

An aerial photograph of a dense coffee plantation. The trees are vibrant green and cover most of the frame. In the lower-left and lower-right areas, two workers wearing traditional conical hats are visible, engaged in coffee harvesting. They are surrounded by coffee bushes and some harvested coffee cherries are scattered on the ground near them.

LDC.

Louis Dreyfus Company

Building a Sustainable Future.

Sustainability Report 2016

Louis Dreyfus Company is a leading merchant and processor of agricultural goods, leveraging its global reach and extensive asset network to deliver for its customers around the world – safely, responsibly and reliably.

Our diversified activities span the entire value chain from farm to fork, across a broad range of business lines (platforms). Since 1851 our portfolio has grown to include Oilseeds, Grains, Rice, Freight, Finance, Coffee, Cotton, Sugar, Juice, Dairy, Fertilizers & Inputs and Metals.

We help feed and clothe some 500 million people every year by originating, processing and transporting approximately 81 million tons of commodities. In our efforts to help sustain a growing global population we rely on our worldwide presence, responsible practices, sophisticated risk management and in-depth market knowledge.

The commitment of our employees is essential to those efforts, which is reflected in their ownership of approximately 10% of the Group. Our diversified approach generated US\$49.8 billion in net sales supported by a US\$3.9 billion asset base for the year ended 31 December 2016.

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We have a vision for being a trusted merchant for the 21st century, with working towards a safe and sustainable future at its heart. It is about using our position in the value chain to contribute, as innovatively and efficiently as possible, to global efforts.

Trusting in Partnerships.

That is why partnership working has, for some time, been at the heart of our approach to sustainability. We are conscious, in a year of seismic political shifts, of the increased need for stronger, transnational, multi-stakeholder approaches in order to maintain momentum towards shared global goals.

This report provides some relevant examples of how our present work in and future vision for our merchant role can maintain and accelerate that momentum.

Renewed commitment to multilateral approaches

Our sustainability approach is inseparable from our corporate strategy. Therefore, just as 2016 was a year of refocusing on refining the strategy we launched in 2015, this year we have looked at our approach and re-committed to multi-stakeholder engagement.

This renewed commitment can be seen in our joining the World Business Council for Sustainable Development (WBCSD). Several aspects make this a strong move for a commodities merchant embedding sustainability into our operations:

- It is a global, CEO-led organization, with over 200 leading companies.
- It aims to maximize impact for shareholders, the environment and societies.
- Food and land-use is one of its 4 main areas of focus.
- It has significant ability to reach along and across value chains.

While our membership was made official in January 2017, the majority of the work and relationship building took place in 2016, and I personally look forward to seeing the fruits of that work in the years to come.

Developing the merchant role

The combination of our expertise and position in the value chain creates both opportunities and challenges. On the one hand, we interact with and influence many stakeholders. On the other, we do not directly control all of the origination sources nor do we have direct influence on consumer demand. However,

our range of interactions ensures very wide visibility of our strong ethics.

Several platforms are pioneering how we can make the most of the opportunities and circumvent the challenges.

Our Coffee Platform highlights how this might work. If the roasters who are our customers do not demand and will not pay a premium for certified sustainable coffee, it is hard to meet ambitious sales targets for this product. Nevertheless, we can help farmers to improve their sustainability profile without resorting to multiple certification systems. So, the overall effect of our work can easily exceed that suggested by our 14.2% sales target for certified coffee.

Certified standards are important. However, their proliferation has unintended consequences. Farmers often need to comply with many of the different schemes and systems in order to maintain a good customer base. The complexity and costs pose real difficulties for them, yet it is unclear whether multiple certifications equate to better practices.

Our merchant role allows us to bring together stakeholders as an alternative. Take the Platform's current work in Colombia with roaster Jacobs Douwe Egberts and IDH, the sustainable trade initiative. We are training farmers in best practice to improve productivity and earning capacity sustainably – and all that by working with the roasters, who drive demand, using our position to connect supply with demand for better outcomes.



Target Sales of Certified Coffee by 2020

17%

Total Beneficiaries Reached in Partnership with the Louis Dreyfus Foundation

232,041

Yield Increase for Participating Cotton Farmers in Kazakhstan

↑5.5%

So, while we should be pleased with our target for certified sustainable sales of 17% by 2020, that is only part of the story. The same can be true in other areas, and we will continue to be creative in leveraging our merchant position.

The freight space is one to watch in this regard. Change is gradually coming in the freight industry, which has been the only major industry not covered by climate treaties. The International Maritime Organization may soon impose a global sulphur emission limit, with regional nitrogen oxide caps and carbon emission monitoring also on the horizon.

Our Freight Platform is increasingly working together with shipyards and other businesses to assist in the sustainable development of the industry. We can help shape the future of this vital industry and are considering how else we can do so.

Global network, local knowledge

We have people who are experts at connecting supply and demand, covering the whole globe. This reach and those skills can be turned to answering the needs of local communities around our business. To that end, our people can look to bring in the Louis Dreyfus Foundation and LDC where they see the need for support.

Our partnership with the Louis Dreyfus Foundation is entering its 5th year. We now have 9 ongoing projects where LDC employees are working in communities with the Foundation's support. Even just the work highlighted in this report has reached 232,041 beneficiaries. The projects

we conduct together, across 8 countries in Africa and Asia, contribute to equip farmers with the physical assets and skills to be able to build resilience around sustainable agriculture.

Going beyond that, leveraging our position and expertise to sustainably increase yields, farm-by-farm, is the hard, granular work a merchant can do to ensure everyone in the world is properly fed in 2050. Food production must double by that date,¹ while annual yield growth is presently settled in the 2% range.²

Many of our platforms apply their expertise to help smallholder farmers to improve yields sustainably, and faster. Take our Cotton Platform's work, with the Better Cotton Initiative (BCI), in Kazakhstan. The initial work raised yields by 5.5%. This is a good start, but more work is needed.

continues overleaf

¹ FAO, "How to Feed the World 2050"
² HSBC, "The World in 2050"

Trusting in Partnerships. *continued*

In 2017 we aim to achieve 90-100% mill-level traceability for palm oil supplied to LDC.

In 2016 we worked with 43 farmers and aim to have reached 700 farmers by the end of 2018. It is worth noting that supporting even just 700 farmers has required us to hire 4 new agronomists, invite in external experts and, this year, subsidize the farmers' purchase of top quality cottonseed.

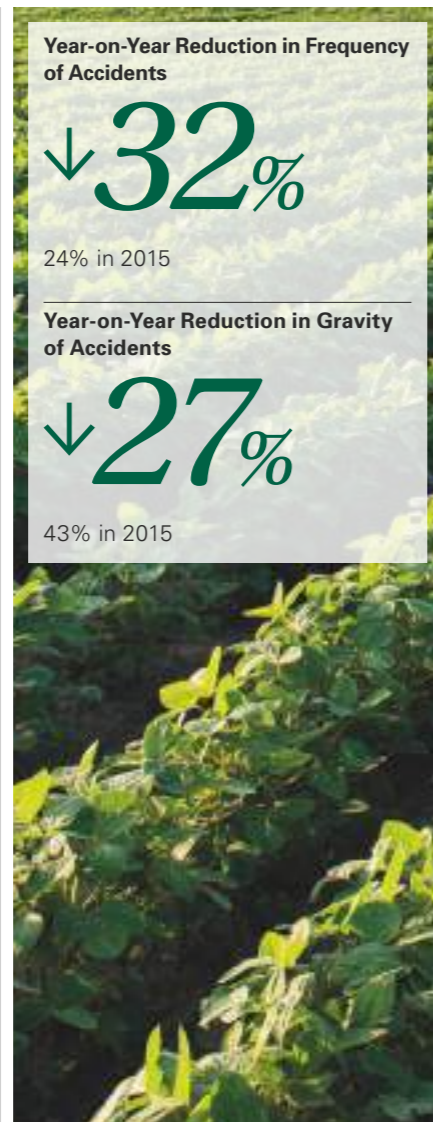
Partnership with the BCI, and funding from DeveloPPP.de, of course enables great things to happen, but this combination of resources illustrates the scale of the challenge. Consider then that, though we are one of the largest players, we are one of many operators. We are trying to lead the way in this space, but we need to be able to work proactively with others to make sure more farmers receive the benefit of our expertise.

Scaling solutions for future impact

Our scale also poses challenges and creates opportunities. For example, much work was required to gather and then to standardize recording of the vast range of environmental data generated by our considerable asset footprint.

However, fighting through the challenges brings hope. Our safety record, discussed in the People section of this report, and our work in palm provide good examples.

Our people's safety has long been LDC's central operational priority. This year we reinforced our commitment to zero injuries with a new, global policy.



Years of granular work have brought us to this point. We can, again, show continued reductions in all key accident metrics. That is the power of embedding safety into every LDC colleague's daily priorities. Despite all these efforts, we must, very sadly, report the deaths of 1 employee and 2 contractors this year. Lessons have been learned, and we continue to focus on making sure such tragedies never happen.

Our efforts in palm show how detailed focus can translate to other aspects of our business. Our zero deforestation commitment has been in place for over a year. Rapid progress has been possible owing to a strong partnership with The Forest Trust (TFT). We are already at 100% mill-level traceability for palm processed at LDC assets. We are close to achieving 100% mill-level traceability for all the palm oil supplied to us. So far we have calculated 91% traceability for this year, and 90-100% is the target for 2017. That comes from having worked hard with TFT for nearly 2 years.

The proactivity of getting sustainability-thinking into day-to-day operations is in rolling out our policy to our network, profiling suppliers, undertaking risk assessments and then dealing with identified weaknesses collaboratively with suppliers. Continued work with TFT provides additional insights, ensuring we use our position in the value chain for better outcomes. We are pleased to have honest and useful feedback on our efforts from The Mighty Earth in this report. This kind of oversight helps us maintain momentum and I am very proud to see that we both

sold 12 times the volume of certified sustainable palm oil in 2016 than we did in 2012 and are building from our no-deforestation and no-peat commitments with a multi-stakeholder Landscape Project.

More of this kind of work will be necessary, with more and more stakeholders, and across all platforms, to keep making the kind of progress the world needs.

Thank you to all our partners

Finally, I would like to thank all of the stakeholders who have engaged with us, in any way, on sustainability issues in this last year. My particular thanks go to our close partners, who provided their thorough insights for this report.

We look forward to many years of hard work in partnership together, re-shaping our value chains for a future of sustainable sustenance for all. •

Gonzalo Ramirez Martiarena
 Chief Executive Officer
 Louis Dreyfus Company B.V.

Zero Deforestation Zero Peat Commitment

Mill-level Traceability for Palm Processed at LDC Assets in 2016
100%

Mill-level Traceability for all Palm Oil Supplied to LDC in 2016
91%

2015 & H1 2016 Traceability
 Palm oil and Palm kernel oil

Category	H1 2016 % Traceable	2015 % Traceable
Indonesia Refineries	100%	100%
Singapore Commercial	79%	66%
Grand Total	91%	81%

Guided by our Values.

Our vision.

To work towards a safe and sustainable future, contributing to the global effort of providing sustenance for a growing population.

Our mission.

To use our know-how and global reach to bring the right product to the right location, at the right time.



Commitment

We share an uncompromising determination to achieve excellence in everything we undertake, delivering to the best of our ability for all our stakeholders.

We are committed to our customers, placing them at the center of everything we do.

We are committed to our people, acknowledging and investing in them as our most valuable asset.

We are committed to our partners, working with them hand-in-hand to reap the collective rewards of responsible business practices.

We are committed to the world around us, accepting our responsibility for contributing positively to our local communities in an ever-changing environment.



Humility

As a global leader in the agri-commodities industry, we are aware of our responsibility to foster long-term stability and growth, to do business with integrity, feeding and clothing the world sustainably.

Determined to lead by example, we stretch ourselves continuously, learning from others and through questioning and feedback, and challenging ourselves to find better solutions.



Diversity

As a global company, we encourage respect for every individual, promoting diversity in every aspect of our business, and in all locations where we are present.

Recognizing its business value, we encourage varied approaches to problem-solving, and open and respectful communication between employees from diverse cultural and professional backgrounds, and strive to build close ties and relationships with local communities where we are present.



Entrepreneurship

Our growth and sustained performance are driven by our entrepreneurial spirit.

We support and empower our people to take initiatives, create and innovate, while balancing this drive through a sound approach to risk management that calls for informed, measured and controlled decisions and judgments.

 **5** Worldwide coverage through 5 regions

More than 21,000 employees worldwide (at peak season)
21,000

YOUR TRUSTED PARTNER SINCE 1851 **165 yrs**
For more than 165 years, we have not only witnessed but played a key part in the most significant food revolution in history. We have played an active role in major global changes by pioneering the modern commodities trade.








This is LDC.






