

# Corporate Responsibility Report

**Cargill Ocean Transportation  
2017**

**Cargill**<sup>®</sup> Helping  
the world  
thrive



HOW WE MEASURE OUR IMPACT  
SUSTAINABLE  
DEVELOPMENT GOALS

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# Dear Stakeholders

Times are changing, even for one of the world's oldest and most traditional industries. Today, we find ourselves in a fast-paced, technology-driven and increasingly transparent environment, one that is full of opportunities for Cargill and our business partners.

We take the emergence of this new and vibrant industry sector as an opportunity to make shipping safer, more efficient and more sustainable. I strive to be honest with you about the challenges we face and the opportunities we have to make a difference.

At Cargill, we are pleased with our performance in the reporting period. Additionally, we have improved the efficiency of our fleet, thereby reducing the amount of CO<sub>2</sub> produced by 5.7 percent on a cargo-on-hull basis. We have completed equity ethics and compliance training throughout our organization, and we have provided meaningful development training among our business leaders to promote diversity and inclusion.

Looking ahead, we will continue to work right in the face of climate change, trade, cyber, and other risks. As this report demonstrates, we are taking a holistic approach

to sustainable development and our obligations to our stakeholders and the planet.

We are partnering with others to extend our impact. At the end of 2017, we joined with four other companies to advance sustainable, ethical and responsible sourcing across the ocean shipping industry. The Global Maritime Forum, the Maritime Anti-Corruption Centre, the North American Marine Environment Protection Association, and the Maritime International Shipping & Trading Association. Alongside these organizations, Cargill will continue to and as our efforts to lead the maritime industry toward sustained, positive change.

In the meantime, global trends will continue to reshape the industry. As we look at the broader market, we believe China's continued growth, global practices and changing regulations will have the most significant and

fundamental effects on our business and our stakeholders.

China's role accounts for 65 percent of the total dry bulk market. Policy changes, consumption trends, weather and reduced production will all be watched closely to ensure we anticipate the potential impact on our core commodity trade flows.

China is a major player in shipbuilding and ship financing. In 2017, China's shipbuilding supplied 57 percent of the world's new global shipbuilding orders. Over time, this may lead to a more competitive global shipbuilding market.

Over the next five years, regulation will have a profound impact on the shipping and freight industry. The 2018 Global Sulphur

Cap being implemented by the International Maritime Organization (IMO) – as well as the IMO's Convention for the Control and Management of Ships, Bunkers, Noise and Pollution and its strategy to reduce greenhouse gas (GHG) emissions – will fundamentally change the composition and operation of the global shipping fleet.

The sulphur cap will drive the dynamics of fuel sourcing and procurement and will require fuel oil suppliers to adjust their local output. Regulation also may increase the number of ships being recycled, influencing our regulatory burden to meet the world's needs for the reduction of the IMO's Hong Kong Convention.

These changes present Cargill and the wider maritime industry with the opportunity to build a greener global supply chain, which is necessary to meet the IMO's prediction that continued growth in the industry that will reach 1.5 billion by 2050.

Such far-reaching change will avoid present challenges and risks. At Cargill, we rightly seek to ensure robust compliance and ethics centers, and standards for an adequate and common law enforcement period for the bulk shipping sector. Achieving a more sustainable future will require significant upstream investments in clean energy

and other clean technologies, to help mitigate the uncertainty we face in the future with carbon. In our more than 100 years of business, Cargill has developed deep capabilities in risk management, including the type of uncertainties we face today.

With this, the first corporate responsibility report for our global supply chain business, we are building our plans and strategies to contribute positively to the planet and its people. We are committed to operating our business in a safe, responsible and sustainable way, one that helps the world thrive.

Jon Dawson  
President  
Cargill Ocean Transportation



"We are taking a holistic approach to sustainable development and our obligations as a responsible global citizen."

# About Cargill

Founded in 1865 by W.W. Cargill in the U.S. Corn Belt, the company started as a grain merchant and trading house. During the course of the ensuing 150 years, multiple generations of family owners expanded globally and diversified operations across markets for food, agriculture and risk management.

Today, Cargill employs 165,000 people across 75 countries and has grown to become one of the largest privately owned companies in the world. Cargill reports performance publicly across five segments: agricultural supply chains, food ingredients, animal nutrition and proteins, and industrial and financial services. Decisions and actions Cargill continue to own the company and support our purpose to nourish the world in a safe, responsible and sustainable way.

Cargill's ocean transportation business was formed in 1999 in response to growing demand for shipping services from the parent company. In 1997, we successfully expanded our customer portfolio to serve companies other than Cargill globally. 75 percent of Cargill's ocean contracts are with external parties. In 2009, Cargill strategically divested from vessel ownership and shifted to a chartering model. This allowed the ocean transportation business to focus on core competencies in freight loading and

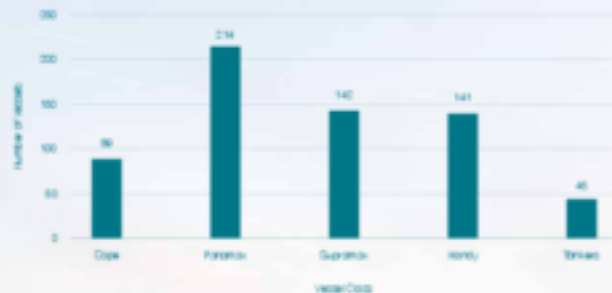
vessel management. We continue to invest and trade vessel assets directly, and through our venture investments.

We are proud to operate a leading freight-loading and loading business that provides first-class bulk shipping services to customers around the globe. In the dry-bulk market, we maintain a 97 percent market share in a highly regulated industry. As a subsidiary of Cargill, Incorporated, the good reputation of our ocean transportation business is in Geneva, Switzerland.

While we possess specialized vessels to lead in our industry, we benefit from the global reach, diversification and expertise capabilities of our broader parent company. This includes critical capabilities around sustainability, technological innovation, and risk management, along with financial health and creditworthiness, and a deep culture of exceptional ethical conduct and compliance.

