate finance offering in Asia
> Expanding our value chain business model into China.

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

Regional leaders

LILY CHEN
COUNTRY MANAGER, CHINA

Location	Guangzhou
Joined Czarnikow	2007
Committee membership	T

Background
30 years of experience in the China sugar market.

Current focus
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.

DOUG AARVOLD
REGIONAL MANAGER, AFRICA

Location	London
Joined Czarnikow	2013
Committee membership	T

Background
5 years in the commodities sector.

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

TOM BALLARD
GENERAL MANAGER, THAILAND

Location	Bangkok
Joined Czarnikow	2008
Committee membership	T

Background
Agricultural commodities.

Current focus
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.

Internal specialists

JAYSHREE BARNES
ASSOCIATE DIRECTOR, HEAD OF TRADE FINANCE

Location	London
Joined Czarnikow	2004
Committee membership	R T

Background
Extensive trade finance experience and shipment management.

Current focus
Jayshree's close work with banks has increased our bank lines to US$645.5 million. She developed our multi-debtor credit insurance policy and receivable finance, and has led the implementation of our borrowing base facility.

LUIS FELIPE TRINDADE
ASSOCIATE DIRECTOR, CORPORATE FINANCE MANAGER

Location	São Paulo
Joined Czarnikow	2006
Committee membership	T

Background
MBA in Corporate Finance with specialist related roles.

Current focus
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.

HIJA ALI
HEAD OF RISK

Location	London
Joined Czarnikow	2017
Committee membership	R C

Background
Risk roles in energy, agricultural, commodities and derivatives clearing sectors.

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

DIANA TEDGUI
HEAD OF OTC DERIVATIVES

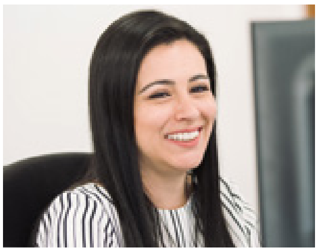
Location	London
Joined Czarnikow	2013

Background
Derivatives structuring and strategy.

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

Key to committee memberships

R Operational Risk Committee C Credit Committee D IT and Development Committee T Trading Committee



NATALIA BARBOSA
LEARNING AND DEVELOPMENT MANAGER

Location	London
Joined Czarnikow	2012

Background
HR and support roles in the Brazilian office, and previously in energy, aviation and NGO sectors.

Current focus
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.

SHARON BLORE-RIMMER
GLOBAL HUMAN RESOURCES MANAGER

Location	London
Joined Czarnikow	2012

Background
HR roles in leisure, motor and energy sectors.

Current focus
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.

STUART DURRANT
IT MANAGER

Location	London
Joined Czarnikow	2005
Committee membership	R D

Background
Implementing integrated FMS, BI and eProcurement solutions in various industries.

Current focus
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.

NATALIA DZIEDZIC
COMPLIANCE MANAGER

Location	London
Joined Czarnikow	2016
Committee membership	R C

Background
Forensic and compliance roles in the financial industry.

Current focus
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.

Ingredients leaders

TANIA AGUILAR
HEAD OF GLOBAL SOURCING

Location	Dubai
Joined Czarnikow	2019

Background
Global roles in diplomacy, FMCG and B2B raw materials for the food and beverage industry.

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

AMIR LATIF
INGREDIENTS TRADER

Location	London
Joined Czarnikow	2012

Background
Amir joined Czarnikow the day after graduating from the London School of Economics.

Current focus
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.

Governance report

Examining the new regulations

We consider the new governance reporting requirements for large private companies as an excellent opportunity to review and assess our existing corporate governance arrangements against latest thinking.

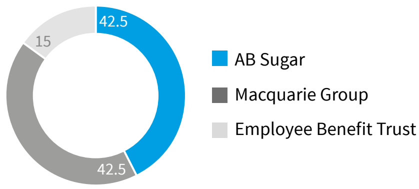
As a large private company, we are aware of the new reporting requirement to include a 'statement of corporate governance arrangements'[1] for financial years starting on or after 1 January 2019. We are currently evaluating the merits of adopting the Wates Principles and guidance (the 'Principles')[2] as a potential reporting framework and, in this year's review, are aligning our governance information to them as a test bed.

During 2019, we will work further on assessing our existing corporate governance arrangements against the Principles and will report on our conclusions in next year's Annual Review.

GOVERNANCE IN CONTEXT

Activities described in this Annual Review relate primarily to Czarnikow Group Limited (CGL). CGL is the principal operating company of C. Czarnikow Limited (CCL) and is 100% owned by CCL. In this governance section, we provide more information about the working relationship between CGL and CCL. 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 32 and 33.

C. CZARNIKOW LIMITED SHAREHOLDER STRUCTURE, %



- **AB Sugar, 42.5%**
  One of the world's largest sugar producers. It is wholly owned by Associated British Foods plc, a FTSE 100 company listed on the London Stock Exchange.
- **Macquarie Group, 42.5%**
  Global provider of banking, financial, advisory, investment and fund management services. It is a leading provider of trading and risk management services to agricultural producers, consumers and market participants.
- **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	No	27 November 2018	Senior Managing Director, Macquarie Bank Ltd
Robin Cave	Executive Director	Yes	1 July 2009	CEO of CGL
Richard Morrison	Nominated Director on behalf of Associated British Foods	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 and Ingredients, CGL
Daniel West	Nominated Director on behalf of AB Sugar	No	10 May 2013	Strategy & Business Development Director, AB Sugar
Paul Weston	Nominated Director, on behalf of Macquarie Group	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 Wates Principles 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’, at Czarnikow we have explained our existing governance arrangements and outlined areas to consider for potential future implementation. For reference, we have set out the six Wates Principles, as published, below.

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.

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.

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.

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.

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.

6
STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT
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.

Source: *The Wates Corporate Governance Principles for Large Private Companies*, Financial Reporting Council, December 2018

Principle one: Purpose and Leadership

PURPOSE, STRATEGY, VALUES AND CULTURE

All members of CGL's Management Committee are united by a common Vision, Strategy and Mission, which were launched in 2018, and are used to guide and promote the long-term success of the Group. Our Mission reflects our Group's purpose. The infographic and information on pages 6 and 7 set out these strategic elements alongside core strengths, values and corporate goals, and explain how we align and communicate strategic thinking across the Group – led by the CEO and CGL's Management Committee.