2
Segments

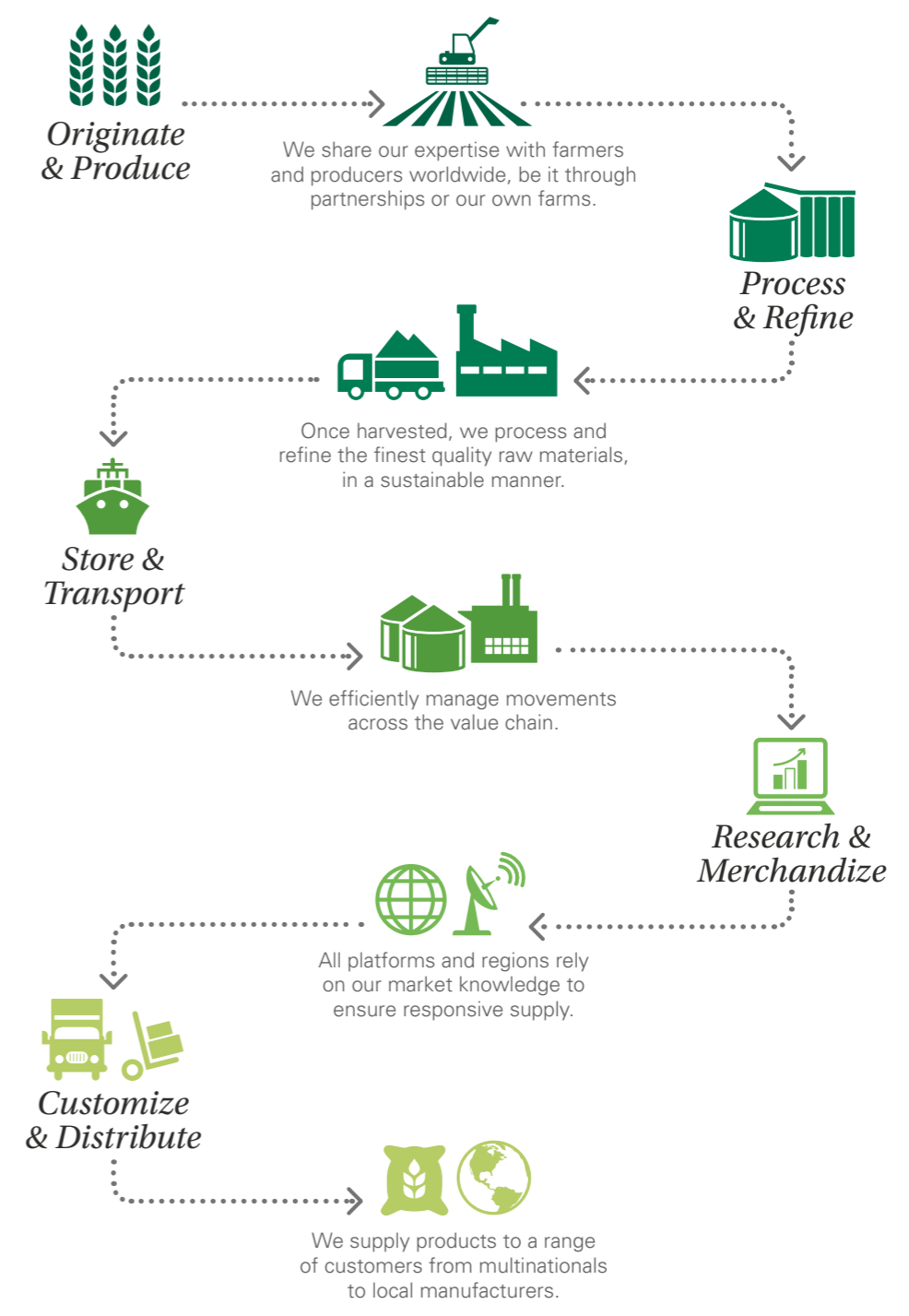
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Platforms

The Value Chain Segment includes platforms that have a fully integrated asset network ranging from origination to distribution.

The Merchandizing Segment includes platforms that have a more merchant-oriented business model.

-  **Oilseeds**
Soybeans, soybean meal & oil, seeds, meal & oil, palm oil, lecithin, biodiesel, glycerin
-  **Grains**
Wheat, corn, sorghum, barley, rye, oats, ethanol
-  **Sugar**
Raw white sugar
-  **Rice**
Paddy, brown, milled
-  **Juice**
Orange, grapefruit, lime, lemon, apple, citrus by-products
-  **Fertilizers & Inputs**
Fertilizers, crop protection products, seeds, basic chemicals
-  **Freight**
Global footprint thanks to an extended network and involvement in new trade flows

-  **Coffee**
Arabica, robusta
-  **Cotton**
Sourced from all major producers
-  **Dairy**
Milk powders, whey powders, fat-filled powders, fats, cheese
-  **Finance**
Provision of foreign exchange risk mitigation
-  **Metals**
Base and precious metals in raw and refined form



Our role as merchant, commercially, is to navigate the many steering waypoints provided by commodity markets to both create value for customers and get the right food, to the right location, at the right time.

Navigating Markets for Sustainable Development.

One of the difficulties in making wise choices to foster sustainability in economic development is our imperfect knowledge of the present and the unpredictability of the future. However, there are ways to use waypoints and our role as a merchant to help a range of stakeholders make wise choices.

Adaptation is key to sustainable commercial activity. We use research to ascertain what the current situation is for commodities, consider how it is evolving through time and then adapt accordingly for the most efficient execution of commodity supply and distribution.

Dynamics of adaptation

Take, for example, the evolution of the soybeans and corn markets over the last year. As harvest time approached, excessive rainfall on the Argentine soybean crop resulted in crop losses and a rally in soybean futures in Chicago. Subsequently, a drought took hold of Brazil's corn crop and corn futures rallied in response. With climate change, the frequency of these kinds of events will increase.

For a time in 2016, it appeared that the abundance in grain and oilseeds was being shed and a modest shortage was developing.

However, the weather proved highly beneficial for the growth of corn and soybean crops in the United States. By July, futures markets for both corn and beans began to drop, based on expectations of bountiful US harvests. The US Department of Agriculture's monthly field-based projections for the US corn and bean crops featured record yields. By the time the crops were harvested and the all-time highs for bushels per acre were confirmed for both crops, their values had fallen back to levels consistent with a scenario of abundance.

These events illustrate how our markets work through time. With the future so

unpredictable, prices rise or fall based on perceptions of the likelihood of events that could create shortage or surplus. By the time the events are confirmed, values have already priced them in.

Price signals tell us to produce more or less. Those signals and their incentives are only as good as the accuracy of our perceptions of reality. Here, research leads the way. This can involve many techniques, from geo-spatial tools, such as satellite imagery to monitor land use development, to discussing planting decisions with farmers driven by price signals.

Sustainability through markets

Efficient markets coordinating the direction of resources through time is essential for sustainable development. When shortages develop, prices for delivery sooner tend to rise relative to prices for delivery later. When surpluses accumulate in commercial channels, prices for delivery later tend to be higher than for delivery sooner, to compensate the owner for the cost of carrying the commodity through time.

Our markets provide deep insight into what we believe the balance of supply and demand conditions to be today, as well as into the commercially foreseeable future. We must also take a long view. It is therefore important that we protect and preserve land of high conservation value and high carbon stock, irrespective of short-term price signals that might incentivize clearing forest or draining peat. The extreme sensitivity of commodity markets acts like a canary in a coal mine to changes in circumstances. Understanding



Food demand expected to increase between 59% and 98% by 2050

Source: "The future of food demand: understanding differences in global economics models", Agricultural Economics 2013

these markets is important to knowing whether we are bound for shortage or surplus. This is especially key as we contemplate what we need to be doing to foster sustainable development.

Considering the example of corn and soybeans, we can look to markets for significant clues. However, before that we must be wary of activities that can totally alter our understanding of the most efficient distribution of resources. The main examples are government actions to disrupt trade and in-flows of speculative capital.

It must be realized that some actions, such as the erection of trade barriers, disrupt the sustainable development of the world's resources.

Sustainability without barriers

Consider the role that the international trade in soybeans has had in the last fifteen years on global dietary change. In this period, the per capita consumption of meat in China has grown by about 50% and is still rising as the country continues to urbanize. The higher incomes of city-dwellers and the industrialization of China's livestock sector has enabled this growth. Along with increase in output, the transition from backyard rearing to a production setting has created tremendous demand for commercial feed. Usually, the primary protein input in commercial feed is soybeans.

Ironically, although it was China that originally domesticated the soybean plant (albeit thousands of years ago) its current production is just a fraction of Chinese use. The domestic production is, by law,

World Population in 2050¹

9.2bn

World Population 2016¹

7.4bn

Proportion of Population that is urban²

54%

Forecast % of population that will be urban in 2050²

66%

¹ Source: "World Population Prospects", UN Department of Economic & Social Affairs, 2015

² Source: "World Urbanization Prospects", UN Department of Economic & Social Affairs, 2014

non-GMO; locally grown soybeans are used in products for human consumption.

China allows the importation of soybeans to occur free of quota, and the imported beans are used for animal feed production. China's soybean imports have grown from 10 million tons in 2000/01 to 83 million tons in 2015/16.

China now imports nearly 25% of world soybean production, to the advantage of farmers in the United States, Brazil, and Argentina.

Largely due to comparative advantage, soybeans account for about half a percent of China's annual sown area, compared to twenty-six percent for the United States.

This is just one example of the interdependencies that have been fostered and developed by new liberalized trade regimes. With so many agricultural industries now accommodating such developments worldwide, it would be extremely wasteful to disrupt that process with trade barriers.

The price signals of past years would, with barriers in place, turn out to have misdirected resources. Using commercial channels to generate sustainable outcomes is already challenging enough without undoing work. Allowing merchants to see market waypoints clearly can be more of a force for good, if only all stakeholders continue to allow it.

Clyde Davidson
Global Head of Cross-Commodity Research

Pillars of Sustainability.

- *People*
- *Environment*
- *Partners*
- *Community*



Our people make LDC the company it is today and will be what drives our sustainable growth. We will always remain committed to creating the right blend of talent, keeping them safe and ensuring they are professionally fulfilled.

Our People.



Targets

Target	Completion	Result	
Reduce lost time injuries to zero	Ongoing	In Progress	🟡
Reduce frequency of workplace accidents by 20% YOY	2016	Achieved	🟢
Reduce gravity of workplace accidents by 20% YOY	2016	Achieved	🟢
New Targets		Completion	
Reduce frequency of workplace accidents by 20% YOY	2017	In Progress	🟡
Reduce gravity of workplace accidents by 20% YOY	2017	In Progress	🟡
Start study examining gender inclusion challenges across all LDC Regions	2017	In Progress	🟡



We have a single-minded, fundamental commitment to the safety of all employees and anyone who visits any of our sites.

Safety

Aiming for zero

We have a single-minded, fundamental commitment to the safety of all employees and anyone who visits any of our sites. This year we reinforced this commitment and our strong health and safety record with a new safety policy, putting our long-term zero-accident goal at the core.

This passion for continual improvement is reflected in our ambitious targets to reduce both the frequency and the gravity of accidents by 20% year-on-year.