We charter a fleet of 650 vessels at any one time, which are operated by some of the world's leading ship-management companies.

Cargill chartered fleet as of Dec. 31, 2017





### Scope of Operations

We operate 150+ assets at any one time, which are operated by the world's leading ship-management companies. We oversee the buying and selling of these operations from centers in Switzerland, the U.S., Singapore, Bulgaria and India.

More than 80 percent of Cargill's assets are dry-bulk ships, while the remainder are clean-product tankers. During the reporting period, we carried 250 million tons of cargo, including iron ore, coal, grain, sugar and

oilseeds. Our highly specialized production and transport assets (oil, liquefied petroleum gas, crude oil, fertilizers and bioethanol). Cargill does not temporarily out-of-product.

In addition to the origins and destinations of the main sea-freight identified below, we do business around the globe in 70 countries. Our customer base includes the world's largest mining and agribusiness companies. Our suppliers are predominantly ship-owners, fleet of producers and port agencies.

Our ocean transportation business employs more than 100 people in nine offices located in Switzerland, the U.S., India, Bulgaria, Singapore and Australia. India and Bulgaria function primarily as operations centers, while Switzerland, Singapore and the U.S. serve as our main trading hubs. We neither employ nor contract any seafarers in our capacity as a shipowner.

This report covers exclusively the activities and commitments of Cargill's ocean transportation business. It does not address any other

businesses under the management or ownership of Cargill, Incorporated. Corporate initiatives are referenced when the ocean transportation business has adopted them. The report covers our operations during calendar year 2017, except where otherwise noted.

### Cargill's global commodity flows



155,000  
employees

153  
years

70  
countries



### Fiscal year 2017

Revenue: \$109.7 billion  
Earnings: \$2.8 billion  
Total assets: \$55.8 billion

### Credit rating

S&P: A  
Moody's: A2  
Net worth: \$30.1 billion

# Governance

Cargill operates within a three-tiered governance structure: as business groups such as ocean transportation that specialize in certain product lines and geographies; as enterprises that combine similar businesses on a global basis; and at the corporate level. This structure permits individual business groups to provide industry-leading products and services in their respective sectors while drawing on the broad capabilities and functional expertise of the company as a whole.

At the corporate level, Cargill is led by an Executive Team that is responsible for the company's overall direction, client development and financial performance. Led by Chairman and Chief Executive Officer David MacLennan, members of the Executive Team represent all of Cargill's enterprises and major global functions. They contribute to overall corporate strategy both inside and outside of the company, and work with a strong risk review structure to ensure results. Together, they seek to fulfil Cargill's purpose to nourish the world in a safe, responsible and sustainable way.

At Cargill, we seek to bring people benefits to our stakeholders by functioning as an integrated operating company with world-class capabilities and processes implemented across all of our value chains. Cargill's global functions enable our business groups to drive these efficiencies by providing process governance and deep subject matter expertise. These functions include human resources, information technology, operations and supply chain management, finance, corporate affairs, and more.

Finally, Cargill manages risk through an integrated, embedded risk management function that governs risk areas, including physical, counterparty, tax and credit, execution of derivatives and other complex financial instruments, and program debt. These

risk professionals, who work alongside our trading teams, oversee both a centralized hub and a global network of Cargill-owned risk portfolio and external relationships. The function is led by Chief Risk Officer, a senior risk professional with more than 20 years of experience working with trading, reinsurance and regulatory compliance.

In early 2018, Cargill announced the formation of a corporate sustainability hub to be the company's enterprise and business-led drive for sustainability efforts across all the business. This hub included leadership and expertise from key functions such as operations and supply chain management, corporate affairs, and tax among others. It also brings together expertise from our business-led areas. Cargill's sustainability priorities include climate change, water resources, and risk, better livelihoods and food value.

Cargill's ocean transportation businesses within the company include and shipping enterprise, which is led by David Smith, who is a member of the Executive Team and has held leader roles globally with Cargill for more than 20 years. The enterprise also includes Cargill's global freight trading business, both in metals and ocean transportation businesses, and provides services to a wide range of global customers. The ocean transportation business is led by

Jan Dawson, who has been with Cargill for nearly two decades and has led businesses in both the U.S. and Europe. Upon assuming his current role, Jan defined sustainable shipping as a business priority within the business. One of the ways to advance progress with the maritime industry as a whole, serving as a non-executive director of the industry's Maritime Institute/Ocean Vias Forum and advocating for higher standards and practices in the shipping

industry. Jan's extensive team comprises professionals with deep expertise in their respective fields. And, Cargill is led at the global level and sustainably, led by the business. She is responsible for managing Cargill's freight portfolio on approximately 100 vessels, and for ensuring the sustainability strategy for the business. She also has been involved with the corporate sustainability hub to maximize the impact of Cargill's global sustainability expertise in the most relevant ways for the ocean transportation business. In addition, the leadership team includes experts of using digital, ocean and decarbonizing, environmentally responsible technology, investment, and communications.



# Stakeholders

We identify our stakeholders as the following constituencies:



Customers



Suppliers



Employees



Shareholders



Potential candidates



Communities



Consumers and the general public



Financial institutions



Governments



Non-governmental organizations (NGOs)



Industry and trade associations



Academic institutions

To date, we have engaged one-on-one with key stakeholders on a regular basis. In 2019 and 2018, we also developed online virtual engagement programs with key international and regional stakeholders.



# Materiality

Cargill completed our first materiality assessment of the ocean transportation business in the second half of 2017. In line with widely accepted practices, our assessment started with a horizon scan of the relevant industry topics and challenges.



The continued review of the permit and permit renewal topics, as well as decommission and dredging, evidence from our cargo leadership team.

This was followed by stakeholder outreach and engagement initiatives that primarily included strategic customers, business leadership and employees. Feedback was gathered through online surveys. It is further mentioned beyond the scope of our stakeholder engagement in the coming year. It includes our suppliers and NGO partners.