Each year, we organise an internal Strategy Week, during which the strategic focus for the upcoming year is formulated by the senior management team. Strategic information and updates are also communicated externally in this voluntary Annual Review, which is shared with shareholders and banking partners, among others, and through 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. This '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. We use our employee average length of service as a proxy for having a healthy culture, and share unabridged, online views on our culture through our partnership with Glassdoor.

Areas to consider:

> Monitoring the understanding of our culture through employee surveys

For more information:

+ Strategic overview, P6
+ Creating an exciting place to work, P10-11
+ www.glassdoor.co.uk

Principle two: Board Composition

CHAIR

Robin Cave acts as the joint Chair and CEO of CGL and is responsible for CGL's overall effectiveness. Robin joined Czarnikow in 2009 and came with a strong background in investment banking but little knowledge of the sugar industry. His financial experience and fresh approach have allowed him to promote open debate and facilitate constructive discussion and, since his appointment, steer 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 19 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.

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 either the diversity of our next layer of management, or our overall employee profile. As part of the Management Committee's commitment to create an exciting place to work and to reinforce Czarnikow's brand as a world-leading modern services company, we are looking at ways to ensure that our diverse group of employees can, in time, 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 36). 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 below. More detailed information about CCL and CGL committees can be found on pages 40 and 41.

EFFECTIVENESS

We pride ourselves on our commitment 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. Our annual Strategy Week always includes training elements focusing on latest compliance and business thinking.

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.

Each supporting 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:

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

For more information:

+ Management Committee, P32-33
+ Business specialists and leaders, P34-35
+ Biographies on www.czarnikow.com

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.

To aid the CCL Board and CGL Management Committee in carrying out their duties more effectively, seven committees (see below) have been established and each one has formally documented terms of reference.

COMMITTEES

CCL's Board has three committees and CGL's Management Committee has four committees to help with the consideration of certain matters, although the CCL Board and CGL Management Committee retain responsibility for final decisions. The principal purpose, member details, delegated authorities and meeting frequency of each Committee are summarised in the table on pages 40 to 41. In carrying out their duties, all Committees have regard to the values, strategy and culture developed by the CCL Board for CCL and CGL.

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. The Audit Committee 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. A range of internal and external measures are used and CGL's external KPIs are presented on page 45. CGL's Management Committee is currently challenging the relevance of existing indicators against its five-year plans, with a view to reconfirming them or introducing new ones to best measure performance of the Group's expanding revenue-generating streams. Our investment in IT systems in recent years has substantially improved the quality and relevance of data provided to CGL's Management Committee.

Protocols are in place for the circulation of information prior to and following Board and Committee meetings to ensure that Directors can carry out their duties as effectively as possible. For CCL's Remuneration, Audit and Risk 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.

For CGL's Operational Risk, IT and Development, and Trading Committees, a similar protocol is followed except for the notice of meetings, which can be one working day, given the higher meeting frequency. If the Chair considers it necessary, an appointed Secretary minutes proceedings and attendance. If produced, draft minutes are circulated promptly to all Committee members and approved minutes may be circulated to all other CGL Board members and other CGL employees, as the Chair deems appropriate.

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 and have

OVERVIEW OF CCL'S AUDIT COMMITTEE KEY RESPONSIBILITIES

Financial reporting and integrity	Internal controls and systems	Internal audit	External audit
Monitoring integrity of financial reporting; reviewing and challenging accounting policies and standards, clarity of disclosure, the 'fair, balanced and understandable' assessment, and levels and disclosure of material information.	Effectiveness and adequacy of internal financial controls and internal control and risk management systems.	Effectiveness of internal auditors, internal audit function and internal audit plan.	Overseeing relationship with external auditor; auditor remuneration, independence and conflicts of interest; reviewing audit findings and effectiveness of audit process.

+ Overview of supporting committees, P40-41

Overview of supporting committees

	Committees supporting CCL Board		
	Risk Committee	Remuneration Committee	Audit Committee
Reports to	CCL Board	CCL Board	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.	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.	Responsibility for oversight and advice to the CCL Board on the adequacy and effectiveness of its financial reporting, internal controls and management systems, and the external audit.
Chair	Appointed by CCL Board each meeting on a rotating basis between shareholder Directors.	Appointed by CCL Board on a rotating basis each meeting between shareholder Directors, excluding all CGL employees.	Appointed by CCL Board on a rotating basis each meeting between shareholder Directors.
Membership	At least three members, including at least one nominated representative of each CCL shareholder. The Audit Committee Chair has the option of attending all meetings. Other people by invitation.	At least three members from CCL Board, excluding all CGL employees and including at least one representative of each CCL shareholder (excluding the Employee Benefit Trust). Other people by invitation.	At least three members, including at least one representative of each CCL shareholder. Other people by invitation.
Delegated authority	Delegates to CGL's Credit Committee the authority to approve all trades up to a set limit, based on the counterparty's Internal Risk Grade, and to CGL's Head of Derivatives all exposure up to agreed Value at Risk limits.		
Frequency of meetings	At least quarterly in advance of CCL Board meetings.	At least twice a year.	At least twice a year, before and after the audit process.

Committees supporting CGL's Management Committee

Operational Risk Committee	Credit Committee	IT and Development Committee	Trading Committee
CGL's Management Committee and from time to time the CCL Board	CGL's Management Committee and from time to time the CCL Board	CGL's Management Committee and from time to time the CCL Board	CGL's Management Committee and from time to time the CCL Board
Responsible for monitoring operational risks facing the business over time and providing governance and assessment of the operational risk management policies both in place and required by CGL and its subsidiaries.	Responsible for reviewing, approving and monitoring CGL's credit exposure, credit policies and counterparty compliance status.	Responsible for reviewing, sharing and monitoring all IT and development activities, setting the overall IT strategy, and deciding upon short-term priorities for CGL.	Responsible for sharing and monitoring all trading activities, providing initial feedback for new product approvals, and agreeing best practice in all aspects of trading activities undertaken by CGL.
Hija Ali, Head of Risk	Robin Cave, CEO	Robin Cave, CEO	Robin Cave, CEO
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.	At least four members, made up of the Directors of CGL's Management Committee. Other people by invitation.	At least four members, made up of CGL's CEO, CFO and Head of IT, and key members of the IT and Development teams, as required. Other people by invitation.	At least four members, made up of CGL's CEO and CFO and senior members of the trading teams, as well as senior managers from revenue-linked departments. Other people by invitation.
Recommends policies and actions to the CGL Board, relevant teams, and other committees.	Delegates authority to approve trades on a Tier 1, 2, 3 and Price movement risk basis and to strict criteria.	Committee has the power to set up working parties and may delegate authority to them.	Recommends policies and actions to CGL Board, relevant teams, and other committees. Can set up working parties (e.g. to examine requirements of a new product) and may delegate power to them.
Fortnightly, and as required.	Weekly and as required.	Weekly and ad hoc.	Weekly and ad hoc.

access to sufficient resources to carry out duties, including 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.