Year-on-Year Reduction in Frequency

↓ 32%

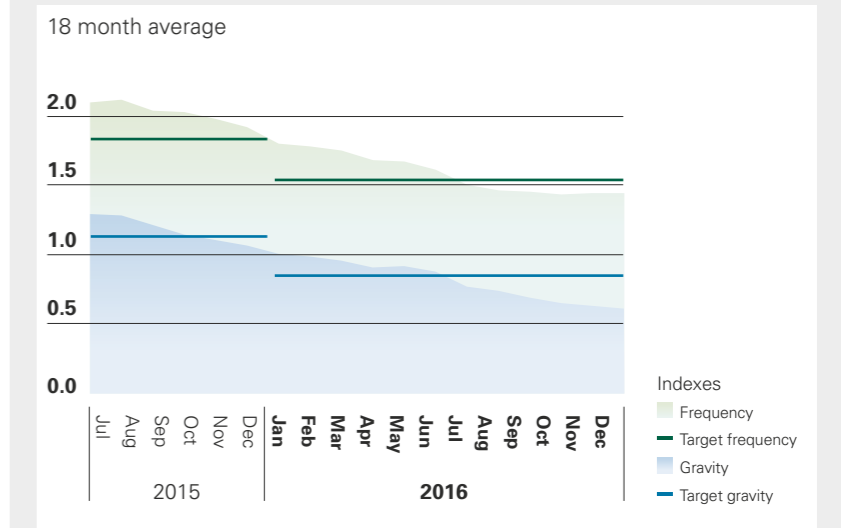
Year-on-Year Reduction in Gravity

↓ 27%



Results

Global Frequency and Gravity Indexes



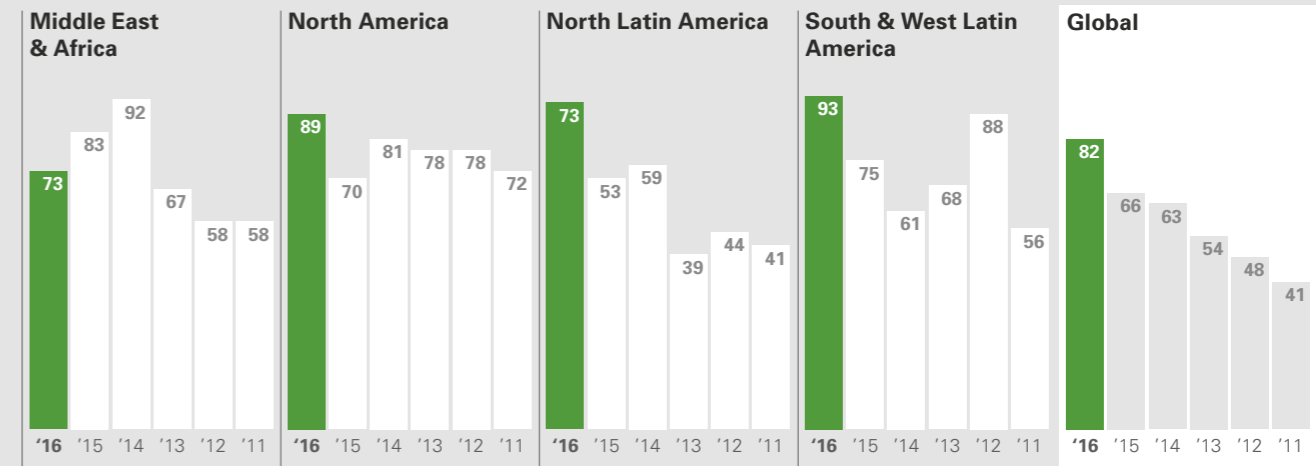
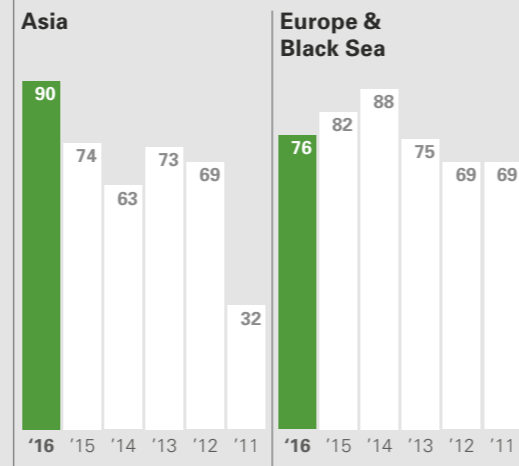
The Frequency Index expresses the relation between the number of workplace injuries requiring medical attention and hours worked. The ratio expresses the number of employees in every 100 that experienced an injury requiring medical attention during the year.

The Gravity Index is a subset of the Frequency Index and shows the relation between the number of workplace injuries serious enough to result in time away from work and hours worked.

Zero Lost Time Injuries 2011 to 2016

We met our target for reduction in the frequency of injuries. We will once again renew our 20% reduction target for 2017 and will strive to beat it again.

% of Facilities Recording Zero Lost Time Injuries



We met and significantly surpassed both targets this year. In particular, we would like to highlight the strong performance of our North Latin America Region, where we have our largest industrial footprint.

Work will continue to reduce injuries resulting in people needing time off work to zero.

This displays significant progress over the 5 years of our public sustainability reporting. We are proud of this record and continue our commitment to sustain this trajectory.

With great sadness, this year we have to report the death of one of our employees. The incident occurred during maintenance activity at our sugar refinery in Fujian, China. Tragically, in 2016 two contractors lost their lives while working for us, one in China and the other in Brazil.

We believe that all fatalities are preventable and we will redouble our efforts to protect the lives of our employees and third parties.

Driven to improve

In 2016 we implemented numerous measures to enhance our Safety, Health and Environment (SHE) Management Systems:

- Revised our SHE Policy to reflect the importance we place on safety, it was then shared with all employees and contractors.
- Developed 8 key SHE Principles that underline safety responsibilities at all levels of the business.
- Developed new procedures to ensure high-risk activities were defined and controlled.
- Launched a process safety management program designed to prevent process related incidents at our assets.
- Commenced a safety leadership training program that recognizes the important role that leaders play in developing a strong safety culture.
- Established a Global SHE Committee to ensure that safety is driven from the very top of our management structure, supported by our regional SHE committees.

Safety Day

Our Annual SHE Day is a platform to share our safety message with all employees and third parties.

We are happy to report that our 2017 Safety Day that took place in March, saw more than 12,000 employees (85% attendance rate) and more than 2,000 contractors involved. This accounted for nearly 50,000 man-hours of events, training and recognition.

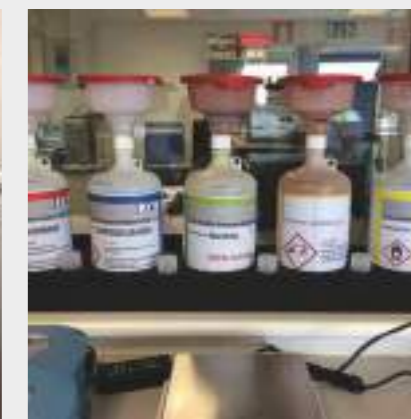


Highlight

Multi-track approach in Ghent

At our Juice terminal in Ghent, Belgium, the SHE team has proactively undertaken several projects to enhance site safety. The measures identified and implemented include:

- Adding permanent platforms at several points to permit safer working while performing maintenance.
- Creating multiple new fixed anchor points for ladders to guarantee stability at all the areas where employees need to work at height.
- Installing new emergency lighting, smoke detectors and extra fire extinguishers on all vessels.
- Securing a contract for a new company to collect and safely dispose of residual chemicals from our on-site laboratory.

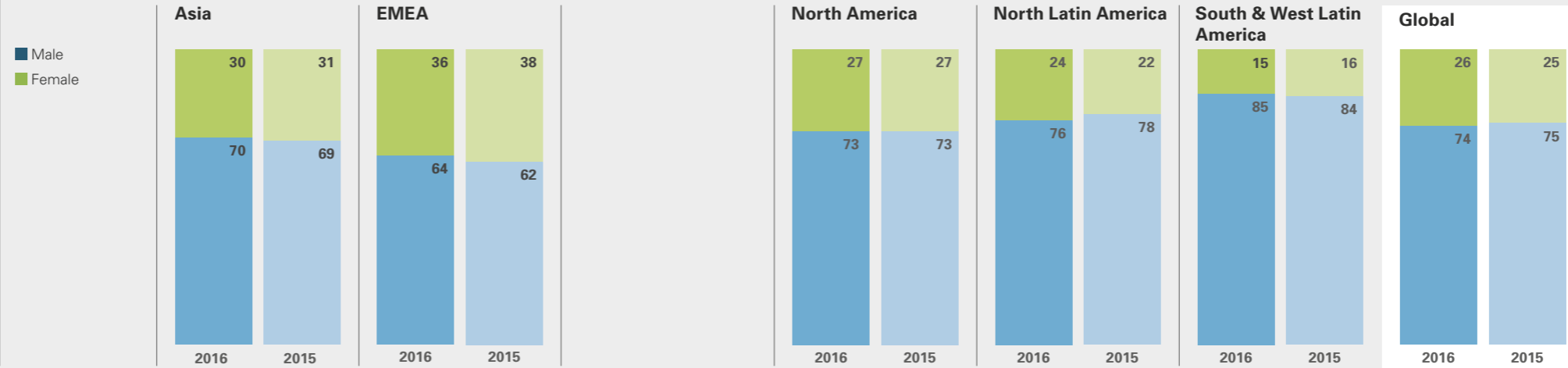


Diversity

Louis Dreyfus Company is committed to caring for all our people. Our approach to diversity considers data across age, gender and nationality.

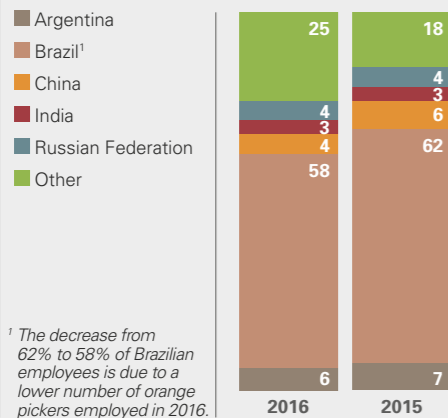
Gender, by Region, with comparison to 2015

% of employees



Nationality, Globally, with comparison to 2015

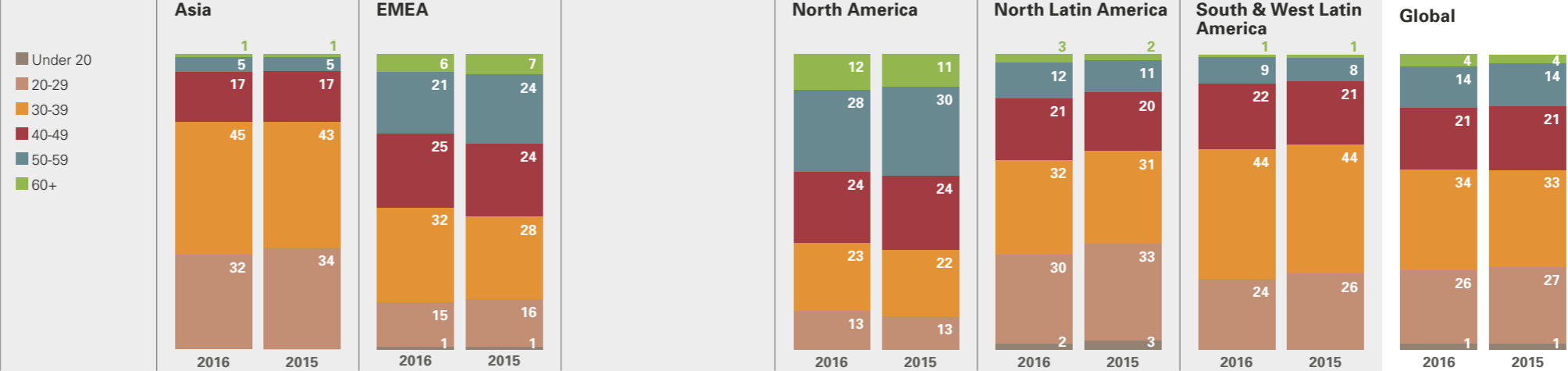
% of employees



¹ The decrease from 62% to 58% of Brazilian employees is due to a lower number of orange pickers employed in 2016.

Age, by Region, with comparison to 2015

% of employees



In 2016, reflecting on our solid sample of data, we undertook an in-depth review of gender diversity. This confirmed that, while some areas of our business attract a good ratio of female employees, the proportion of women in our workforce diminishes with seniority.

While this is unlikely to be unique to LDC, we will not simply accept this as the status quo. We therefore commissioned focus groups to better understand both the attraction and attrition rates of women

at LDC. It will focus on uncovering the drivers for these trends at a local level, within each of our Regions.

Work begins in 2017 and we will report on progress in next year's Sustainability Report.



Our commitment to reducing the environmental impact of our operations has entered a new phase. This year we built the foundations for setting our global, time-based reduction targets by the end of 2018.

Our Environment.

Targets

Target	Completion	Result
Set global time-bound targets for reducing resource usage and emissions	2015	In progress
Roll out Energy Champions reduction strategy across all metrics	2018	Completed
Set global time-based targets for reducing energy consumption	2018	In progress
Set global time-based targets for reducing GHG emissions	2018	In progress
Set global time-based targets for reducing waste	2018	In progress
Set global time-based targets for reducing water consumption	2018	In progress

Having established a framework approach to analyzing efficiency and identifying savings through our Asia team piloting an Energy Champions project, we rolled out that strategy to all regions in 2016.

We are on track to establish time-bound reduction targets across energy consumption, greenhouse gas (GHG) emissions, water consumption and waste in 2018. So far, we have established asset-by-asset monthly tracking and optimization processes for energy, water and waste management. This is the foundation for building regional and global processes and targets.