Internal capacity will allow us to review and recognize and a limited ability to correct or influence some material aspects. The impact of ship recycling is also very high, the knowledge of impact on well-being that year 2017 was 7.8

year, whereas age-out vessels typically have a lifespan of 20 to 30 years. On average, we will have a ship for free in four years. This makes our ability to recycle ship recycling a timely effort. Nevertheless, addressing global legislation with a strong sense of responsibility toward the environment, we need to advocate for the insurance of the vessel aspect we have identified, including ship recycling.

For Cargill ocean transportation business and our stakeholders, the aspects that we most noted are emissions, safety and well-being, and corruption, diversity and inclusion, and to create events and recycling.

The stakeholder and economic development and well-being through its materiality assessment.

In open, we would mention that being open helps to create economic opportunity, create demand, driving and supporting growth in the world. Nearly 1 billion people worldwide depend on maritime trade to meet their basic food needs. One vital factor depends on maritime trade for energy and other resources to power the economic growth and development.

Cargill continues to advance responsible trade and economic development both through the company's global operations, from raw food, agricultural products and other resources around the world from where they are produced to where they are consumed, through partnerships with governments, NGOs and other leading organizations.





# Climate Change and Health

3 GOOD HEALTH AND WELL-BEING



13 CLIMATE ACTION



Between 1980 and 2016, world seaborne trade grew from 3.7 billion tons to 10.3 billion tons.<sup>4</sup> High consumer demand, a booming global economy, relatively inexpensive credit and heightened production capacity in China all led to a substantial increase in demand for ocean transportation. In particular, Cargill accelerated our shipping business significantly from 1998 to 2007 and from 2010 to 2016.

During the 1980 to 2016 timeline, the world merchant fleet grew alongside this demand, rising from 810,000 to 1,800,000 dead-weight tons, approximately 71 percent of which consisted in the dry-dock and on-dock inventory. While it is not possible to estimate the amount of CO<sub>2</sub> emitted by the world's merchant fleet, it is clear that the industry's growth has contributed to global climate change.

In an increasingly globalized economy, it has become more effective for countries to specialize in producing their best or most abundant goods and then trade with other nations. Over time, this has helped to reduce living standards in the world and improve them globally. As countries have specialized in producing the goods to which they are best suited and their resources are better equipped, they have tended to do so more efficiently and sustainably.

The benefits of production also come with a cost. For a simple example, the growth of the merchant fleet has led to a double increase in emissions. However, the global shipping fleet remains the most efficient means of transporting raw materials, grains,

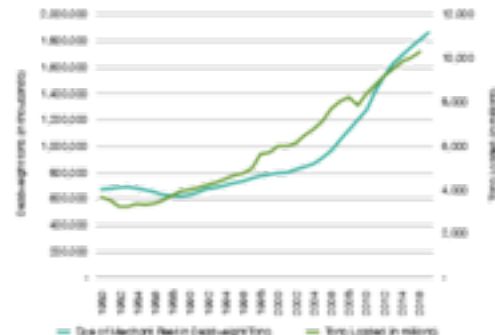
in 2017, there were 65,000 ships on the sea, which collectively emitted approximately 1 billion tons of CO<sub>2</sub>, this equated to 2.8 percent of global carbon emissions. According to a study published in 2014 by the ICAO, by 2050 the amount of CO<sub>2</sub> emissions attributable to the maritime industry could increase by anywhere from 60 to 200 percent.

From an environmental perspective, the rise of the world's fleet is a cause for concern in two distinct ways: climate change and health. In addition to producing CO<sub>2</sub>, in the same amount described above, by burning intermediate fuel, volatile organic compounds (VOC), nitrogen oxide (NO<sub>x</sub>) and particulate matter (PM) have been emitted.

It has been demonstrated that CO<sub>2</sub> and particulate matter contribute to the onset of respiratory disease and heart disease.<sup>5</sup> However, recent research published in the *Lancet* Technology Review, also shows that while CO<sub>2</sub> is harmful to health, it also mitigated some of the effects of climate change.<sup>6</sup>

Growth in world shipping fleet (1980-2016)

Source: UNCTAD





#### Material Relevance

We have deemed climate change and fleet to be our highest material relevance to our business. The issue of our fleet and code of our operations is not only responsible for the efficiency of our fleet and bunker procurement.

Our fuel consumption is continuously affected by changes in the size and composition of our fleet. During the past 10 years, our fleet has grown from 500 vessels to an average of 600 as we have expanded our worldwide. This growth has effectively doubled our gross fuel consumption.

The composition of Cargill's fleet is of particular importance to any detailed measurements. For example, if we were to increase the number of newly-built vessels and reduce our cape-size fleet, Cargill's gross fuel consumption and emissions and cargo-on-mile total would increase.

This is because larger vessels are more efficient and offer a greater economy of scale.

Vehicle speed, which is dictated by market conditions, is a significant variable affecting our future and an economic concern, as well. Before the financial crisis of 2008, the dry-bulk fleet typically operated at higher speeds to meet demand. In response to the crisis, vessels were rechartered, laid-up or considerably slowed down, reduced operating speeds cut global fuel consumption and emissions in the industry.

#### Making Progress

Cargill's fleet has reduced operating nearly 20 years of action to reduce our climate impact. Today, we are continuing to drive progress and take action to improve the environmental sustainability of our operations and our supply chain. This includes our ocean transportation business.

**"In 2017, we reduced our CO<sub>2</sub> output by 5.7 percent per cargo-ton-mile across our time-chartered fleet. By the end of 2020, we intend to reduce our CO<sub>2</sub> emissions by a total of 15 percent."**

Jon DeLeon  
President  
Cargill Ocean Transportation

#### Trends in emissions driven in the bulk shipping fleet (indexed from 2007)

Source: IAD



#### Green the use Gas Emissions

By 2020, Cargill has committed to reduce our GHG emissions on an absolute basis across all company operations by 10 percent, compared to our 2017 baseline. This is aligned with science-based targets, and encompasses emissions with our operations, known as Scope 1 and 2 emissions.