Areas to consider:

> Building a stronger culture of data integrity across the organisation to promote consistent use of high-quality data to inform decision-making

> Completing internal management reporting pack development process

For more information:

+ A year in review, P44

+ Overview of supporting committees, P40-41

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. At the current time, the whole Group is buoyed by the prospect of new growth opportunities that have been researched and developed over the last 18 months and made possible by its culture of innovation and entrepreneurship. 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 work of CGL's Risk team and Committee is set out in the Risk Management pages.

The purpose, composition and delegated authorities of CCL's Risk Committee and CGL's Operational Risk Committee are outlined on pages 40 to 41.

For more information:

+ Risk management, P26

Principle five: Remuneration

REMUNERATION AND POLICIES

CCL's Remuneration Committee, whose principal purpose is outlined on page 40, 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

REMUNERATION INFORMATION 2018 (AUDITED)

US$'000	2018	2017
Staff costs for the Group (CGL)		
Wages and salaries	17,111	17,724
Social security costs	2,278	1,828
Pension costs	823	1,205
Total	**20,212**	**20,757**
Directors' emoluments for the Group (CGL) and Company (CCL):		
Total emoluments	2,946	3,526
Total Company contributions to money purchase pension schemes	10	207
Total	**2,956**	**3,733**
Highest-paid Director		
Emoluments	744	552
Company contributions to money purchase pension schemes	-	44
Total	**744**	**596**

Notes:
The highest-paid Directors did not exercise share options in the year (2017: share options were exercised) and no Directors exercised share options (2017: two Directors). The pension scheme is a defined contribution scheme. Pension costs of US$116,000 were accrued for as at 31 December 2018 (2017: US$160,000). There were no pre-paid contributions as at 31 December 2018 (2017: nil). Pension contributions were made in respect of five Directors in 2018 (2017: six).

- 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 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.

Areas to consider:

- Voluntary disclosure of pay ratios
- Further gender pay gap analysis

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 page 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 and reduces risk as we venture into new areas.

EMPLOYEE ENGAGEMENT

On page 11 we provide insight into our employee practices and how we engage with our employees through open-door policies, training, mentoring etc., to demonstrate our commitment, recorded as a corporate goal, to creating an exciting place to work. Employee policies are available to download on our website.

Areas to consider:

- More formal stakeholder prioritisation
- Further channels of communication
- Environmental/climate change impact

For more information:

+ Business model, P16-19
+ Creating an exciting place to work, P10-11

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:

- Reaffirming our strategic repositioning as a modern services company
- Replicating our Brazil supply chain service model in Thailand
- Expanding our product portfolio and accelerating our move into trading more complementary ingredients
- Investigating ways to improve our employee training modules and employing a new, dedicated Learning and Development Manager
- Launching our borrowing base facility
- Developing a new client app – Czapp – and corporate website.

A year in review

Financial and operational review

PERFORMANCE OVERVIEW

In 2018, Czarnikow Group Limited (‘the Group’) generated US$39.0 million gross profit (2017: US$40.2 million) on turnover of approximately US$1,680.1 million (2017: US$1,921.4 million), giving a pre-tax profit of US$5.5 million (2017: US$7.1 million).

This is a creditable performance against a backdrop of low sugar consumption growth and a prolonged low-priced market environment. Our consistent profitability over recent years, despite these challenging trading conditions, gives us confidence in the robust nature of our service-orientated business model.

OVERHEADS AND INVESTMENT

Our administrative expenses remained stable at US$30.8 million (2017: US$30.0 million), despite an increase in the volume of traded tonnage and number of contractual trading counterparties in the period. These figures highlight our success in securing volume and creating new client relationships, which we intend to develop in the future despite the challenging marketplace.

Our ability to contain costs successfully is due to a number of factors: our disciplined approach to operational performance; targeted investments in key areas (our people, our product portfolio, and information technology); and increasing efficiencies gained from previous investments in our IT systems. These investments strengthen and open up our supply chain networks, creating opportunities for growth.

BUSINESS FOCUS AND OUTLOOK

With sugar stocks at an all-time high and governmental intervention in almost every key sugar-producing region frustrating natural market regulation, we do not envisage the market price to rise significantly, although we do anticipate an improvement. Despite these bearish conditions, sugar remains one of the most important traded global commodities. As a Group, we see many opportunities to grow our business within and outside the sugar sector.

To realise these, management remains focused on our strategic pillars of ‘Broaden and Deepen’. During the period and to date, we have expanded our product portfolio and cemented key client relations through our relentless insistence on service and value delivery.

Our significant investment in client-facing technology continued into 2019 and we successfully developed and launched our new portal, Czapp, in the first half of the year.

We plan to invest further in technology; however, while market conditions remain uncertain, we will continue to exercise discipline and prudence in all of our investments. This will ensure that we generate value responsibly, whilst still delivering on our investments of strategic relevance. We remain committed to creating value and positive change in the industry by facilitating the most sustainable, ethical, efficient and cost-effective movement of products across our supply chains.

Julian Randles
CFO

IT department – critical to efficiency and competitive differentiation

We refer to the functions that support our business as our ‘foundation’, as without them we cannot deliver our Strategy and Vision in a sustainable way. Our IT department has been instrumental in making our day-to-day global business more effective and enabling the launch of innovative services that differentiate us. Our IT team comprises 11 in-house developers, including specialists dedicated to quality assurance, project management and product ownership, and has access to a pool of trusted external developers. In 2018, the team worked across nine different computer languages, including JavaScript, SQL, C# and CSS, changed nearly 4,000 files and made over 350,000 insertions and deletions.