Global Environmental KPIs

Energy Consumption Index (GJ/MT)	GHG Emission index (KG CO ₂ e/MT)	Water Consumption Index (m ³ /MT)	Waste Index (MT/MT)
Fossil Fuel ↓ 17% 2016: 0.34 GJ/MT 2015: 0.41 GJ/MT	Fossil Fuel ↓ 17% 2016: 20.60 KG CO ₂ e/MT 2015: 24.68 KG CO ₂ e/MT	Industrial Water Consumption ↓ 8% 2016: 0.32 m ³ /MT 2015: 0.34 m ³ /MT	Wastewater ↑ 10% 2016: 0.17 MT/MT 2015: 0.15 MT/MT
Renewable Fuel ↓ 17% 2016: 0.20 GJ/MT 2015: 0.24 GJ/MT	Renewable Fuel ↓ 24% 2016: 13.79 KG CO ₂ e/MT 2015: 18.06 KG CO ₂ e/MT		Solid Waste ↑ 10% 2016: 0.0016 MT/MT 2015: 0.0015 MT/MT
<p><i>This index shows the ratio of fossil fuel energy consumed by the facility industrial processes per unit of feedstock processed in each business region. Depending on the facilities in that region, the feedstock element of that ratio represents feedstock processed, in the case of an industrial facility, or feedstock handled, in the case of a warehouse or logistic facility. The unit of measurement is gigajoules per metric ton (GJ/MT).</i></p> <p><i>Asia reduced energy usage significantly compared to 2015, offsetting a smaller increase in North Latin America. China was the primary source of reductions. Our oilseeds crushing plant in Bazhou recorded a 47% decrease in natural gas consumption due to lower crushing volumes. In Dongguang, our oilseeds crushing plant decreased the use of bituminous coal by 68% by transitioning to boiler power by the steam supplied by a local vendor, rather than coal. Our oilseeds refinery in Krishna cut 59% of their anthracite coal consumption due to lower crushing volumes.</i></p>	<p><i>Our greenhouse gas emissions (GHG) index shows the quantity of GHGs emitted per ton of feedstock either crushed or processed for each region in which we operate. This is measured in kilograms of carbon dioxide-equivalent per metric ton of feedstock (kg CO₂e/MT).</i></p> <p><i>In 2016, we saw an overall decrease in the fossil fuel emissions index. This was primarily due to a 24.5% decrease in fossil fuel emissions in Asia. Increases in South & West and North Latin America offset this decrease. In North Latin America, this was mainly driven by the Juice Platform's production increase.</i></p>	<p><i>Our water consumption index presents the ratio of water used for each metric ton of feedstock crushed or processed. The ratio is given in cubic metres per metric ton (m³/MT).</i></p> <p><i>Our year-on-year decrease in the water consumption index comes thanks to improvements at several assets in China and the US. This more than offsets increases from Juice operations in North Latin America.</i></p>	<p><i>The ratio given here shows the amount of waste produced for every ton of feedstock crushed or processed, in metric tons of waste produced per metric ton of feedstock (MT/MT).</i></p> <p><i>In 2016, all units used the correct, standardized reporting methodology for solid waste. This resulted in the inclusion of data that was not previously captured, which contributed to the overall increase. Other primary causes included handling higher volumes in Indonesia and North Latin America. Process changes, such as our addition of the glycerin process in Claypool, US also impacted results.</i></p> <p><i>Wastewater reporting has improved in 2016, in particular in North Latin America and Europe, Middle East and Africa. While this contributes to the overall increase, the main driver was again the Juice Platform's increased volumes. However, even in that context, our Juice operations in North Latin America improved wastewater consumption 1.4% on a per unit basis.</i></p>

Our Environment. *continued*

Global Environmental Comparison by Region

Looking at our metrics for this year, the global increase in the volume of commodities we processed has resulted in absolute values increasing but overall improvement in most indices, as resource usage was diluted across the higher volumes we handled. Efficiencies and improvements were made in a number of areas, as demonstrated by the improved consumption per unit rates recorded by the end of the year.



Highlight

Cross-functional Approach

In mid-2016, along with the roll out of the new global reductions strategy, our North Latin America Region established a cross-functional committee to better understand and reduce waste. Multiple new initiatives have already been launched, several in collaboration with our suppliers.

for a supplier of biomass to our Juice plants to pick up ash after each delivery of biomass.

The supplier then turns the ash, which is the result of burning biomass, into compost. That compost becomes fertilizer for growing new biomass production plantations.

Ash disposal has been a particular success story. Juice processing plants generate, on average, 1.5 MT of ash per month. That ash would usually be sent to landfill. Instead, the committee arranged

This collaborative, logistically efficient approach has been so successful that it will be rolled out across all of our other facilities in North Latin America in 2017.



Highlight

Enhancing Water Recycling

Reverse Osmosis (RO) membranes work by removing impurities in our water enabling us to use the same water multiple times.

In Port Wentworth, US we generated efficiency gains by replacing membranes in all 3 RO plants. The water produced is now 10-20 micromhos, as opposed to before, which was 100 micromhos. This has enabled us to increase the number of cycles in our cooling tower and boilers, saving us water and decreasing our wastewater.





Highlight

Energy

In some instances, seemingly minor changes can make a significant difference. In Canada, the Grains team replaced the exterior lights at 9 of our assets in 2016.

From using 347-volt, high-pressure sodium lights, all the plants now have 120-volt LED lights. The new lights are higher lumen producing and consume 69% less energy. This change alone results in a reduction of 242,794 kilowatt hours per year.



Highlight

Waste Water & Environmental Preservation

Matão regional government has been implementing several measures to improve water quality in the region's rivers. Working with the government, we are further improving the treatment of our wastewater.

Our Juice processing plant near the city of Matão discharges water into a nearby river. It has previously improved treatment of that water several times.

As part of the government's new initiative, we invested almost US\$6 million on further improvements in 2016. This includes work on the treatment plant itself and on a new 8 km pipeline, which will discharge some of the water into another river that is better able to manage the capacity of treated water.



Highlight

GHG Emissions

Our Wittenberg biodiesel plant instituted a series of measures to improve its GHG saving potential. Selecting rapeseed suppliers based on CO₂ balance and using consumables with less GHG impact, such as methanol, were the main measures. This led to a 2016 increase in GHG saving potential from 63% to 70%.



Biodiversity

Protecting the biodiversity of habitats around our operations is a priority both in the expansion and day-to-day running of our asset network.

We have a number of initiatives to give prominence to biodiversity concerns:

- The completion of environmental and social impact assessments before commencing any projects in areas where there are possible sensitivities.
- A no-development on peat commitment for all our platforms – the specifics for palm are set out on page 38 of this report.
- Initiatives, such as those set out in our Partners section (pages 26-31), to train farmers to preserve habitats in their farming practices.

A partnership approach is ever more important in achieving global sustainability goals and is central to our work.

Our Partners.

Targets

Target	Completion	Result	
Palm Incorporate updated palm policy into all contracts	2017	In Progress	🟢
Palm Complete profiles and risk assessments on all our main palm suppliers	2017	In Progress	🟢
Palm Reach mill-level traceability for 90-100% of palm supplied to us	2017	In Progress	🟢
Palm Sell 400,000 metric tons of certified sustainable palm oil	2017	In Progress	🟢
Palm Certify all LDC origin and trading palm-related assets and entities	2018	In Progress	🟢
Juice Increase number of LDC-owned farms with Rainforest Alliance certification from 5 to 11	2016	Complete	🟢
Coffee Increase volume of certified coffee we sell to 14.2% of our total volume	2016	Missed	🔴
Coffee Increase the volume of certified coffee we sell to 17%	2020	In Progress	🟢
Cotton Increase volume of Better Cotton we purchase by 25% year-on-year, using 2013 as a baseline	2016	Complete	🟢
Cotton Purchase 125% more Better Cotton than in 2013	2018	In Progress	🟢
Sugar Work with Bonsucro to promote their activities with growers from whom we buy sugar YOY	Ongoing	In progress	🟢
New Targets	Completion	Result	
Cotton Increase volume of Better Cotton we purchase by 25% year-on-year, using 2013 as a baseline	2017	In progress	🟢
Cotton Increase participation in our BCI Kazakhstan partnership to 150 farmers	2017	In progress	🟢
Cotton Increase participation in our BCI Kazakhstan partnership to 700 farmers	2018	In progress	🟢

We increasingly build our own collaborative networks to find more sustainable solutions to feeding a growing population.



Not only is transparency with stakeholders fundamental for problem solving, but also many challenges can only be surmounted by direct cooperation with them.

We contribute our expertise to engage stakeholders multilaterally, educate and build collective knowledge. Though commodity-specific roundtables are key for this approach, we also increasingly build our own collaborative networks to find more sustainable solutions to feeding a growing population.

This is driven by leveraging our position as a trusted merchant with:

- Market-leading research and risk management capabilities;
- Relationships connecting us widely from origin to destination;
- Cross-regional, cross-functional and inter-platform synergies; and
- In-depth focus on our customers' business goals.

The following platforms provide excellent examples of how we use our merchant role to work towards sustainability goals in partnership with others:

- Palm** (pages 38-41)
- Juice** (pages 42-43)
- Coffee** (pages 44-45)
- Cotton** (pages 46-47)
- Soybeans** (pages 48-49)

Global collaborations

Louis Dreyfus Company has been seeking global-level, cross-platform, multi-stakeholder strategic collaboration to help guide our work, and contribute to that of others, towards shared sustainability goals.

We are delighted to have developed a relationship with the World Business Council for Sustainable Development (WBCSD) to further these aims. This culminated in LDC formally joining WBCSD in January 2017.

Further fruits of this high-level collaboration will be reported in subsequent sustainability reports. Presently, we share the President and CEO of the WBCSD's view that there is exciting scope for us to have major impact through this forum.

His views presented here, and those of our other global partners of all types, are very important to us and we pay close attention to their considered input on how we can continue to improve.

Sugar

In 2016 we built on our ongoing relationship with Bonsucro by training and auditing, with certification in mind, as a target for 2017.

We are beginning to experience an increase in demand for certified sustainable sugar from some customers. Certifying our mills puts us ahead of this trend by enabling us to process and supply sugar with full Bonsucro chain of custody certification.

This goes hand-in-hand with our awareness raising work with growers and Biosev, our sister company, to promote Bonsucro certification further up the value chain.

We are pleased that certified sustainable sugar is beginning to gain more traction in the market and that our work with Bonsucro can build momentum towards the ultimate goal of making all sugar production sustainable.

Freight

Developments in this space have been relatively slow, largely owing to the fact that the maritime sector is the only major industry not covered by climate treaties. This can reflect poorly on the sector, with statistics indicating a single vessel emits the same quantity of sulphur dioxide as 376 million cars.

While we have long encouraged the use of more fuel-efficient vessels, we welcome the change that is appearing on the horizon. The International Maritime Organization looks set to implement a global sulphur emission limit in 2020. Regional caps on nitrogen oxide and carbon emissions are also likely, with a view to further regulation in future.

The prospect of these changes has spurred an innovation drive. A number of possibilities are currently under consideration, including technologies to treat emissions from conventional fuels and switching fuel sources.

We are already engaging with shipyards and other businesses to provide our user input, and to assist in the sustainable development of the industry. We are also building responses to bolster our contribution to change in this important industry sector. We aim to report on a comprehensive position in next year's Sustainability Report.



Working Alongside LDC – Partner Testimony

World Business Council for Sustainable Development

The soft commodity sector is undergoing a significant evolution, particularly in the case of agribusiness and food. There are growing consumer and investor demands for greater transparency in supply chains; cost-efficient monitoring, data and traceability systems are being developed; and commitments to reduce deforestation and address social issues are changing the nature of value creation.

At the same time, the traditional function of commodity trading – bridging time and geography with fungible products – and the market structures that support it, are growing more vital to society. Demographic changes, climate change and resource scarcity will necessitate greater scale, efficiency and flexibility.

LDC and its leadership have for years embraced a strong business sense of sustainability. Joining WBCSD brings that strength to the table in a new collaboration, where a pre-competitive platform for LDC and its three peers – ADM, Bunge and Cargill – facilitated by WBCSD, has the potential to improve everyone's balance sheet.

This potential was outlined in January 2017 as part of the Business and Sustainable Development Commission's "Better Business, Better World" report. "Better Business, Better World" detailed how business opportunities of up to US\$2.43 trillion are available to the food and agriculture system alone by 2030.

LDC's membership also offers an excellent opportunity to WBCSD. Rather than living quarter-to-quarter, or election-to-election, LDC has shown the capacity and commitment to view growth and prosperity in the long term. This creates the potential for LDC to become a global leader in sustainability.



LDC operates in a sector of increasing importance. Food and agriculture production is one of the single biggest causes of emissions worldwide, accounting for almost 25% of global greenhouse gases.¹ As the world becomes increasingly interconnected, and supply chains even more diverse, the need to tackle this problem will continue to grow.

WBCSD was honoured to welcome LDC as a member in January 2017. Under the new Soft Commodities Forum, LDC will work together with the other sector leaders to engage consumer products organizations on standardizing transparency and traceability requests. The Forum will also focus on deforestation issues around the production of key commodities such as soy.

I look forward to working together with LDC to build impact through the Forum and other areas important to LDC. I am excited about what we can achieve together.