Cargill's ocean transportation business has worked on multiple initiatives to improve our performance and reduce our impact on the environment. However, we recognize that industry-wide regulation is essential to make significant and lasting progress.

Cargill is a longstanding supporter of aggressive GHG emission targets in the marine sector, despite the fact that this sector was omitted from the Paris agreement. In the latter part of 2016, we set out to improve the overall composition of our fleet – an objective that would realize benefits at both the medium and long terms.

To modernize our fleet and improve our efficiency, we rely on RightShip's GHG emissions rating – a system that compares a ship's theoretical CO<sub>2</sub> emissions relative to peer vessels of a similar type using an A to D scale. All of the vessels that Cargill chartered are ranked using this system. In 2017, 70 percent of Cargill's fleet was rated between A and B for energy performance, and the average vessel age stood at 7.8 years.

While operating our vessels, we work closely with existing ship owners and ship management companies to optimize vessel performance. This includes weather routing, optimal bunkers and technical performance assessments.

In 2017, Cargill's proposed 2020 emission limit of cargo on 4.4M voyages. Our operations consumed 3.8 million tons of fuel, which produced 7.7 million tons of CO<sub>2</sub>.

Within the maritime sector, there are a large number of vessels that do not, influence the amount of fuel we consume and our GHG emissions. Factors that have the most significant impact on our performance are the size, age and composition of our fleet, the speed of our vessels, the spare input, loading and the amount of cargo transported. Market conditions may negatively impact our stated environmental performance.

To ensure our environmental performance is measured in the context of our economic productivity, we will primarily report our performance based on the amount of CO<sub>2</sub> produced per cargo-ton-mile for our time-chartered fleet.

In 2017, we reduced our CO<sub>2</sub> per cargo-ton-mile by 5.7 percent across all vessels used, compared to 2016. We achieved this reduction by improving the composition of our fleets, making it younger and, therefore, more modern and fuel efficient.

Cargill's chartered fleet can be segmented into voyage chartered and time chartered. With our time-chartered fleet, we have much more control over our environmental performance. We work with vessel to improve and optimize vessel performance through taking longer routes, visit port events beyond immediate market conditions by context, being vessels in the spot market is, to a much greater extent, governed by market forces and is less predictable.

Despite these efforts by our business, we believe the entire industry must act to significantly reduce CO<sub>2</sub> per cargo-ton-mile and gross CO<sub>2</sub> output. Cargill believes this can only be achieved through industry-wide regulation.

**Global Sulphur Cap**  
In October 2016, at the meeting of the IMO's Marine Environment Protection Committee, it was agreed that the proposed Global Sulphur

Cap would come into effect on Jan. 1, 2020. Cargill is a key proponent of this new regulation. We were among the first organizations to sign a letter addressed to the IMO that called for the 2020 implementation date and continue to advocate for its implementation.

These are the most significant challenges to ensuring the industry achieves an adequate reduction in CO<sub>2</sub> emissions.

First, Cargill is working to better the most effective form of regulation. During 2017, we investigated the use of exhaust gas cleaning systems, commonly called scrubbers, as well as alternative fuels such as liquefied natural gas and ree-generation of fuels.

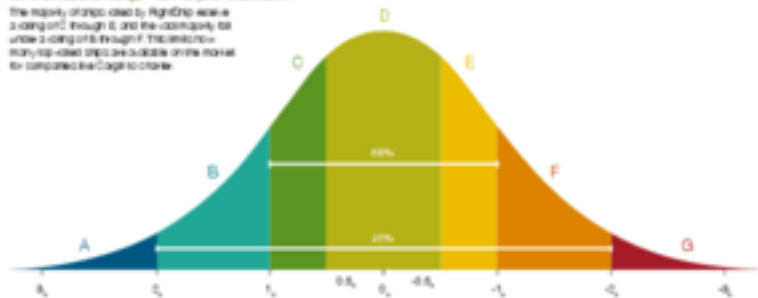
Second, compliance and enforcement continue to be a concern. It remains the responsibility of the flag state and port state controls effectively enforce

the regulation. Cargill supports being an enforcement partner and is prepared to fully collaborate compliance efforts. To support robust implementation, we became a member of the Global Alliance on Adoption of Ship Operations and Sustainability Goals to ensure compliance.

Third, Cargill has identified specific areas and taken risks to ship owners and operators in connection with implementation. We continued to invest in fuel efficiency of the fleet and believe the industry needs to continue to invest in the system period in the months leading up to and immediately following Jan. 1, 2020.

#### GHG emissions ratings - normal peer distribution

The ratings, or ship scores, used by RightShip were a rating of C through E, and the compliance bar under a rating of B through F. The industry's many top-rated ships are available on the market to complete the Cargill's share.



## Next Steps

We are committed to improving the sustainability of our operations and leading the maritime industry to a more sustainable future.

We aim to reduce our CO<sub>2</sub> per cargo-ton-mile by 15 percent in our time-chartered fleet by the end of 2020. However, we expect our gross fuel consumption and gross CO<sub>2</sub> output to increase in line with our expanding market share. We will maintain our policy to build the most efficient fleet possible, particularly with our long-term time-chartered vessels.

To that end, we are in the process of launching the following initiatives:

1. As a charterer, we will comply with new low-sulphur regulations and champion compliance through our membership associations, particularly the Trident Alliance.
2. We will work with relevant stakeholders on a fair fuel-transition period ahead of the Global Sulphur Cap.
3. We will optimize our fleet efficiency by investing in and developing new technologies.
4. We will optimize our period fleet by increasing the number of vessels rated A through D by RightShip, always seeking to increase the number of higher-rated vessels where feasible.
5. In partnership with the Global Maritime Forum, we will participate in a decarbonization project.
6. We will investigate carbon pricing in its various forms.
7. We will investigate a carbon offset scheme for our travel and events.
8. We will implement a more robust reporting and measurement program by separating various types of emissions (CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>x</sub>) and categories within our operations and supply chains (Scope 1, 2 and 3).