+ Winning through IT, P12-13

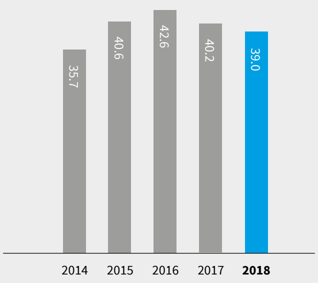
KEY PERFORMANCE INDICATORS AND ANALYSIS

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.

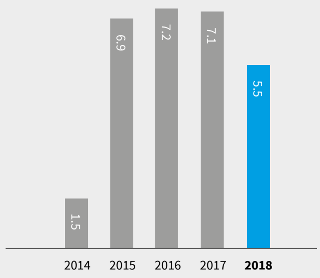
	2018	2017
Net revenue change	(3.17)%	(5.61)%
Return on equity	6.09%	8.28%
ROCE	12.19%	16.56%
Jaws ratio[1]	(5.88)%	(4.91)%
Number of contractual physical trading counterparties in the period	617	576
Available financial facilities	$646.0M	$551.5M

1 Demonstrates the extent to which income growth rate exceeds expense growth rate.

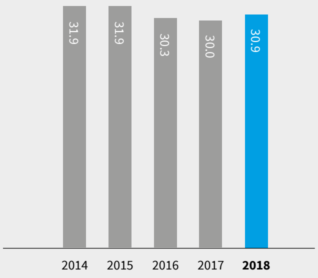
GROSS PROFIT, US$M



PROFIT BEFORE TAX, US$M



ADMINISTRATIVE EXPENSES, US$M



TURNOVER, US$M

1,680.1

2017: 1,921.4

ROCE, %

12.19

2017: 16.56

TOTAL EQUITY, US$M

69.4

2017: 66.4

Bulk products

In 2018, our traded volumes of bulk sugar returned to growth with tonnage for the year just below 4.0 million metric tonnes. After the flat trading volumes of 2017, this uplift justified our strategic decision to replicate our Brazilian value chain service model in Thailand. We expect further tonnage growth throughout 2019 as this regional development gains traction.

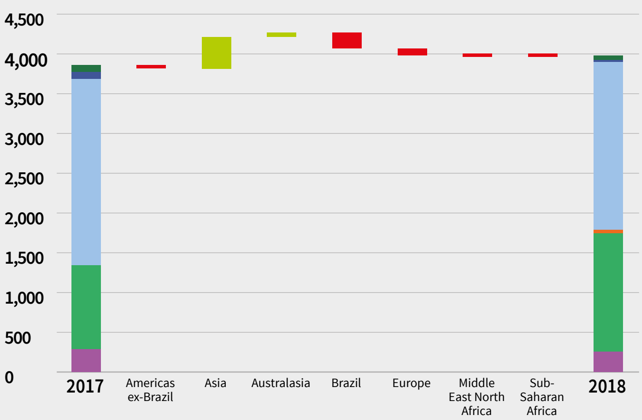
In Brazil, the significant shift by market participants from sugar to ethanol production, triggered by the broader low-price sugar environment, created an opportunity for the Group. In line with our strategic product portfolio expansion, we rebuilt our ethanol trading business through the delivery of structured financing solutions to clients. We expect this to be a notable growth area in 2019 and are positioning ourselves to build market share. We are also actively investigating other product areas where the Bulk Division can apply our service model and leverage our synthetic assets to deliver value to our clients, including, but not limited to, the wood pellets supply chain in Thailand.

Containerised products

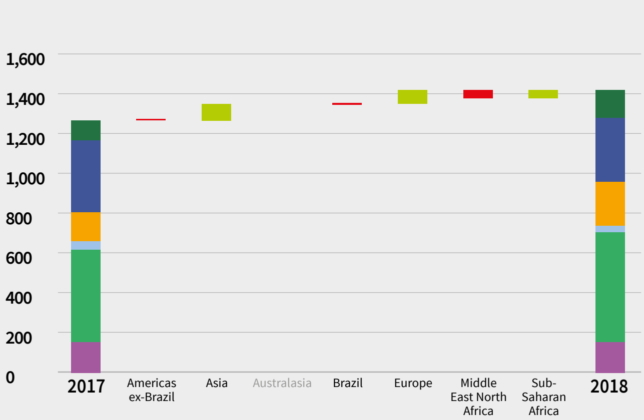
The Division continued to perform strongly, with containerised volumes up 13% to 1.4 million metric tonnes during a year in which significant effort was invested in developing our product portfolio. Volume growth was particularly strong in our core regions of Asia and Sub-Saharan Africa, but we also performed well in the EU owing to our investment in this market.

The resilience of our underlying business model and core operations gives us the confidence to diversify our product range further. The Division has also benefitted from the development of our sustainability programme, VIVE, which is seen both internally and externally as a key competitive differentiator for the Group.

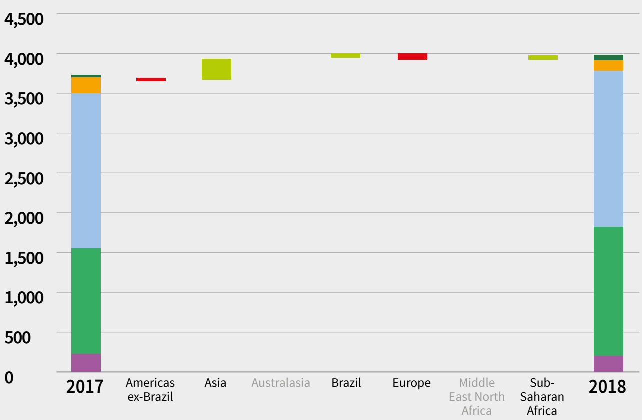
RAW SUGAR ORIGIN ANALYSIS 2018, MT'000



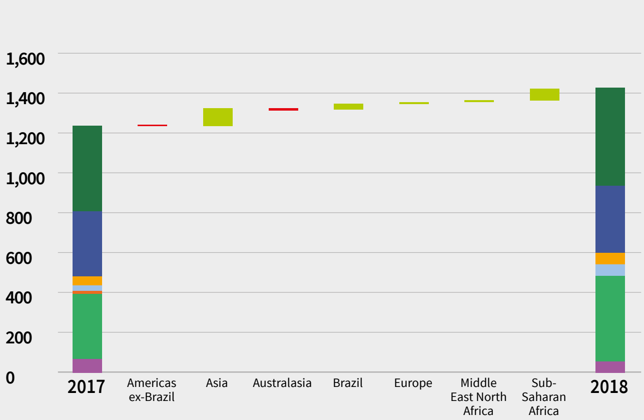
WHITE SUGAR ORIGIN ANALYSIS 2018, MT'000



RAW SUGAR DELIVERIES ANALYSIS 2018, MT'000



WHITE SUGAR DELIVERIES ANALYSIS 2018, MT'000



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

+ Market review, P20

+ VIVE, P24

Derivatives

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 recent low-price and low-volatility market conditions, revenue from our derivatives business declined in 2018 owing to a reduction in the volume of transactions. However, our continued focus on using derivatives and hedging instruments only when they add value has strengthened loyalty and relationships with our clients, who perceive this as a critical service.