Peter Bakker
President and CEO

¹ Climate Change 2014: Mitigation of Climate Change, Chapter 11 (Fifth Assessment Report, Intergovernmental Panel on Climate Change, 2014)



Working Alongside LDC – Partner Testimony

REA Kaltim

Global demand for segregated palm oil products has increased over the past few years as end consumers have become progressively more aware of the importance of whole supply chain sustainability. REA Kaltim is a grower and producer of crude palm oil in the East Kalimantan region of Borneo, Indonesia. The company currently produces crude palm oil and palm kernel oil under the mass balance supply chain model but is committed to moving towards producing segregated palm oil, notwithstanding certain challenges.

In 2016, 16% of the oil palm fruit processed by REA's three mills was sourced from independent smallholder farmers neighbouring the Group's own plantations. REA's relationship with these farmers was initially purely commercial, but over time REA has become more involved in the socio-economic welfare of neighbouring communities and now works closely with independent smallholders to improve their farming practices and make them more sustainable. Despite considerable efforts in this regard, the independent smallholders that supply oil palm fruit to REA's mills are not yet

RSPO certified. To achieve the objective of producing segregated palm oil products, REA would therefore have to either refuse to accept palm fruits from non-certified smallholders or reconfigure the production and transport logistics of the operations to allow for the production of some segregated palm oil, while maintaining the current mass balance system so that fruit from non-certified farmers can still be accepted.

REA does not consider the rejection of fruit from neighbouring smallholders to be a desirable option given the negative economic impact on local communities that would ensue, inevitably harming the good relationships with these communities that have built up over recent years, and likely to lead to a gradual return to less sustainable farming practices by smallholders. Until local independent smallholders have achieved RSPO certification, REA's strategy for producing segregated crude palm oil products must therefore be the reconfiguration of its business logistics. This is a significant challenge for REA that is unlikely to be overcome in a reasonable timeframe without support. So how can other members of REA's

supply chain help the Group to achieve its objectives, and as a grower, what does REA expect from its partners further down the supply chain?

REA sees its relationship with LDC as analogous to its relationship with independent smallholders. The partnership with LDC began as a commercial relationship, with each company solely responsible for the sustainability of its own operations. Now, however, REA and LDC have the opportunity to further develop this relationship and work more closely together in order to improve the sustainability of our shared supply chain and meet the market demands for palm oil that is produced according to stricter sustainability standards. LDC can assist REA in two ways. First, by providing logistical support as REA reconfigures its business to produce segregated oil and, secondly, by collaborating with us to help the independent smallholders that comprise part of the shared supply chain to achieve RSPO certification. In providing this support, LDC would not simply be benefitting REA's operations, but enhancing the sustainability of a product from the base of the supply chain through to the end consumer.



As a grower at the base of the palm oil supply chain, REA also expects downstream elements of its supply chain to maintain the sustainability of the palm oil products that began with us in order to uphold the international sustainability standards to which the group is committed through capital investment, biodiversity conservation and the socio-economic improvement of local communities.

Dr Ben Godsall
Sustainability Consultant
REA Holdings plc



Working Alongside LDC – Partner Testimony



Crédit Agricole CIB – Reporting can contribute to value creation

Climate change, loss of biodiversity and water stress have emerged as real threats to the economy, our way of life and even the protection of basic human rights. The perception is growing globally that these critical challenges must be urgently addressed, not only for sustainability purposes, but also as a condition for sound business.

A key challenge of any relevant reporting is to be able to demonstrate a genuine commitment and concrete actions being made toward sustainable economic development. This is especially the case given growing public mistrust of institutions and companies.

Louis Dreyfus Company and Crédit Agricole CIB both face similar challenges in this respect. Their indirect or induced impacts are much bigger than their direct operational footprints, and though both are operating on a global scale, local considerations may also play an important role. Efforts must therefore be increased toward assessing (and measuring when possible) the impacts of our actions, while promoting environmental and social standards and thus the acceptance of a common playing field.

The financial sector has made significant progress on this in recent years, learning from multilateral and development banks, particularly the International Finance Corporation. From the Equator Principles to the Green Bonds Principles, a small group of commercial banks, including Crédit Agricole CIB, have been instrumental in developing and disseminating environmental and social standards within the private financial sector. These initiatives have become market standards and have significantly influenced the industry.

However, much remains to be done. As the first commercial bank to stop financing coal mining and new coal-fired power plants in 2015, in a step-by-step approach, Crédit Agricole has set an example that is being followed by other leading institutions. Despite these positive strides, financial institutions still require some form of standardization for CSR sector policies.

As LDC demonstrates, global leaders in any sector play a crucial role in developing credible sustainability standards. There will always be tension between the level of ambition and the potential for quick dissemination of such policies, and only major players with a strategic vision of their industry can effectively influence global business standards and practices.

As such, LDC is an ideal stakeholder for the development and dissemination of many important initiatives. Whether it is the Sustainable Rice or the Sustainable Agriculture Initiative platforms, Better Cotton or Bonsucro, or the Roundtable for Sustainable Palm Oil, these initiatives can ultimately make a difference, thanks to essential contributions from leaders like LDC.

Annual reporting by our clients is a very useful source of information for us. We want to learn how companies like LDC are addressing their industries' environmental and social challenges. We seek information on the direct and indirect impacts of their business. This helps us allocate CSR scores to clients, including compliance with our own CSR sector policies. Since these types of impacts can be indirectly induced by our loans, it enables us to assess our own footprint as well. The development of Key Performance Indicators and the means to assess progress against meaningful targets as outlined in this report is highly valuable.



LDC and Crédit Agricole CIB are two leading players in the service of the real economy, either by contributing to the global supply of foodstuffs, or to its financing. Both groups face the same challenge of strengthening stakeholder confidence. This makes it crucial to find the right way to assess and report all impacts of doing business, while contributing to sustainable development, as a matter of value creation.



Working Alongside LDC – Partner Testimony



The Mighty Earth – Louis Dreyfus Company Helping Drive a Historic Change in Agriculture



In South America, following the success in the Brazilian Amazon, Louis Dreyfus Company joined forces with its customers, other leading soy companies, NGOs, the World Bank and IFC, to work on reducing deforestation in other parts of Latin America that do not yet expand sustainably.

This is a step forward. However, for truly sustainable agriculture, we must do more. For instance, both the palm oil and soy industries must react faster when deforestation is discovered within supply chains, and establish effective industry-wide mechanisms that both stop deforestation and incentivize sustainable production. Louis Dreyfus Company is showing that this kind of rapid progress is possible, and in turn, playing an increasingly important role in delivering it.

Historically, agricultural growth has been linked to the conversion of vast areas of native ecosystems for livestock or crops. However, it is now possible to envision a new era where agricultural expansion does not equal deforestation.

This year marked the tenth anniversary of the Brazilian moratorium on deforestation for soy in the Amazon. Under this, LDC and other agribusinesses agreed to buy only from farms that did not clear land for soy. Naysayers predicted this change would impede agricultural growth and its economic benefits.

In practice, the Brazilian soy moratorium has been a resounding environmental and economic success. Within three years, deforestation for soy in the Brazilian Amazon fell to near-zero levels. Meanwhile, soy farmers expanded production in the Brazilian Amazon by 23,000 square kilometers. Expansion without deforestation meant a marked

improvement in Amazon soy's reputation in the international marketplace.

This success was possible because farmers selling to LDC and other companies saw the opportunity to expand agriculture into degraded lands, instead of onto forests and other ecosystems. Ironically, centuries of past deforestation have left behind ample degraded lands – two million square kilometers in Latin America alone.

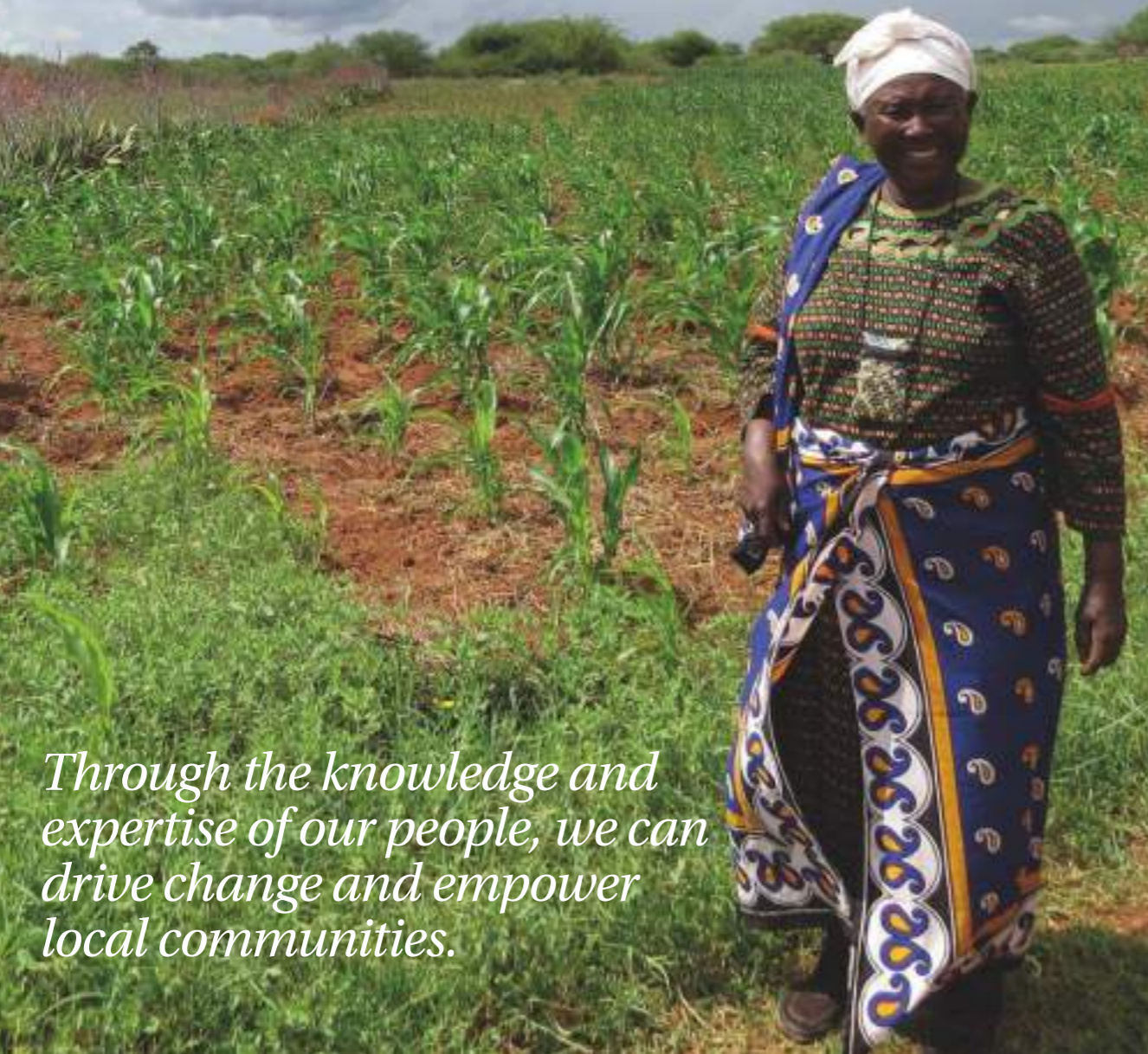
Over the last 18 months, Louis Dreyfus Company has accelerated its efforts beyond the Brazilian Amazon, adopting a new conservation policy. This requires third party suppliers to protect high carbon and biodiversity landscapes. They applied the policy in Southeast Asia, where the palm oil industry has high rates of deforestation, to ensure suppliers protect forests and community rights.



Glenn Huowitz
Chief Executive Officer

We are committed to building sustainable livelihoods and enriching communities where we operate.

Our Community.



Through the knowledge and expertise of our people, we can drive change and empower local communities.



We continue to conduct our annual community impact assessments. These ensure we have a positive social effect in the areas in which we operate and create transparency around sustainable operations at our assets.

Proactively, our search for and engagement in community projects is led by our employees on the ground.

Locally-engaged advocates

At peak season we employ over 21,000 people. With this wide spread of employees comes a huge range of knowledge and local insight.

We encourage them to use their local knowledge to identify need and direct how we can have the greatest impact. We allow them time to engage, to ensure initiatives can be designed or existing projects adapted to deal with identified needs.

Everyone at Louis Dreyfus Company can propose initiatives and programs, both for LDC to pursue and for support from the Louis Dreyfus Foundation.

Through the knowledge and expertise of our people, we can drive change and empower local communities to live increasingly sustainable lives and run more resilient businesses. Selected employee-driven projects are presented here.

Selected LDC Projects

Competing for good

This year, LDC Geneva and Lyon took part in the 10th Paddle for Cancer dragon boat festival. This is an annual event supporting the English Speaking Cancer Association (ESCA) in Geneva. As well as winning two out of three races, the team raised funds for ESCA. The charity offers emotional support, practical help and information in English to cancer patients, their carers and loved ones living in the cantons of Geneva, Vaud and French border areas.