## Targets

**15%**

reduction in CO<sub>2</sub> emissions per cargo-ton-mile in our time-chartered fleet by 2020 against a 2016 baseline

**100%**

compliance with Global Sulphur Cap in 2020

**80%**

of Cargill's fleet will be rated A through D by RightShip by 2020

# Ethical Business Conduct and Compliance

16

HEAD, JUSTICE  
AND ETHICS  
INSTITUTIONS



Around the globe, expectations continue to rise that companies will conduct business ethically. Increasingly, the long-term viability of an organization is viewed as being dependent upon its ability to comply with regulations, act with integrity and maintain the trust of its stakeholders. While consumer groups and NGOs have long advocated for companies to demonstrate their commitment to ethical conduct, investors also are now stepping up calls for increased accountability in this regard. Meanwhile, regulatory agencies in many countries are bolstering enforcement as well.

Although consumers are paying progressively more attention to this issue, what remains to be done. A recent survey conducted by the Ethics & Compliance Research Institute for a branch of one of our clients, their views are as follows: The 10 countries surveyed said they had elevated expectations in the U.S. company.

#### Material Relevance

Since Cargill's founding in 1861, our company has been driven by the belief that doing the right thing sets the foundation for long-term success. This philosophy has sustained Cargill for more than 150 years, and today we remain equally committed to this belief in the 21st century. Our customers, shareholders, employees and communities count on us to uphold our highest standards of ethics, integrity and responsibility. To honor our obligations and to work every day with dignity and respect.

Cargill's Code of Conduct outlines the company's ethical and compliance standards for conducting business throughout the world. This Code is grounded in our Seven Guiding Principles, which are reported in our Culture and Values as the foundation for the behavior expected from all of our employees, contractors and suppliers in

## Our Guiding Principles

#### We obey the law.

Obeying the law is the foundation on which our reputation and Guiding Principles are built. We engage our legal counsel to help us understand and navigate the legal and regulatory requirements that apply to our business.

#### We conduct our business with integrity.

We take pride in conducting our business with integrity, with complete integrity, but do so fairly and ethically. We do not offer or accept bribes or inappropriate gifts, and we comply with the laws and regulations that support fair competition and integrity in the marketplace.

#### We keep accurate and honest records.

Accurate and honest records are critical to making sound business decisions and

managing the risks of our financial reporting. Our business information, in whatever form, must reflect the true nature of our transactions.

#### We honor our business obligations.

Our business relationships are grounded in mutual trust and respect. Throughout Cargill, we identify, evaluate and manage the trust and confidence of our customers and other business partners by communicating honestly, respecting information entrusted to us and honoring all of our commitments.

#### We treat people with dignity and respect.

We achieve our goals through our people. We provide a safe workplace and value the unique contributions of our global team, ensuring those who support Cargill's goals to achieve the best for our people and planet.

#### We protect Cargill's information, assets and intellectual property.

We invest in our people to access, develop and protect our information. To protect the value of Cargill, we respect the information and assets entrusted to us and our customers. We do not disclose or misuse confidential information.

#### We are committed to being a responsible global citizen.

The health of our global markets, the Cargill business and every aspect of society, with our global work comes the responsibility to understand and manage our impact. We monitor our environment and food safety, conduct ethical sourcing, and strive for global citizenship and excellence to meet the economic and social challenges.

at part of the world. It also allows us to guide its employees when they face difficult choices: the right choice is not easy. Cargill's own compliance business directly connects to the code, and equips our suppliers to comply with our corresponding Supplier Code of Conduct as well.

#### Reporting a Concern

Cargill has established robust processes to ensure that employees and other stakeholders can raise any concern to the company and that such concerns will be treated with the utmost professionalism, discretion and care. We handle all matters of this nature confidentially and with no retaliation against anyone who raises a concern or participates in an investigation.

In addition to the formal channels whereby employees can communicate to their manager or through our human resources department, Cargill maintains an "Open Line" hot line to employees, managed by a third party, to ensure confidentiality. Employees can choose to report a concern by phone, email or online.

#### Training

Employees are trained on the company's Guiding Principles and are required to complete online courses of encouraged conduct, including the understanding of an ethical issue. Annual training also is required to recognize and reduce food product-related bribery, anti-corruption and tax compliance.

Our company acts on the belief that doing the right thing sets the foundation for long-term success.

#### Making Progress

We strive to be best at our Code of Conduct verbally and are committed to maintaining our strong focus on doing the right thing. We have zero tolerance for bribery and other corrupt practices from our employees, contractors and suppliers. Our outcome-meeting design with corporate customers is now easier to use and more practical.

#### Risk Assessment and Compliance Audit

In addition to mandatory regular training for employees in 2017, Cargill's compliance and corporate departments conducted an audit that included our code of conduct business. This was the first such audit that has taken place across the corporation.

Through this risk assessment and audit, five areas were identified as presenting some additional risk mitigation plans: cyber-security, data privacy, anti-bribery, tax compliance, and commodity and derivative markets.

In the same part of 2017, Cargill's own compliance business achieved 100 percent completion with respect to our internal training on cyber-security and data privacy.

We have deep and meaningful anti-bribery training across Cargill for employees using interactive video where they participate in case studies. Cargill regularly audits high-risk businesses, too. Additionally, we have stepped up our focus on our operations to ensure the compliance with the law.

To make sure that we provide the competitive products, Cargill invests in development, research and sales activities. We have developed training programs for employees and areas across in connection with these investments, what firms, organizations and discussion participants. We also are developing training on tax compliance for all of our sales and managers.



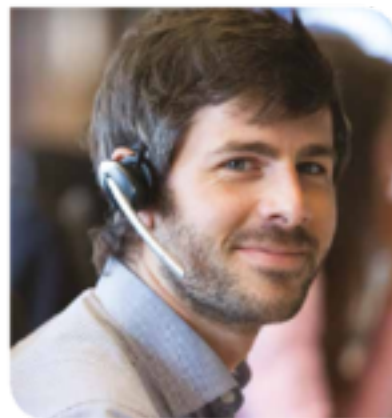
Jon Swanson left, president of Cargill's own compliance business, discusses the organization's sustainability progress with areas of focus: sustainability, food and operations. Center and Robert Huber, human resources lead.