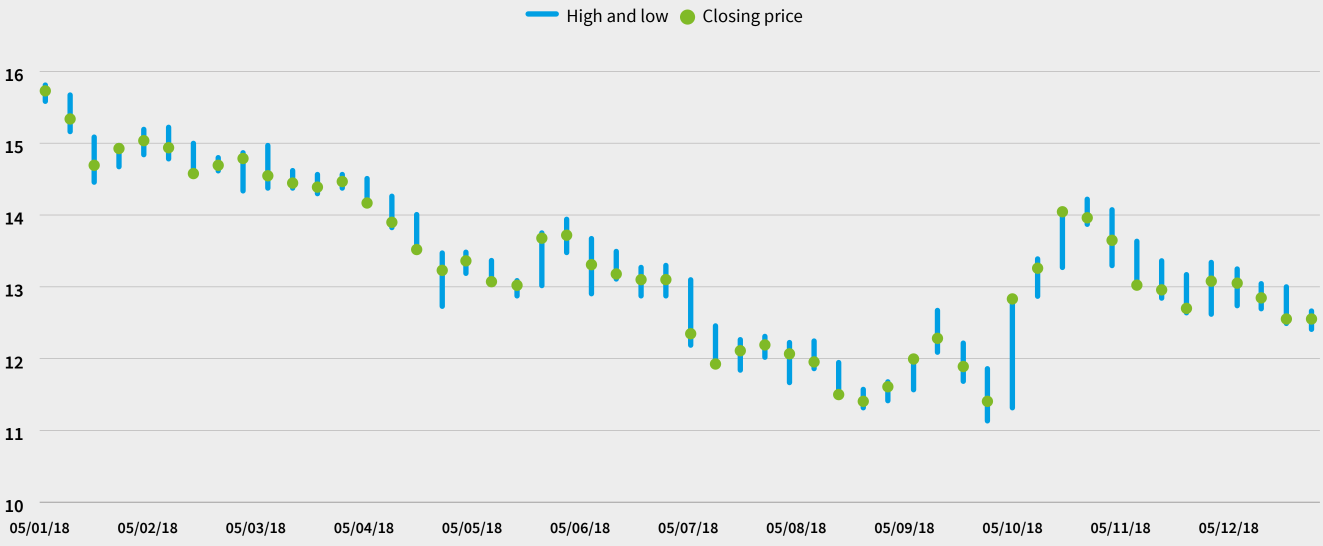
The ongoing optimisation of our current portfolio of services and processes includes the evaluation of a range of innovative, client-centric pricing and risk management tools. We anticipate that these activities will position us well to take advantage of increased business when the market returns to higher volatility.

Advisory

While the prolonged low-price environment is not conducive to growth, the department achieved key client engagement targets and worked hard to minimise revenue reductions across both the Analysis and Corporate Finance services. Growth in readership, for example, was strengthened by restructuring our report formats and developing our email marketing approach. This uptake positions us well for the recent launch of Czapp, which is transforming the client experience and is anticipated to increase market analysis revenue.

Despite a fall in the average value of transactions for the Corporate Finance team, we were able to offset any negative effects of this by launching our Judicial Assets M&A and Debt Restructuring services and conducting a total of 15 projects across Brazil, Colombia and Thailand, with a total execution value of US$650 million. Furthermore, our enhanced service portfolio positions us well for a strong performance in 2019.

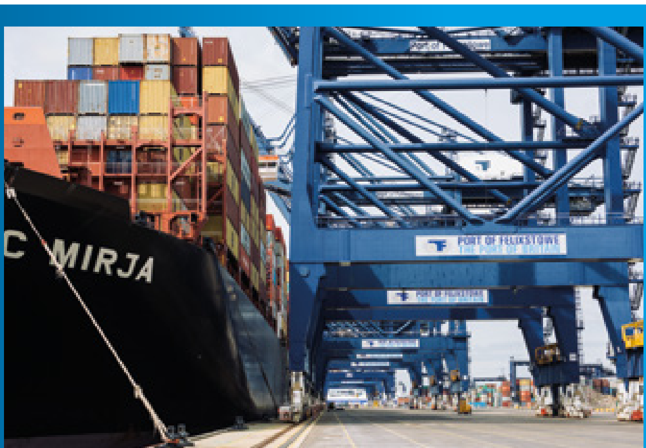
NO.11 RAW SUGAR FUTURES PRICE 2018, USc/LB



Mitigating upcoming regulatory impacts

On 1 January 2020, the International Maritime Organization (IMO) will implement a new regulation to reduce sulphur oxide levels. Under the new global cap, ships will have to use marine fuels with a sulphur content of no more than 0.50%S against the current limit of 3.50%S.

Having evaluated the impact of this new regulation on our shipping operations, we have already started hedging our shipping fuel using a new contract which is compliant with these new standards.