Investing in young people in Ukraine

Three organizations in Ukraine saw support from Louis Dreyfus Company Ukraine this year:

- 50 LDC employees and their children visited The Batiuk boarding school for blind and partially sighted children in Kiev. The day involved numerous activities to encourage social inclusion and increase confidence. We also donated various materials to the pupils, such as braille frames.
- Our team participated in an educational program to inspire students of Kyiv National Economic University. LDC employees delivered the keynote presentation, entitled 'Agribusiness Today: Challenges and Perspectives'. We also supplied two multimedia projectors to support the university's program. These will enable some 300 students to study with the help of multimedia presentations.
- To celebrate St Nicholas' Day we organized a donation for the Ukrainian Children's Hospital, Ohmatdyt. The hospital currently lacks funds to meet basic needs. Our goal was to provide support for children being treated in the Ophthalmology department, which is currently in the most difficult position. We donated a year's worth of medicine for children's contagious conditions that require surgery as well as fuel vouchers, bed linen and typing paper. On the day, the team visited with gifts and food, organizing games and shows to celebrate the holiday.



Social Responsibility in Brazil

We have been part of a wide range of initiatives in Brazil:

- In Paraná State employees from Ponta Grossa, Paranavaí and Santos took part in 3 separate campaigns gathering Christmas presents for local children.
- Our Nova Venécia coffee unit, Espírito State, participated in multiple initiatives. Among these was a Christmas campaign, collecting and donating toys. They also conducted a campaign that gathered non-perishable food for the local communities, resulting in 280kg of food being collected for the rest home, Casa do Vovo.
- Our Cotton Platform continues to support Casa da Paz, which runs projects in youth education and health, specifically for those at risk in the city of Embu-Guaçu, São Paulo State.
- LDC's local office in São Paulo State supported the National Day of Combatting the Sexual Abuse and Exploitation of Children and Teenagers. They reinforced the message of the campaign by displaying information outside the company and by holding internal meetings to raise awareness for the cause.
- Our Rondonópolis unit in Mato Grosso State received the seal of 'Amigo do Catador', an award that recognizes our recycling efforts. The seal was given to 32 local companies that have donated large quantities of recyclable materials to the organization. Additionally, the importance of garbage separation was reinforced among employees at our Weekly Safety Dialogues.

Louis Dreyfus Fondation d'entreprise

This is our fourth year working with the Louis Dreyfus Foundation. Together we continue to build and improve our global initiatives. The Louis Dreyfus Foundation funds and supports selected LDC employee-driven projects.

The Louis Dreyfus Foundation aims to alleviate hunger and poverty by helping small farmers improve their production and prepare for the future in a sustainable way. The projects prioritized are predominantly in Sub-Saharan Africa and Southern Asia, and engage subsistence family farms, particularly those run by women.

Our collaboration with the Louis Dreyfus Foundation enables our employees to propose initiatives. Selected proposals must have both a positive impact on communities and benefit the environment. Once chosen, the employees lead projects through to completion.

We currently have 9 projects running within this partnership and this year we are pleased to provide updates on the 4 projects highlighted in last year's Report.

New Louis Dreyfus Foundation projects

Innovation to Improve Resilience



Together with the humanitarian organization Inter Aide, the Louis Dreyfus Foundation launched an initiative to strengthen farming families in southern Ethiopia. In introducing and implementing innovative farming practices, focusing on soil conservation and fodder production, we can build farm infrastructure, improve yield and enhance economic security.

The project promotes a comprehensive strategy, combining the use of anti-erosive structures with better fertility management. It also assists each farmer to improve seed quality through selection, conservation and multiplication methods.

Progress to date is:

- 2,540 participating farmers
- 14,700 beneficiaries
- 65.5km of anti-erosive structures planted with fodder grass and legumes
- 914 farmers each establishing a farm-based nursery to multiply fodder seedlings and maintain anti-erosion structures
- 375 farmers involved in soil fertility activities, primarily trials of green manure
- 23,219 trees planted
- 30,000 further trees to be planted in 2017
- 886 farmers supported in access to safe potato seeds and conservation
- 117,000 kg of potato seeds produced



Promoting Sustainable Livelihoods



The Louis Dreyfus Foundation initiated a program on Sustainable Livelihoods for Small Holder Farmers in 2015 in selected villages of the Haveri district, Karnataka, India. Initiatives for Development (IDF), a Bengaluru-based non-profit social enterprise took over the responsibility of its implementation in 2016 with funding from the Foundation. The first phase of implementation covered five months, concluding in October 2016.

The program's objective is to promote sustainable livelihoods by improving operational approaches to farming. When the program implementation was assigned to IDF after a successful pilot, the targeted farmers had already completed 80% of the sowing. Through training and the introduction of alternative technologies, we can already see a real impact:

- 2,000 families
- 7,000 beneficiaries
- 850 acres of corn and cotton planted using sustainable practices
- Yield increase in corn and cotton production (10%) and milk (8-10%)
- 23 vermicompost units installed to reduce the use of chemical fertilizers
- Around 41 Farmers' Field Schools established in 27 villages on cotton, maize and livestock
- 1,417 digital training sessions conducted for 181 Self Help Groups of smallholder farmers, regarding adoption of sustainable technologies on a large scale leading to increased yields and overall income

The team aims to have reached a total of 3,900 families and 13,650 beneficiaries by the end of the second phase of this project, in 2017.

Updates on existing projects with Louis Dreyfus Foundation



Village-based advisors

With the Louis Dreyfus Foundation, we have supported the NGO Farm Input Promotions Africa to establish networks of 50 village-based advisors in each of Kirinyaga and Nyeri Counties, Kenya.

These trained advisors provide education and inputs for coffee farmers to improve their food security and their livelihoods. To date, 27,729 farmers (166,374 total beneficiaries) have accessed the advisors' services, and 54 jobs have been created.

Empowering farmers in Ghana

The Louis Dreyfus Foundation continues to support farmers in Kukuo and Gnani, through a program supplying them with inputs, equipment, livestock and training.

Through this program, our employees are working with beneficiaries to sustainably maximize their yields through diversification of micro-farming activities and accelerated knowledge transfer.

Since 2015, the Louis Dreyfus Foundation has grown the number of farmers supported to 757 in 3 areas, with over 2,800 beneficiaries.

In Kukuo we have:

- Enabled 400 beneficiaries to plant 3,285 acres with maize, millet, soya and guinea corn and 400 acres with tomatoes
- Delivered 24 corn shellers and 2 boreholes
- Provided training on post-harvest storage and marketing
- Distributed a total of 7,570 chickens
- Supplied farmers across Kukuo with 100 water pumps for irrigation to aid vegetable farming during the dry season



Agro biodiversity farming

This project, supporting small-scale farmers located in fragile ecosystems in Msorongo village, Kenya, has now been completed.

It trained and prepared farmers to protect the environment while reaching high productivity levels. This preserves biodiversity while providing greater food security and economic stability. It also improves the environment, specifically water and soil, and limits habitat degradation.

The project's achievements on completion were:

- 50 farmers involved
- 260 beneficiaries
- 4,400 trees planted
- 1 tree nursery created
- 6 training sessions on soil management, nursery bed, compost preparation and pest control
- 3,790 kg vegetables harvested by the community and sold on the market after the first planting season
- 1 borehole and water tower built for irrigation and daily use

Enabling Sumatra farmers

See our dedicated coffee section on page 44 for an update on this project.

Platforms' Insight.

- *Palm*
- *Juice*
- *Coffee*
- *Cotton*
- *Soybeans*

Food consumption and many consumer and industrial products rely on palm oil to a significant degree. As a result, global trade in palm oil is estimated at 43 million tons annually, which represents two-thirds of global vegetable oil trade flows.

Palm.



Driving progress

We took a number of steps in 2016 to generate improvements, both internally and within our supplier network.

Foremost was the update to and expansion of our palm policy, which we published in September 2016 in English, French and Bahasa. This policy has been circulated to all of our major counterparties.

We began the process of integrating commitments to this policy in all of our commercial contracts for the purchase of palm worldwide. We aim to have it incorporated in all contracts by the end of 2017.

This year we also reinforced a number of internal procedures that underpin implementation of our policy. For example, we revised and improved formal procedures for:

- Profiling and evaluating suppliers against the criteria of our palm policy.
- Dealing with failures or weaknesses in compliance by a supplier with our palm policy.
- Engaging with a range of suppliers on specific sustainability related topics.

We created the methodology for profiling and evaluating our supply base in 2016. We aim to have profiled and completed risk assessments on all of our major suppliers by Q3 2017.

Target	Completion	Result	
Incorporate updated palm policy into all contracts	2017	In Progress	🟡
Complete profiles and risk assessments on all our main palm suppliers	2017	In Progress	🟡
Reach mill-level traceability for 90-100% of palm supplied to us	2017	In Progress	🟡
Sell 400 000 metric tons of certified sustainable palm oil	2017	In Progress	🟡
Certify all relevant LDC origin and trading palm-related assets and entities	2018	In Progress	🟡

Engaging stakeholders

Our engagement plan socializes our policy to all suppliers and trading partners. We will be following up the distribution of the policy with visits to several key suppliers.

The aim is to review opportunities for collaboration to improve supply chain sustainability excellence and deal with any possible gaps. We will follow up on this high-level engagement with in-depth field visits to understand their supply chains in detail.

Ultimately, we will build an agreed action plan with selected major suppliers to drive improvements in their sustainable practices.

Palm policy 2016

We have now united our environmental, social, labor and business practice principles, affirming LDC's commitment to:

- Safeguard all high conservation value (HCV) lands or high carbon stock (HCS) areas.
- Leave all peat untouched, regardless of depth.
- Uphold the rights of local communities and/or indigenous people.
- Comply with International Labor Organization (ILO) conventions on forced labor and discrimination.
- Abide by rigorous anti-bribery and corruption standards.

We expect our supply chain partners to work collaboratively and transparently in applying the above principles, with the following considerations:

- Use of HCS definitions and methodology as defined by the HCS Approach.
- Use of Roundtable for Sustainable Palm Oil (RSPO) Principles and Criteria (5.2 & 7.3) for guidance as to how HCV is implemented.
- No burning, in accordance with RSPO Principles and Criteria (article 5.5).
- No development on peat regardless of depth. Plantations already developed on

85% of global palm oil currently comes from Indonesia and Malaysia

peat are encouraged to implement best management practices.

- Respect for the rights of local communities, which includes land tenure, and their right to give or withhold their free, prior and informed consent to operations on which they hold legal, communal or customary rights.
- Understanding that transparency and traceability through supply chain mapping to mill level, and eventually to plantation level, are central to this policy's implementation.

We also expect that our suppliers mirror LDC's standard operating principles with regards to:

- Provision of a discrimination-free work environment, in full compliance of the ILO's Discrimination (Employment and Occupation) Convention (C111), as well as with local legislation prohibiting discrimination in hiring and in the execution of work with respect to gender, race, color, religion, national origin, ancestry, sexual orientation, marital status, age and disability, or as otherwise provided for under the local law.
- Upholding of the ILO's Forced Labor Convention (CO29) and Abolition of Forced Labor Convention (C105),

regarding the abolishment of slave labor, physical punishment, confinement, threats of violence, harassment or abuse as a method to impose discipline or control.

- Upholding of the ILO's Minimum Age Convention (C138).
- Commitment to pursuing continuous improvements in measuring and reducing greenhouse gas emissions.
- Upholding of LDC's anti-bribery and corruption standards, namely not offering, promising, authorizing, making or receiving from customers, suppliers, public officials or any other business relations or partners, either directly or through a third party, any inappropriate pecuniary or other benefit and, in this respect, always complying with applicable laws and regulations.
- Gifts and entertainment may be offered and received to strengthen business relationships only if they are of modest value and aligned with local business practice and laws, and the policies applicable in the company concerned. Suppliers should not engage in unfair practices, or discuss, reach or perform with competitors any agreements or understandings having generally prohibited anticompetitive purposes or effects.



Palm. continued

Traceably sustainable palm

Traceability is a major part of our sustainability efforts. We are in the middle of a major project with The Forest Trust (TFT), which seeks near-100% traceability to mill level of all the palm oil we sell.

In 2015, we completed the initial mapping of our supply chain to mill level. From that, we built 100% traceability for all palm processed in LDC-owned refineries, all presently in Indonesia. TFT also provided us with a desktop analysis of potential risk levels for all the mills supplying those refineries. We continue to be 100% traceable to mill-level for all our LDC-owned refineries.

In 2016, we built on this work by becoming full TFT members. Part of this involved a commitment to a 15-month plan to reinforce the foundations of a responsible supply chain. Our updated policy and work in applying it is part of that plan.

For the palm oil we merchandize that is not processed at our own refineries, we achieved mill-level traceability for 80% of our flows by the end of the year. We aim to reach 90-100% traceability in this area for the first half of 2017.