## Next Steps

At the end of 2017, we joined the Maritime Anti-Corruption Network, a global business network that promotes good corporate practices for eliminating bribery and other forms of corruption in the maritime industry. The lead legal counsel for our ocean transportation business regularly engages with this forum.

Going forward, we will continue to adhere to Cargill's Code of Conduct and expect our suppliers to do the same. In addition to developing risk mitigation plans in the areas outlined above, we are seeking to incorporate our Supplier Code of Conduct into all new contracts by June 2018. We also will advocate for increased transparency and accountability regarding ethical business conduct within our industries.

## Targets



**Zero incidents  
of corrupt practices**



# People, Safety and Well-Being



3 GOOD HEALTH AND WELL-BEING



8 DECENT WORK AND ECONOMIC GROWTH



According to a 2016 report, there are approximately 1.6 million active seafarers working on the world's oceans.<sup>16</sup> The majority come from China, the Philippines, Russia, Ukraine and India.

For decades, seafaring has been widely recognised as one of the world's most dangerous jobs. We show the concerns of our stakeholders leading to the safety and well-being of seafarers, and we seek to raise safe-working conditions for them.

In today's challenging shipping market, where ship owners are making low or negative returns, seafarers have suffered from increased abandonment, non-payment of salaries, loss of safety equipment and inadequate medical services. These fundamental issues in port and reduced crew turnover contribute to fatigue and stress that can lead to mental illness. The Seafarers Trust reported that 77 per cent of seafarers did not have their internet connectivity needs met, which can compound a sense of isolation and loneliness.

#### Material Relevance

Cargill's health and safety performance is viewed as one of our most important issues by our stakeholders, and we are fully responsible for the management, maintenance or closure of the ship. Since decisions are determined by the vessel owner, despite the fact that we do not own vessels or employ a direct seafarer,

we intend to partner with ship owners to improve safety standards and the well-being of those working on ships.

Regarding our more than 600 onshore employees, while committed to ensuring freedom of movement and physical and psychological safety with an emphasis for their dual roles, this is in line with our Guiding Principle of treating people with dignity and respect, and a fair negotiated priority.

#### Making Progress

In 2016, we became a showrunner in RightShip, an organisation focused on ship safety and risk management. Today, we are one of the vessel owners listed on RightShip's risk rating. RightShip uses predictive analytics and real-time risk assessments to analyse the likelihood of a vessel being involved in an incident, and provides a comprehensive rating. We are set to vessels with a three-star rating and also a top RightShip, which helps ensure that the seafarer working on the ship we choose the safe. In 2016, we used vessel risk ratings to change more frequently as a result of RightShip's predictive (Quality Index) score.

Alongside our RightShip rating checks, we undertake more than 200 independent audits and inspections each year. As part of our due-diligence processes, we check a vessel's certification, documentation and reputation before the ship is chartered. Operators are responsible for ensuring vessel comply with international Labour Organization standards before being the vessel.

We are a long-time supporter of the Seafarers Society and the Seafarers Church Initiative, the nonprofit providers of these organisations, to support the construction of welfare centers and employ organizations around the world. Both organizations provide care and support to seafarers globally.

In the end of 2017, we also became an official partner of the Global Maritime Forum. To help promote, shape the sustainable employment development of the industry and the well-being of those who work in it.

To continue helping our shore-based employees and contractors work, we set a diversity program on human and organizational performance that

educated leaders, managers and teams across the company on how to create the organizational understanding of values and why human capital is critical to our. This included work to improve systems and working conditions in our offshore drilling and offshore safety culture. We seek to engage employees to help identify exposure to risks and reduce risks in all work environments, including through cooperation on their 'See, Say, Do'.' This program encouraged and required all employees to spot risks, speak up and stop unsafe work until conditions are corrected.

In addition to providing a safe work environment, we offer health and wellness services to employees to help them live a full and balanced life. Our global network regularly monitored by governments, communities and organizations around the world for our commitment to training, development, support for employees of different genders and abilities, and career and well-being working.

## Next Steps

In 2017, Cargill approved a new Supplier Code of Conduct, which was disseminated across all of the company's global businesses. This code is closely aligned with Cargill's long-established Employee Code of Conduct and Guiding Principles. In the coming year, we will engage with our suppliers, including bunker providers, ship owners and port agencies. Our aim is to see this code recognized, signed and adopted by our suppliers and eventually incorporated into our contracts.

We also will put in place additional processes to adequately measure our suppliers' performance in relation to human rights, safety and well-being. These measurements will include the amount of lost working time, as well as the number of detentions, accidents and injuries.

## Targets

### Establish a ship owner benchmarking tool

that will rate suppliers on fleet operations and safety performance

**Achieve zero injuries within our offices**

**100% of Cargill's fleet**

will be RightShip approved

**By December 2018**

100% of supplier contracts with a duration of one year or more will reference our Supplier Code of Conduct

**Maintain current share**

of four- and five-star rated vessels according to RightShip

# Ship Recycling



In 2016, ship owners sold 30 million deadweight tons of vessels for recycling – an increase of 76 percent compared with 2014.<sup>11</sup> An estimated 95 percent of the global recycling total was carried out in just four countries: India, Bangladesh, Pakistan and China. The highest recycling rate in 2016 was within the bulk sector, recorded by the U.N. at 15.8 million gross tons – more than double any other maritime category.

It is estimated that demand for ship recycling facilities will increase in the coming years as new regulations for waste water from required investment in ballast water treatment systems and similar systems, not to mention further SOx regulation, may lead owners to sell some ships earlier than previously anticipated. As always, market conditions will play only a role in ship owners' decision-making as well.