+ Market review, P23

Financial information

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

for the year ended 31 December 2018	2014	2015	2016	2017	**2018**
Revenue	1,721,877	1,661,080	1,713,964	1,921,358	**1,680,125**
Cost of sales	(1,686,173)	(1,620,437)	(1,671,339)	(1,881,124)	**(1,641,168)**
Gross profit	35,704	40,643	42,625	40,234	**38,957**
Administrative expenses	(31,862)	(31,897)	(30,260)	(30,049)	**(30,862)**
Other (expense)/ income	(4)	(1)	21	(5)	**(1)**
Operating profit	3,846	8,745	12,386	10,180	**8,094**
Finance cost	(3,691)	(4,107)	(7,867)	(7,674)	**(12,022)**
Finance income	1,359	2,233	2,721	4,562	**9,458**
Profit before taxation	1,514	6,871	7,240	7,068	**5,530**
Taxation	(511)	(1,917)	(1,644)	(1,990)	**(1,473)**
Profit for the year	1,003	4,954	5,596	5,078	**4,057**
Other comprehensive income					
Exchange movement on foreign net investment	(1,013)	(2,039)	(153)	343	**(864)**
Revaluation reserve recycled to profit or loss	-	-	(1,597)	-	**-**
Unrealised surplus on revaluation of financial assets	(46)	268	-	-	**-**
Income tax relating to components of other comprehensive income	228	359	-	-	**-**
Total comprehensive income	172	3,542	3,846	5,421	**3,193**

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

as at 31 December 2018	2014	2015	2016	2017	**2018**
Non-current assets					
Property, plant and equipment	2,021	2,875	2,904	2,643	**2,596**
Available-for-sale financial assets	1,458	1,667	-	-	**-**
Intangible assets	-	-	-	680	**2,028**
Deferred tax assets	1,896	1,326	1,439	1,135	**1,311**
Total non-current assets	5,375	5,868	4,343	4,458	**5,935**
Current assets					
Inventories	48,030	64,365	115,414	171,594	**156,421**
Trade and other receivables	157,694	118,249	192,034	173,373	**162,401**
Financial assets held for trading	158,864	175,722	93,936	105,468	**143,837**
Current tax assets	701	-	456	203	**84**
Cash and cash equivalents	14,700	14,402	16,164	11,112	**12,347**
Total current assets	379,989	372,738	418,004	461,750	**475,090**
Total assets	385,364	378,606	422,347	466,208	**481,025**
Non-current liabilities					
Deferred tax liabilities	-	199	335	34	**-**
Current liabilities					
Trade and other payables	210,839	243,883	297,133	351,374	**342,015**
Financial liabilities held for trading	120,677	76,523	62,705	46,956	**68,478**
Current tax liabilities	-	44	1,026	1,478	**1,097**
Total current liabilities	331,516	320,450	360,864	399,808	**411,590**
Total liabilities	331,516	320,649	361,199	399,842	**411,590**
Net assets	53,848	57,957	61,148	66,366	**69,435**

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

as at 31 December 2018	2014	2015	2016	2017	**2018**
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	1,388	1,597	-	-	**-**
Foreign currency translation reserve	(1,581)	(3,202)	(3,355)	(3,012)	**(3,876)**
Retained earnings	43,341	48,512	54,615	60,016	**64,337**
Capital contribution	2,578	2,928	1,766	1,240	**852**
Total equity	53,848	57,957	61,148	66,366	**69,435**

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

for the year ended 31 December 2018	2017	**2018**
Profit before tax	7,068	**5,530**
Depreciation	915	**615**
Amortisation	57	**262**
Loss on disposal on property and equipment	100	**16**
Decrease/(increase) in inventories	(56,180)	**15,173**
Decrease in trade and other receivables	18,661	**10,972**
Increase in financial assets held for trading	(11,532)	**(38,369)**
Increase/(decrease) in trade and other payables	(22,598)	**3,484**
Increase/(decrease) in financial liabilities held for trading	(15,749)	**21,522**
Elimination of the effect of exchange differences on Group assets and liabilities due to retranslation of subsidiaries	1,454	**306**
Interest income	(4,562)	**(9,458)**
Interest paid	7,674	**12,022**
	(74,692)	**22,075**
Income tax paid	(1,282)	**(1,945)**
Elimination of non-cash share-based payment	(203)	**(124)**
Net cash generated from/(used in) operating activities	(76,177)	**20,006**
Investing activities		
Purchase of property, plant and equipment	(761)	**(646)**
Payments for development of intangible assets	(737)	**(1,610)**
Interest received	4,562	**9,458**
Net cash generated from investing activities	3,064	**7,202**
Financing activities		
(Cost of)/proceeds from financing arrangement	76,839	**(12,843)**
Interest paid	(7,674)	**(12,022)**
Net cash (used in)/generated from financing activities	69,165	**(24,865)**
Net increase/(decrease) in cash and cash equivalents	(3,948)	**2,343**
Cash and cash equivalents at the beginning of the year	16,164	**11,112**
Effects of foreign exchange differences on cash and cash equivalents	(1,104)	**(1,108)**
Cash and cash equivalents at the end of the year	11,112	**12,347**

Trade finance

Innovative financing solutions

Our global Trade Finance team is focused on creating value by providing innovative financing solutions to market participants along our expanding supply chains.

We use a wide range of products and services that we have developed in recent years and an overview of these is provided on the page opposite.

INNOVATIVE EVOLUTION

Our asset-light business model and innovative culture mean that our Trade Finance team can adapt rapidly to accommodate our strategic growth plans and evolve our financing solutions portfolio accordingly.

Ingredients and packaging business
We are currently working on ways to develop financing solutions for our new ingredients and packaging business. As these products are pre sold, there is no price risk. However, we will gain exposure to futures trading for PET packaging and require stock financing to meet our clients' exacting just-in-time delivery and product specifications. Currently representing a small percentage of our global turnover, we anticipate an increase in ingredient and packaging volumes during 2019 and, in time, margin improvement. Recently, we have welcomed new team members with expert knowledge in these areas to further mitigate risks as we grow this business segment.

Borrowing base facility
We are finalising our plans to launch a new borrowing base facility. This development is driven by our 'Broaden and Deepen' strategy and prepares us for new market growth opportunities. The facility will allow us to take on more priced physical forward contracts (particularly in Brazil), reduce our liquidity risk and help us manage market volatility. More detailed information about this innovative facility can be found on page 18. We are currently seeking approval from our lead banks, before rolling out the facility to house and other banks who have shown interest in participating.

Geographical expansion
We have been asked by a client to operate inventory on a just-in-time basis in Bahrain and manage 'VIVE Claim Level' sugar from Brazil to Thailand. This may necessitate the opening of a new hub, credit lines and financing arrangements to manage potential business expansion in the Middle East region.

LONG-TERM OUTLOOK

Our agility means we can adapt quickly to changing market conditions and find ways to help participants manage short-term pressures. The current surplus sugar market and the protracted low-price environment, for example, mean that many sugar mills are selling below the cost of production. Given the strength of our supply chain relationships, we are able to help mills manage cash flow and debt, and provide risk management advice to help them communicate better with their banks.

TOTAL FACILITIES AT YEAR END, US$M

645.5

LIQUID GLUCOSE

We are the largest supplier of this ingredient in East Africa

NEW BANKING LINES

3

This symbiotic approach benefits not just the sugar mills but the whole supply chain over the longer term.