We map traceability on a 6-monthly basis, as is industry standard, and make this information public on the TFT Transparency Hub. The process involves each supplier providing us with traceability declaration documentation which is then verified by TFT.

Certification efforts

Certification is a further tool to ensure sustainability of supply. We have been members of the Roundtable on Sustainable Palm Oil since 2012 and remain committed to working in that forum to advance its work.

Our aim is for all palm-related LDC assets and entities to attain RSPO certification. To date, we have obtained certification for our two palm oil refineries, both in Indonesia, and for two of our origin palm trading entities. We aim to have all relevant origination assets and trading entities certified by the end of 2018.

Total sales of ISCC and RSPO certified palm oil

Year	Total sales in metric tons ('000)	% year-on-year increase
2012	30	-
2013	180	500%
2014	210	17%
2015	266	27%
2016	375	41%

Year-on-year increase

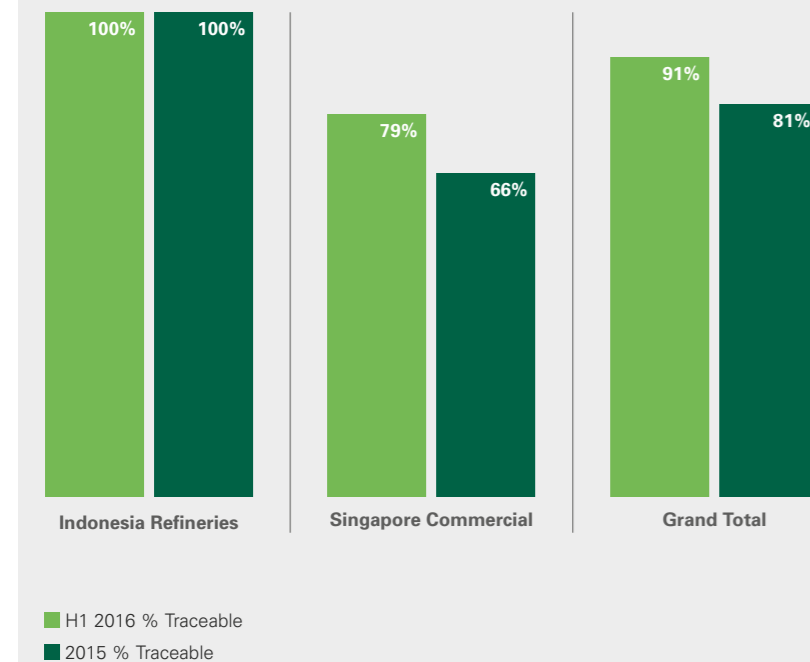
↑41%

Through the combination of obtaining certification for our own operations and engaging with stakeholders, we seek to increase our access to greater volumes of certified sustainable palm. We aim to sell 400,000 MT of certified palm oil in 2017.

This year we are pleased to have made a 41% leap from 2015, showing a sharp increase in the last 5 years since we commenced sustainability reporting.

2015 & H1 2016 Traceability

Palm oil and Palm kernel oil



Our aim is for all origin palm-related LDC assets & entities to attain RSPO certification.



Highlight

Landscape Project, Indonesia

We are always looking to build on our no-deforestation and no-peat policy commitments. The Landscape Project in East Kalimantan, Indonesia, managed in collaboration with TFT, presented an opportunity to help drive proactive land-use planning.

LDC has joined a broad range of stakeholders in an Area Prioritas Transformasi (APT) approach that brings together key stakeholders from large companies, government entities and NGOs to civil society.

The aim is to support the creation of resilient, thriving ecosystems and communities within the APT. Specifically, its aims are to:

- Help build collaborative, participatory processes for land use planning, including capacity building to equip local people to get involved.
- Support and guide land use planning with relevant initiatives, tools and techniques.
- Share knowledge and best practice to scale impact.
- Identify and support the development of new opportunities for land use planning.

To date, the project has carried out initial mapping of the province, identified 30 stakeholders in the East Kalimantan province and engaged with three provincial agencies. Collaboration with the district government will be a critical next step. With the backing of the district government, LDC will continue to support the land use planning process and work with its suppliers to foster the best outcomes for people and the environment.

We are one of the world's top juice merchandizers, with operations covering more than 70 countries. Our operations in Brazil are central to this as Brazilian orange juice accounts for 3/5s of all juice drunk worldwide.

Juice.



Our Juice Platform is key to our sustainability strategy and produces its own sustainability report. Highlights of the work done in 2016 are presented here and more detail is available in the third update report, entitled *Producing Juice Sustainably*.

People

Juice production is labor-intensive and we employ over 10,000 people at peak season. Taking care of them is our main priority and we strive to exceed all applicable national labor regulations.

Therefore, irrespective of the type of contract they are working under, all of our employees:

- Are paid through our payroll
- Receive full training in the LDC Code of Conduct and safe working practices
- Are given life insurance cover
- Have access to a wide-ranging benefits package

All of our pickers are paid more than the Brazilian legal minimum wage, with an additional variable premium linked to safety and performance targets.

Safety comes first

Everyone, including seasonal pickers, is put through mandatory training on best working practices and provided with full personal safety equipment appropriate to their work. In 2016 this included introducing a new range of protective equipment for pickers.

The use of safety equipment and pursuit of best working practice is rigorously monitored and enforced. This has driven great safety successes this year, with major reductions in our indices compared to 2015:

- 53% reduction in frequency of workplace injuries
- 52% reduction in injuries requiring time off work
- 49% reduction in the severity of injuries

Target	Completion	Result
Increase number of LDC-owned farms with Rainforest Alliance certification from 5 to 11	2016	Complete

Farms spread across the Citrus Belt in Brazil	Processing plants in Brazil	Logistics terminals (Brazil/Belgium)
39	4	2



Environment

The processes we employ make sure that no part of the fruit is wasted. In addition, we are making swift progress in recording and analyzing the environmental impact of our juice operations in order to identify reduction strategies. Part of those strategies involves our expanding Rainforest Alliance certification program (discussed below).

Our full Juice sustainability report provides granular detail of the Platform's environmental impact. Overall:

- Energy consumption increased this year compared to 2015 since we expanded some processing plants and increased orange processing activities. However, we managed to reduce our carbon footprint on a per-liter of juice produced basis.

2016 Not From Concentrate Total Footprint

289

2015: 303

2016 Frozen Concentrated Orange Juice Total Footprint

141

2015: 143

This was primarily driven by the increase of biomass (sugarcane bagasse) consumption in the plants, and maritime transport volume, but it decreased per litre of juice produced.

- Total water consumption increased due to expansion of our processing activities.
- Industrial waste was higher in 2016 both due to construction work at our Bebedouro site and the overall increase in volumes processed.
- Agricultural waste remained flat compared to 2015 but was disposed of more efficiently.



Case Study

Safe Harvest

We always strive to reduce the potential hazards of manual work harvesting citrus fruit. This year, to reduce any unsafe practices, we sent a multidisciplinary team to study the main causes of accidents. They proposed a number of actions:

- Ensure the return of as many pickers and picking team leaders each year as possible.
- Analyze all the methodologies, material and equipment used.
- Fully define farm management responsibility for Safety, Health and Environment and harvesting processes.
- Ensure consistent, rolling, comprehensive Safety, Health and Environment training for all employees.

We identified and implemented a number of specific actions based on these proposals, generating significant reductions in injuries.



Partnership & certification

In keeping with LDC's overall approach of partnering with a range of stakeholders, the Juice Platform developed a number of strong initiatives this year. These comprise projects from auditing our operations based on Sustainable Agriculture Initiative and Sedex Members Ethical Trade Audit standards, to best practice-sharing work with our fruit suppliers and several customers, to full chain of custody certification programs.

Rainforest Alliance

Continuing our successful certification program with Rainforest Alliance, we certified 6 further farms in 2016 (making a total of 11) and secured chain of custody certification for our processing asset in Bebedouro (joining our Matão plant, Santos port terminal and destination terminal in Ghent, Belgium).

Having started in 2015, the program has already had a number of social and environmental benefits, including formalized processes for working with local communities, expanding our environmental education program for farmers and implementing a resource management plan.

In 2016, we appointed a dedicated Group Administrator who is responsible for monitoring and guaranteeing compliance with certification standards. We also undertook social impact assessments for our operations in 4 Brazilian cities.

This work sits alongside our various other certification programs.

Rainforest Certification

To gain certification, our farms are assessed against strict criteria on the following dimensions, as per the Sustainable Agriculture Standards:

- Social and Environmental Management
- Ecosystem Conservation
- Wildlife Protection
- Water Conservation
- Fair Treatment and Good Working Conditions for Workers
- Occupational Health and Safety
- Community Relations
- Integrated Crop Management
- Soil Management and Conservation
- Integrated Waste

FairTrade

The Platform has a strong FairTrade focus on smallholder producers. Helping smallholders attain certification allows them to charge a premium, which they must invest in projects to enhance social, economic and environmental development.

We now have over 40 certified small growers delivering FairTrade-certified fruit to our Paranavaí processing plant.

Louis Dreyfus Company is an industry-leading merchandizer of green coffee. With this comes the duty to forge ahead with change, help improve smallholder farmers' operations and educate them on best practice. We continue to develop ground-level initiatives to support coffee farmers in partnership with roasters and NGOs.

Coffee.



Our performance in 2016

The market for sustainable coffee is led by the roasters' demand, which continues to increase. In 2016, notably, major roasters have been redefining their strategy to fully integrate the notion of "responsible sourcing" for all coffee purchased.

We did not meet our target of 14.2% of coffee we sell to be certified. This reflects an overall lack of demand at prices that would make the expense of certification economically viable for farmers. However, the overall trend conceals better sales in "consuming" countries – those that do not produce any coffee¹ – where our sales of certified and verified coffee are significantly better than 14.2%.

Sales of certified sustainable coffee to "consuming" countries

Year	% of Sales
2014	22.4
2015	21.9
2016	20

Looking at overall trends and our performance in these "consuming" markets, we are therefore maintaining our 2020 target of 17% sales and redoubling our efforts to meet it. Alongside these efforts, we continue to develop various initiatives aimed at smallholders to help them produce more consistently and to expand best practice at farm level.

Striving beyond certification

Although certification and verification standards still represent the easiest way to measure the sustainability of the coffee value chain, they present challenges.

There are a large number of standards, bringing complexity and costs along the supply chain. These programs have undeniably been platforms for open discussion and action on issues related to conditions at farm level and throughout the

Target	Completion	Result
Increase the volume of certified coffee we sell to 14.2%	2016	Missed
Increase the volume of certified coffee we sell to 17%	2020	In Progress



Case Study

Enabling Sumatra farmers

There has been significant progress on this initiative, in conjunction with Pur Project and with the support of the Louis Dreyfus Foundation, to improve the economic and social conditions of small-scale Indonesian coffee farmers in 3 different regions: Aceh, Medan and Lampung. The initiative aims to preserve and regenerate the coffee ecosystem.



Since reporting on the project last year:

- 7,635 farmers have been involved in total
- 30,675 beneficiaries now reached
- 160,000 trees have been planted out of the planned 180,000
- 139 training sessions have been delivered on project objectives, agroforestry benefits and planting
- 2,943 Lampung farmers and 1,098 farmers in Aceh/North Sumatra have been trained in coffee best practices by our agronomists

This initiative is expected to complete in December 2017. We plan to monitor our 2016 plantings and validate the self-sufficiency model and toolkits.

supply chain. However, farmers must now consider possessing multiple certifications to compete in the market and sell to a wider range of customers.

Engaging with stakeholders to discuss how we come together to put coffee farmer yield and livelihood at the forefront of our sustainability efforts is key to overcoming these issues. It is unclear as of yet whether multiple certificates equate to better practices and development of livelihoods. Our initiatives aim to effectively plan, build and implement strategies for growth in the farms and communities where we operate.

Teaching best practice

In 2016, LDC launched two new initiatives with strong engagement from roaster JDE and IDH, the sustainable trade initiative.

In Colombia, the program is working with 1,000 farmers across 3 states, training them on agricultural practices. The aim is to increase productivity and therefore earn capacity. To date we have:

- Developed 160 demo plots for fertilizing and composting
- Trained 470 farmers in best practice
- Set a target of 30,000 bags to be produced sustainably in 2017

In Vietnam, we are also training coffee smallholders. The main issues faced by farmers in the targeted areas are soil erosion, poor soil nutrition and overuse of water. As well as educating in agricultural

practices, our program develops models of sustainable land management. We aim to spread best practice among 4,000 farmers with around 16,000 total beneficiaries. So far, we have:

- Developed 30 demonstration plots
- Worked directly with 2,500 farmers

Ensuring long-term impact

LDC is committed to making positive and lasting changes to agricultural practice. We launched deeper initiatives that go beyond field projects, and certification and verification programs.