The ship recycling industry has provided employment and a valuable contribution to local economies since the 1980s. Today, it offers employment for hundreds of thousands of people along the shores of Hong Kong, Chongqing and Gwadar, in India, Bangladesh and Pakistan, respectively.

While the economic benefits to local communities is clear, working conditions and living standards in and around recycling yards are often extremely poor. Workers are expected to dismantle vessels with limited or no protective equipment. Hazardous materials may end up on land, for which workers frequently have no training or knowledge or warning. These practices have led to fatalities and injuries. However, thanks to new and pending regulation, there are brighter lights that the regulatory line continues for these workers to be better informed.

Adopted in 2009, the Hong Kong Convention outlines requirements for ship design and construction, the operation of ship recycling facilities, and vessel abandonment. The Hong Kong Convention did not enter into force, because as of 2017, only six nations have ratified it: Belgium, the Democratic Republic of Congo, Denmark, France, Norway and Panama. A further 18 states are required to ratify the convention in order for it to enter into force.

#### Material Relevance

The large amount of ship recycling has a clear place in the bulk sector category – where Cargill chooses a significant number of ships – makes the issue relevant to our organization. However, as a charterer, we neither recycle vessels nor actively access to recycling. The average age of Cargill's fleet is 7.8 years old, while the commercial life of most vessels ranges from 20 to 30 years.

As a result, Cargill has limited ability to control where and how the vessels we charter will be recycled or where from 10 to 30 years in the future. Nevertheless, we are concerned by the poor safety standards and environmental impact in some recycling yards, and we intend

to continue consulting with our stakeholders to explore ways to influence this issue in a positive direction.

#### Making Progress

Members of the European Community, Trade Union's Associations visited Hong Kong in April 2016, and they reported largely improved standards with respect to ship dismantling

operations, waste management, health and safety, good working and employment conditions.

The 2016 report also noted differences in the standards of Hong Kong certified yards versus non-certified yards. In 2017, the number of yards certified to Hong Kong Convention standards reached 30, with a further 30 yards seeking completion of their certification.

#### Ship recycling (1980-2016)

Source: Lloyd's



## Next Steps

We support the Hong Kong Convention and advocate for its adoption. We will encourage our suppliers to use yards that are certified to Hong Kong Convention standards, thereby helping to protect the safety and well-being of yard workers and the health of the environment.

We will monitor developing regulation on ship recycling within the European Union and contribute to discussions that relate to its implementation. We also will raise the issue during our discussions with ship owners and record where suppliers choose to recycle their ships, as part of our effort to establish strategic partnerships with responsible suppliers.

## Targets



**Participate in industry discussions on ship recycling**

**Develop an engagement plan with ship owners and regulators**

# Ocean Health and Biodiversity



The health of the ecosystems supported by our oceans is a critical issue both for overall planetary well-being and for social and economic resilience. According to a 2017 U.N. paper, 80 percent of marine pollution worldwide comes from land-based sources.<sup>15</sup> Nevertheless, ocean-based activities such as fishing, industrial and mineral exploration, and marine transport also have an impact on pollution levels in oceans.

A primary concern is plastic debris, which accounts for 80 to 90 percent of polluting debris in the world's oceans. Waste discharge from ships and fish is also an ongoing fishing gear-related contributor. Regarding aquaculture and other products, the number of fish farms and the total volume of fish shipped has increased significantly in the past five decades, with total fish volume of fish shipped and the length of supply lines both notably increased.

The ocean water used by many of these products is necessary for the operations. However, a recent 2018 study on aquaculture being transported into new ecosystems. The marine industry has a responsibility to design and operate water around the globe responsibly. The ILO/FAO/WHO Convention on the High Seas provides a framework to mitigate the risks associated with ocean water by specifying where and how marine shipped containers.

Ocean activities also have an impact on the health of coastal ecosystems. A recent U.N. paper projects that

ocean acidity could rise to 100 percent by 2100, a dramatic acceleration of acidification rates compared to natural processes that would have a much slower rate of change. Although the consequences of acidification are believed to be additional CO<sub>2</sub> in the global level that is absorbed into ocean waters from the atmosphere, other studies may continue to evolve.

**Material Relevance**  
Cargill recognizes the importance of ocean health and sustainability to our stakeholders, as well as the economic value of our operations. We are working with our suppliers and the firms that operate our transport vessels to ensure we are reducing the impact of our operations.

We do not currently ship crude oil products, but we do transport other oil, such as diesel, and we do have potential concerns in accidental spills. We do transport various parts for containers and gearings, and all incidents are monitored. We continue with our third-party vessel operators to ensure appropriate crew training with regard to waste disposal.

Regarding other water, because of the high use and storage of it, Cargill is doing work to ensure that we are able to manage our water use responsibly and prevent harmful impact on ecosystems. However, regulatory uncertainty in conjunction with different jurisdictions may complicate these efforts.

As the marine industry undergoes the upcoming fuel transition away from sulfur, one potential compliance solution is a technology called exhaust gas cleaning systems, otherwise known as scrubbers.

Operating scrubbers comprise a process in which the gases and vapors are scrubbed. The scrubbing solution used with alkaline compounds in the scrubber to produce sulfur dioxide gas that can be discharged into the water with the sea. These scrubbers are used in both inland and sea areas, but not in all vessels.

According to these independent studies, including research by the Danish Society of the Environment, the use of scrubbers has a minimal impact on the marine environment.

The scrubbers also remove particulates from the sea gases that are then discharged into the sea. Although this does not remove the pollutants from the local environment, it does remove them from the air, which is where they have the highest potential to negatively impact human health.

Cargill also complies with U.S. speed regulations designed to prevent vessel collisions with endangered right whales off the Atlantic Coast of North America.

**Making Progress**  
The 2018 U.N. Ocean Conference resulted in 2017, with participation from different sectors of society, leading to a call to action on the issue of marine debris. A significant number of commitments have been made to reduce marine debris and improve the health of the global environment, including ocean health and sustainability.