STRONG RELATIONSHIPS

Nonetheless, the threat of sugar producers going out of business has led to some nervousness in the sector, with many financial institutions looking to rebalance their exposure and some withdrawing credit lines altogether. At Czarnikow we have been affected, but to a much lesser extent, with just one bank reducing an unsecured line due to market conditions and another stopping financing to perform remediation work for regulatory reasons. During 2018, our total lines increased from US$551.5 million to US$645.5 million to meet our finance requirements locally in Brazil and for our volumes from Thailand. Our ability to maintain credit lines and secure financing during challenging market conditions reflects our open relationships with our banks and their recognition of our diverse and loyal client base.

WHAT TO EXPECT...

- New credit lines of around US$75 million with three banks to further our business expansion plans in Thailand and China
- Launch of borrowing base facility by the end of 2019
- Development of more financing solutions in relation to our growing ingredients and packaging business
- Potential geographic expansion
- Development of dedicated lines for ethanol financing in Brazil.

CONSOLIDATED GROUP FACILITIES FOR THE YEAR ENDED 31 DECEMBER 2018, US$ MILLION

	Transactionally secured sub limit	Transactionally unsecured sub limit	Clean/Margin sub limit	Total
Transactional bilateral lines – Czarnikow Group Limited				
Barclays Bank – UK	8.0		3.0	11
British Arab Commercial Bank (BACB) – UK	40.0			40
Commonwealth Bank of Australia – UK	25.0		5.0	30
GarantiBank – UK	10.0	10.0	5.0	25
ING – The Netherlands [a]	25.0			25
Leumi – UK	30.0	4.0	6.0	40
Natixis Bank – Paris	45.0			45
Rabobank – The Netherlands	26.5		5.5	32
Société Générale – Paris [b]	40.0			40
HSBC UK	15.0	10.0		25
Banco do Brasil – UK	20.0			20
OCBC Singapore	30.0			30
Standard Chartered Bank – UK	8.0	45.0	2.0	55
Total	**322.5**	**69.0**	**26.5**	**418.0**
Non-recourse receivable lines – Czarnikow Group Limited				
ABN AMRO – The Netherlands	65.0	-	-	**65.0**
Standard Chartered Bank – UK	25.0	-	-	**25.0**
Total	**90.0**	**0.0**	**0.0**	**90.0**
Export finance lines – Czarnikow Brasil Ltda				
Banco do Brasil – Brazil	-	15.0	-	**15**
Rabobank – Brazil [c]	-	25.0	-	**25**
China Construction Bank (Bic Banco) – Brazil	-	7.5	-	**7.5**
Bradesco	-	7.5	-	**7.5**
ING – Brazil [d]	-	20.0	-	**20.0**
Itaú	-	5.0	-	**5.0**
Safra	-	3.0	-	**3.0**
Santander	-	10.0	-	**10.0**
Total	**0.0**	**93.0**	**0.0**	**93.0**
Transactional bilateral lines – C. Czarnikow Sugar (East Africa) Limited				
Rabobank – The Netherlands [e]	15.0	-	-	**15.0**
Barclays Bank – Kenya	6.5	-	-	**6.5**
Total	**21.5**	**0.0**	**0.0**	**21.5**
Transactional bilateral lines – C. Czarnikow Sugar (Guangzhou) Co. Limited				
Rabobank Nederland, Shanghai Branch[f]	8.0	-	-	**8.0**
Commonwealth Bank of Australia, Shanghai Branch	5.0	-	-	**5.0**
Total	**13.0**	**0.0**	**0.0**	**13.0**
Transactional bilateral lines – C. Czarnikow Sugar Pte Limited				
Commonwealth Bank of Australia, Singapore Branch	10.0	-	-	10.0
Total	**10.0**	**0.0**	**0.0**	**10.0**
Total consolidated Group facilities				**645.5**

(a) The ING global limit of US$45 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 million facility.
(c) Rabobank Brazil line capped at US$25 million has been carved out from the US$80 million facility from Rabobank, The Netherlands.
(d) The ING global limit of US$45 million is a swing facility between Czarnikow Group Limited and Czarnikow Brasil Ltda.
(e) C. Czarnikow Sugar (East Africa) Limited is a co-borrower with a limit capped at US$15 million from the US$80 million Rabobank, The Netherlands facility.
(f) C. Czarnikow Sugar (Guangzhou) Co. Limited is a co-borrower with a limit capped at US$8 million from the US$80 million Rabobank, The Netherlands facility.

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 prepayment with advance payment 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

COMPLEMENTARY PRODUCT FINANCE

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.

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, C. Czarnikow Sugar Pte Limited and C. Czarnikow Sugar (Guangzhou) Co. Limited. Total facilities at year end amounted to US$645.5 million.

In 2018, new facilities were confirmed for Czarnikow Group Limited with HSBC UK (US$25 million), Banco do Brazil UK (US$20 million) and OCBC Singapore (US$30 million). In addition, ING – The Netherlands increased its facility by US$10 million. These increases result in an overall total of bilateral lines for Czarnikow Group Limited of US$418 million.

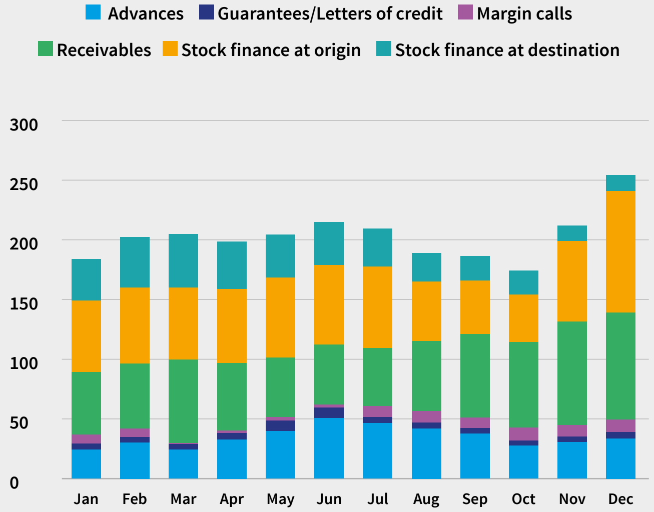
Czarnikow Brasil Ltda gained increased facilities from Bradesco (US$2.5 million), ING – Brazil (US$5 million) and Safra (US$2 million), resulting in an increased total of US$93 million in export finance lines.