One such project is our Coffee Suppliers Code of Conduct. The aim is to reinforce the need for responsible sourcing and spread sustainable practices in:

- Human rights
- Health & Safety
- Environmental protection
- Business integrity, including anti-corruption measures

We are in the process of disseminating the code of conduct to all our coffee suppliers. We will then work in partnership with any suppliers that do not currently comply with the code to enable them to address and overcome challenges.

¹ Europe, USA, Canada, Japan, South Korea, Middle East, North Africa, Australia, New Zealand, Argentina, Chile, South Africa



Local Farmer Perspective: Indonesia

This is our third consecutive year planting vegetables and fruit trees in Aceh, Medan and Lampung farming areas, helping farmers diversify their sources of income.

In total, we have planted 190,000 trees and trained more than 4,000 farmers, surpassing our targets. Below is Suriman's story, a farmer who has benefitted from both the agroforestry project and our Sustainability Program.

Suriman, Lampung Province, Indonesia

Suriman is a coffee farmer from Liwa in Lampung province, Indonesia. He lives there with his wife and two sons. The region is hilly and the villagers depend on the Robusta coffee production for their livelihoods. On arrival in Sumatra, Suriman bought two hectares of a coffee farm that was in need of care.

In 2003, Suriman's crop produced 25 bags of coffee (1.5 MT). In 2014, Suriman joined the LDC Sustainability Program. The training has improved his cultivation technique and soil management. It has also helped him to better manage his team and understand the relationship between fertilizer and natural resources.

Suriman is very enthusiastic about the program and participated in several training sessions. This year his 2-acre farm produced 66 bags (4 MT) of the local Tugu Sari variety of Robusta.

This year, Suriman has also participated in the second phase of the agroforestry project. He planted around 600 seedlings, fruit and timber trees. Participating in the project enables him to diversify and strengthen his income, preparing him and his family for a more sustainable future.

We take great care to use our position as one of the world's largest merchandizers of cotton by volume responsibly. Our sustainability approach has multiple streams to address issues affecting people and the environment, from sourcing certified sustainable cotton to promoting good practice in and beyond our supply chain.

Cotton.

Target	Completion	Result
Increase volume of Better Cotton we purchase by 25% year-on-year, using 2013 as a baseline	2016	Completed
Purchase 125% more Better Cotton than in 2013	2018	In Progress
New Targets	Completion	Result
Increase volume of Better Cotton we purchase by 25% year-on-year, using 2013 as a baseline	2017	In Progress
Increase participation in our BCI Kazakhstan partnership to 150 farmers	2017	In Progress
Increase participation in our BCI Kazakhstan partnership to 700 farmers	2018	In Progress

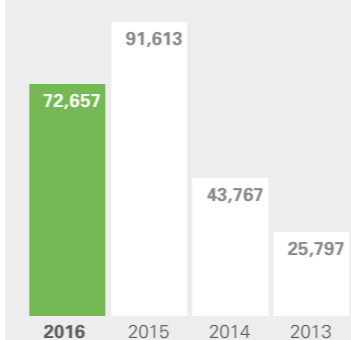


Selling Better Cotton

The Better Cotton Initiative (BCI) is the premier multi-stakeholder initiative for the development of sustainable cotton. We promote and seek to purchase cotton that complies with its full suite of global standards on production and chain of custody.

We remain ahead of schedule, overall, to be purchasing 125% more Better Cotton in 2018 than in 2013. We had also been aiming to sell 25% more Better Cotton in 2016 than in 2015. Although we did not reach this goal on a year-on-year basis, we are still on target for 2018. The 72,657 MT we bought in 2016 is still significantly greater than 125% of our 2013 purchases.

Sales of BCI Cotton 2013-2016



It remains our goal to increase 2017 purchases by 25% over 2016, and again in 2018 over 2017. If successful, that would mean we exceed our 2018 target by almost 50%.

Promoting Better Cotton

In 2016 we continued our push to generate awareness of BCI principles in and around our supply chain with a number of initiatives. While we sourced certified sustainable cotton (BCI and Cotton made in Africa) from 8 different countries this year, our educational and other support efforts were focused in Kazakhstan and the US.

Partnership in Kazakhstan

Following on from two years' work promoting Better Cotton in Kazakhstan, we became the BCI's second ever partner in Central Asia as our Kazakhstan team signed a full partnership agreement with them. The agreement requires us to comply with all BCI principles and submit to audits from independent third parties. This means that we must educate farmers and deploy agronomists on the ground to ensure that cotton is grown sustainably.

Our formalized partnership started out in 2016 with the team working with 43 farmers in the Makhtaaral region in southern Kazakhstan. We secured their agreement to follow all applicable BCI standards in producing their cotton. This comprises 6 principles and 44 criteria – 24 for all farmers and 20 specifically addressed to farms larger than 20 hectares.

Our role then becomes educational, as the aim is for farmers ultimately to be able to farm sustainably without external support. Until they are ready for this, we provide them with year-round, free agronomic consultation services. They can therefore be sure that they are making all the right decisions to produce the best, most efficient outcomes.

The 2 primary purposes of the project are to:

- Ensure farmers' businesses can thrive by sustainably increasing and maintaining yields.
- Maintain and, if possible, increase the area on which cotton can be grown.

Key figures for Kazakh Partnership

Farmers involved	BCI Principles	BCI Criteria	Yield Improvement
43	6	44	5.5%

Outcomes in 2016

The initial work has exceeded expectations with a number of successes in its first year:

- The farmers' yields improved by 5.5% and their net income increased by 64% (mostly due to the devaluation of the local currency).
- BCI's independent verification team found the initial group of Kazakh farmers had reached a considerably more advanced stage than had been reached at this point in their one previous Central Asian project in Tajikistan.
- The Kazakh government has swiftly recognized our producer-group's efforts and granted them a 3-year license to export BCI cotton.
- Our project received partial financing from the German government through DeveloPPP.de, which supports socially conscious foreign development projects.

Planning for success

We are investing in expanding this project. We plan to work with 150 farmers in 2017 and are aiming to reach 700 in 2018.

To achieve this, we have hired 4 new agronomists so that we can reach all these farmers throughout the year. We are also inviting external experts to participate, for example, from foreign agricultural cooperatives and from the BCI, to develop the range of training.

In addition, we bought high quality cottonseed and sold it to the farmers at the lower price they would normally pay locally, absorbing the cost difference ourselves so they could plant better seeds. Participating farmers also receive first preference on using LDC's picking services at harvest time. We hope this will encourage other farmers to join the program and take up sustainable practices.



Expanding in a developed market

Work needs to be done to encourage adoption of formal sustainability standards even in the most developed of cotton producing markets, such as the US. Growers have long been focused on sustainability, but are now engaging with internationally accepted certification standards that will result in their work being recognized.

We have therefore been hard at work here in 2016 as well. Our cooperative is on a drive to persuade all of its members to join the BCI. The cooperative's manager is leading the process of securing compliance with BCI principles.

This year was our first as the administrator of the cooperative's group of BCI members. The group sold reasonable volumes of BCI cotton through the program, but with awareness increasing and new sign-ups, we expect 2017's volumes to be significantly higher.

Soy production is projected to increase to 515 million tons by 2050 – up from 269 million in 2014.¹ It is currently the largest source of protein feed in the world as well as being a major source of biofuel. Such expansion could threaten wildlife and biodiversity.

Soybeans.



Louis Dreyfus Company is one of the world's largest soy merchandizers. Our ability to lead and impact with sustainable soy production is therefore significant, and we take that responsibility very seriously. Our main origination operations are in our North America, North Latin America and South & West Latin America Regions.

Last year, we launched our global and cross-platform Non-Deforestation, No Peat, No Exploitation commitments. A dedicated soy policy, similar to that already rolled out for palm, will follow in 2017. We have undertaken numerous initiatives, including the below, that illustrate our increasing efforts in sustainable soybean production.

Supporting Best Practice through policy

LDC consistently strives to improve its processes, products and services. Operational policies and procedures are central to embedding sustainable practices.

The implementation of our South and West Latin America Regional Quality and Safety Policy reflects this journey. The policy:

- Guarantees the highest level of customer and partner satisfaction – we aim to build these relationships through listening to, reacting and anticipating their needs.
- Ensures product traceability – we commit to meeting the requirements of ethical, responsible and sustainable practices that our communities and stakeholders expect.
- Promotes best practice – through the delivery of training on product, process and service excellence.
- Encourages the use of Good Manufacturing Processes at our facilities – to foster innovation, increase productivity, and guarantee safety.

We have rolled out the policy to all our origination and industrial facilities within South and West Latin America. It will form the basis of a wider roll-out for LDC's other platforms, across all assets in the region in 2017.

Our operational policies and procedures are central to embedding sustainable practices.



Renewable biodiesel

Certified sustainable biodiesel is a major driver of sustainable soy farming and production. There are several standards, with US and EU regulations at the forefront.

Since 2014, we have been engaged with the US Environmental Protection Agency (EPA) program, which is pioneering in the biodiesel space. The program enforces commitment to Renewable Fuel Standard 2 (RFS2), which ensures sustainability of Soya Methyl Ester (Biodiesel) and its inputs (biomass and intermediate products).

The EPA requires traceable segregation from the farm, right to the vessel on which biofuel is loaded. This means tracking each truck discharged, from the farm gate, proving segregation of beans in storage and a fully transparent production process.

Through the program we must meet the EPA's deforestation and environmental criteria. Central to this is origination – soybeans must be from farms with no deforestation since 2008 and with documentary and satellite evidence of agricultural activity having taken place on the site since before December 2007, with no deforestation since that date.

EPA Scheme impact in Argentina

Thanks to our EPA program, 40% of LDC Argentina's soybean origination is now sustainable. This year we grew the volume of EPA-compliant soybeans we originated by nearly 300%, totaling over 2 million tons. These beans were then processed in General Lagos.

Our forecast for 2017 is for our EPA volumes to be lower overall, owing to reduced demand. This is largely a result of US market volatility. Despite this, our aim is to reach 100% EPA biofuel processed at our General Lagos facility in 2017.

Other biofuel sustainability certifications

In Argentina we have two European certifications for both crushing plants and country elevators:

- 2BSvs STD-1/STD-2: This scheme details requirements for:
 - The production and trading of biofuels, bioliquids and biogas; and
 - The trading of biomass.

We renewed our certification last year and it is valid for the next 5 years. Owing to our increased EPA volumes (see above), our volumes under these schemes were low in 2016 and we are working on ramping up volumes for 2017.

- ISCC – EU: Our Argentina operations have been certified since 2013, with annual recertification. This system covers the entire supply chain and all bio-based feedstocks and renewables. However, no ISCC volume has been produced since 2015 as our Argentina team has not shipped biodiesel to the EU since that date.

We continue to improve traceability and are beginning to map specific higher-risk zones to support our origination practices. Additionally, we are developing a pilot for sustainable soybean meal under a European Feed Manufacturers' Federation approved scheme, the Sustainable Feed Standard. We are doing this despite poor international and European demand.

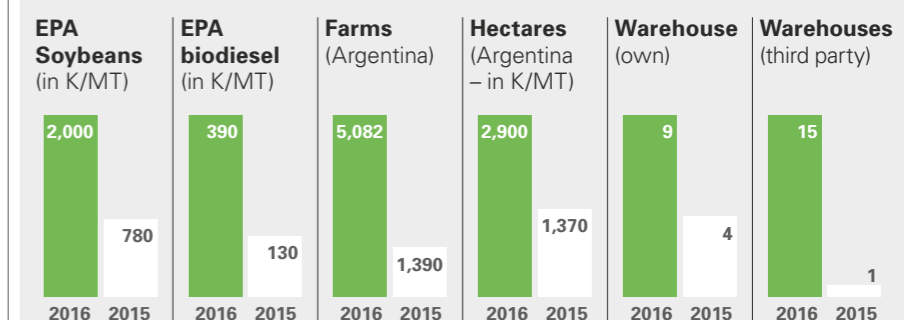
In Paraguay, we obtained the 2BSvs certification to ensure conformity with the biomass and biofuel origination regulation of the EU Directive 2009/28/EC. This certification allows us to originate soybeans and supply certified sustainable soybean oil to EU markets.

Sensitive development in northern Brazil

We continue to carefully plan the development of a logistics system in Pará State, along the Tapajos and Amazon rivers. To best support this investment, our primary focus is on environmental and social due diligence, including:

- Working with research institutions to create a baseline of current environmental quality through remote sensing mapping, analysis of air, water and noise quality, and the impact on fishing for those whose livelihoods depend on it.
- Working with an environmental consultancy to prepare an environmental impact study of the planned terminals and logistics flows.
- Consulting with and training local communities on agricultural best practice, basic health care and river navigation.
- Working with the local government to obtain the necessary licenses and to respond to local development needs with initiatives that generate further labor and income to the state.

LDC RFS2 Production



¹ The Growth of Soy: Impacts and Solutions, WWF, 2014

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