## Next Steps

Going forward, we will require more robust incident reporting from the ship managers and owners with whom we partner. A key performance indicator will be the number of spills and collisions.

To comply with global sulphur regulations, Cargill will explore the use of scrubbers on board our chartered fleet. We will continue to work with our partners to ensure the use of scrubbers is safe.

We are working with our ship owner suppliers to implement ballast water treatment systems that comply with the new IMO regulations and relevant country requirements.

## Targets

### Include Supplier Code of Conduct

guidelines for best practices with respect to waste management on all voyage instructions

### Zero oil spills

of 10 m<sup>3</sup> or more, and zero other incidents causing material negative environmental impact



# Diversity and Inclusion in Our Workforce



5

GENDER  
EQUALITY



10

BIAS  
REDUCTION



The business community increasingly recognizes that a diverse workforce and an inclusive work environment spur organizational success. The maritime industry is no different, even if the work environment is somewhat unique.

Much work remains to be done around diversity and inclusion in shipping, particularly regarding gender. The maritime industry suffers from very low inclusion of women at levels of the workforce. A 2017 U.S. report indicated that only about 10 percent of seafarers worldwide are women.<sup>1</sup> One positive sign – data indicates one – is that in the case of other sectors in the marketplace, it is possible for women. On average, women represent 27 percent of professional positions, 17 percent of management positions and 9 percent of executive positions. These low levels of representation for women are matched by frequent pay gaps. In a separate study, nearly 80 percent of women seafarers indicated that sexual harassment was an issue.

**Material Relevance**  
As a key global company operating in 70 countries with 100,000 employees, Cargill recognizes that diverse teams make a stronger organization, one that can better understand and serve our customers and stakeholders where we operate. We strive to create a safe and inclusive work environment and incorporate diverse backgrounds, experiences and perspectives. Doing so is fundamental to our ability to create

and retain the very best people and to our continued success in the future.

**Making Progress**  
As a driver, we do not employ or contract any seafarers. Our ocean transportation business employs a workforce of more than 600 people in 20+ developed countries.

We know that working globally with employees from diverse backgrounds is not just a word. Many of our business leaders have completed an executive diversity assessment, using the Inclusion Development Inventory (IDI). This compares individual and organizational diversity compliance and organizational diversity scores. We are currently developing training to improve organizational diversity scores in an inclusive environment. We also have established a protocol concerning harassment and other forms of unacceptable behavior.

Across our global operations, Cargill maintains a zero-tolerance policy regarding harassment and unethical conduct directed at us or a client, through our contracted marine

We have a diverse ethics hotline managed by a third party, for any employee to anonymously report an issue.

Cargill has established a strong network of business-wide groups to support employees to make their gender diversity inclusion, ethics, stability and other work. We were one of the founding members of Foodgain for People, an organization committed to creating gender parity, social and environmental excellence by 2020.

In 2017, Cargill announced CEO Action for Diversity & Inclusion, a collaboration of more than 150 CEOs pledging to make their companies more diverse, equitable and transparent. We are currently reviewing and can be contacted openly.

For the 10th year in a row, Cargill received a perfect score of 100 percent from the Human Rights Campaign on its 2017 Corporate Equality Index. And the U.S. Department of Defense awarded Cargill with its 2017 Freedom Award, the highest honor given to companies in the U.S. for their support of employees who serve overseas.

In 2017, female representation in our ocean transportation business declined 4.5 percent against our 2016 objective. Female representation in leadership increased by 5.7 percent in the same time period.

Cargill is taking part in various initiatives that we believe will improve our overall performance in 2018 and help us to reach our objective of 50% female representation in female work environments.

In December 2017, we joined the Women in Leadership Shipping & Boating Association (WILSA), in support of our objective to develop and promote female leaders across our business. We are currently organizing our membership from 5000 female professionals from across the maritime sector among 10 members. It provides members with networking and skill coaching opportunities. Cargill also works with WILSA in Singapore and Geneva to address high-value female leadership and our progression.

## Next Steps

Cargill is committed to recruiting, developing and retaining a diverse team. In our ocean transportation business, we are implementing plans in accordance with this corporate objective, including bringing more women and underrepresented minorities into the business. This includes a mentorship program to identify and support future diverse management candidates. At the corporate level, Cargill will deploy unconscious bias training for leadership teams. Finally, we will explore expanding our membership of WSTA to include the U.S.

## Targets

**Achieve a 10% increase in female representation globally by 2020**

compared to 2015 baseline



# Partnerships

Cargill reorganized our global partnership structure in September 2017, signing on as a member of the U.N. Global Compact for the entirety of our worldwide businesses. Additionally, our ocean transportation business embarked on four new partnerships that focus on climate change, marine conservation, diversity and inclusion, and anti-corruption.

Among others, our ocean transportation business is a member of, or partner with, the following associations and organizations:



We also increasingly seek economic partners at the corporate level:



The key driver of our organization is that the partnership structure enhances our ability to share ideas and knowledge and enables Cargill to make tangible improvements from below the feet of our employees, customers and the wider community.

"Cargill joins our members with a shared commitment to stewardship and sea protection through corporate social responsibility, including public education on the marine industry, protecting the marine environment and advocating for stronger industry practices."

*—Karen Lynn Walker  
Co-founder and vice chair for the IAPH, and IMO and WACA*

"Together with Cargill and other stakeholders in the industry, we are committed to shaping the future of global seaborne trade to increase sustainable long-term economic development and human well-being."

*—Johnathan Davidson  
Managing Director, Head of projects and programs for the Global Maritime Forum*





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## Feedback

Should you wish for any clarification or information on the contents of this report, please contact us.

Cargill International S.A.  
14 Chemin de Normandie  
1206, Geneva  
Switzerland

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14 Chemin de Normandie  
1206, Geneva  
Switzerland

138 Market Street  
17-01 CapitaGreen  
Singapore 048948  
Singapore

500 Frank W. Burr Boulevard Ste 44  
Teaneck  
New Jersey 07666  
United States