Since the end of 2018, we have secured a US$40 million facility with ABSA and are finalising additional credit lines with HSBC for China and Thailand to the values of US$7.5 million and US$15 million respectively. We have also developed a US$20 million credit line with Rabobank for Thailand and a US$5 million facility with Santander.

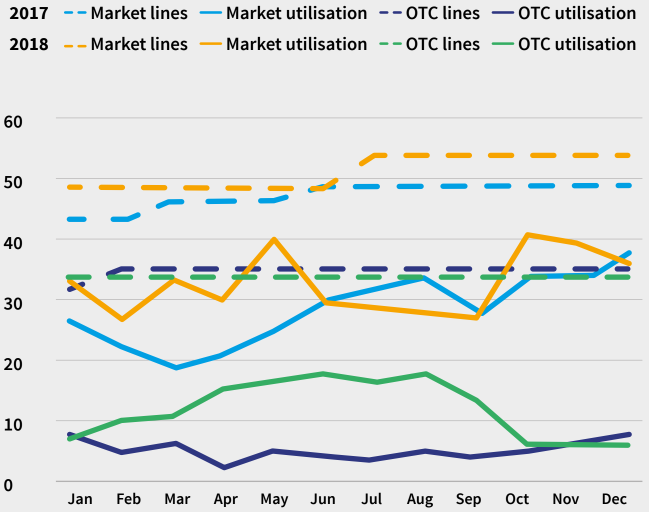
CONSOLIDATED GROUP BROKER FACILITIES,
Year ended 31 December 2018

Broker	Total US$M
ADM	10
Cargill	0.9
JP Morgan	4
Macquarie – Market Operation Division	8
Macquarie – Central Division	5
Marex	8.5
Morgan Stanley	1
New Edge	5
New Edge/Société Générale	3
Rabobank	5
Standard Chartered	10
Société Générale	1
Sucden	12
Total	**73.4**

TRADE FINANCE BANK FACILITIES 2018 – UTILISATION BY TYPE,
US$M



BROKER FACILITIES AND UTILISATION BY MONTH,
US$M



Glossary

BILL OF LADING
A transportation document for goods shipped by sea. It is issued by a carrier or their agents usually in the form of an Ocean bill (Marine bill of lading). It serves as an official receipt for the goods taken on board the ship and also as a 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)
Various 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 is a warrant that 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
A compensation cost for delay when, for example, a commercial vessel is prevented from loading or discharging cargo within the stipulated time period.

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

ELEVATED SUGAR/ELEVATION
The processing of sugar through a port and its loading onto a vessel.

EXCHANGE-TRADED CONTRACTS (ETC)/ EXCHANGE-TRADED DERIVATIVES (ETD)
For derivatives, standardised contracts (e.g. futures contracts and options) that are transacted on a recognised exchange.

FCA (FINANCIAL CONDUCT AUTHORITY)
The Financial Conduct Authority is the conduct regulator for 58,000 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)
A freight forwarder prepares a FCR to confirm that it has taken over the consignment and assumes responsibility for the goods.

FREE ON BOARD (FOB)
An international commercial term 'incoterm' describing sugar, or another commodity, that has been 'elevated' at a port onto a ship. (cf Elevated Sugar/ Elevation)

GDP (GROSS DOMESTIC PRODUCT)
Gross domestic product (GDP) is the value of all finished goods and services produced within a country, normally calculated annually. GDP is commonly used as an indicator of the economic health of a country.

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
The Markets in Financial Instruments Directive is a European Union law that provides regulation for investment services across the 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 tonnes. 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 LINES
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 which is taken on in the form of securities rather than by buying physical assets.

TEU
Twenty-foot equivalent unit, used to refer to a standard 20-foot x 8-foot shipping container.

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.

USMCA
United States-Mexico-Canada Agreement.

Offices and contacts

BANGKOK
Czarnikow (Thailand) Limited
20th Floor, UBC II Building
591 Sukhumvit Road
North Klongton, Wattana
Bangkok, 10110

T +66 (0)2 017 2784
F +66 (0)2 017 2701

DUBAI
Office 508, Al Jawhara Building
Khalid bin Al-Waleed Road
PO Box 26558, Dubai
United Arab Emirates

T +971 (4) 355 4443
F +971 (4) 351 8482

GUANGZHOU
Room 17A01
232 Zhong Shan 6th Road
Guangzhou
China
510180

T +86 20 8130 1016
F +86 20 8130 1027

LONDON (HQ)
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB
United Kingdom

T +44 (0)20 7972 6600
F +44 (0)20 7972 6699

MEXICO CITY
Descartes No.54 Of. 101 Floor 1st
Col. Nueva Anzures
Delegacion Miguel Hidalgo
C.P. 11590
Mexico D.F.

T +52 (55) 5203 4041
F +52 (55) 5203 4054

MIAMI
333 SE 2nd Avenue
Suite 2860
Miami, FL 33131
United States of America

T +1 786 476 0000
F +1 786 476 0001

NAIROBI
Third Floor I & M Bank House
Second Ngong Avenue
P.O. Box 10517
00100 Nairobi, Kenya

T +254 (20) 271 0312
F +254 (20) 271 0315

SÃO PAULO
Rua Fidêncio Ramos, 308, cj64, Torre A
Vila Olímpia
São Paulo, SP, Brasil
Cep 04551-010

T +55 11 3376-0200
F +55 11 3376-0206

SINGAPORE
3 Philip Street
#14-01 Royal Group Building
Singapore
048693

T +65 6538 1854
F +65 6538 1864

TEL AVIV
3 Golda Meir St.
Ness Ziona
74036
Israel

T +972 8866 6110
F +972 8866 6130

CONTACT US
For general enquiries, please contact
czarnikow@czarnikow.com

For media enquiries, please contact
media@czarnikow.com

For Czapp enquiries, please contact
website@czapp.com

CZARNIKOW
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB
United Kingdom

T +44 (0)20 7972 6600
F +44 (0)20 7972 6699
E czarnikow@czarnikow.com
@Czarnikow

www.czarnikow.com

Bangkok, Dar Es Salaam, Dubai, Guangzhou, Hyderabad, London, Mexico City, Miami, Milan, Nairobi, São Paulo, Singapore, Tel Aviv and Trinidad