CSR-report 2018

June 6, 2019
Agrifirm’s annual CSR report concerns all businesses within the Royal Agrifirm Group, unless stated otherwise for specific units. The prior CSR report was published in May 2018.

The reporting covers the period January - December 2018 and is compliant with the international GRI Standards for sustainability reporting as designed by the Global Reporting Initiative (GRI). The GRI table containing all reported data is published online on our website (www.agrifirm.com – header ‘About us/CSR').

If you require more information on Agrifirm’s Corporate Social Responsibility (CSR) policy, please contact Ruud Tijssens, Group Director Public & Cooperative Affairs for Royal Agrifirm Group, via r.tijssens@agrifirm.com or tel. +31 (0)88 488 10 00.

Apeldoorn, the Netherlands
June 6, 2019

In this Corporate Social Responsibility (CSR) Report, Agrifirm provides details of its CSR policy and its accomplishments in this context.

Chapter 1 describes Royal Agrifirm Group as a company and Agrifirm as a cooperative, including how the company and the cooperative interact.

Chapter 2 outlines the CSR structure and governance. It also analyses the topics that are material to Agrifirm and provides an overview of the four CSR pillars (which are discussed individually in more detail in Chapters 4 to 7).

Chapter 3 describes the efforts devoted to the four operational pillars: employee safety first, ethical business operations, food safety, and efficient production and logistics.

Chapters 4 to 7 focus on the objectives and performance for each of the four CSR pillars: Working on Sustainable Raw Materials (Chapter 4), Healthy Plants, Soil and Animals (Chapter 5), Circular and Resource-efficient Agriculture (Chapter 6) and Socially Sustainable Chains (Chapter 7).

Chapter 8 provides an outlook for 2019 including a brief summary of Agrifirm’s key developments and ambitions.

The appendices show the materiality analysis in two key markets (Poland and Brazil) and Agrifirm’s key performance indicators from an organizational and an environmental point of view.
2018 was a satisfactory year for Royal Agrifirm Group. We achieved our financial targets in spite of some setbacks in our domestic market which put pressure on the final quarter. Those setbacks included the extremely dry summer which caused logistical and procurement challenges and the ongoing reduction in cattle numbers, but they were partially offset by our international operations. Agrifirm performed well on the whole, but internationally we also had to deal with issues such as swine fever in China, the tariff dispute between the USA and China and a meat scandal in Brazil.

From a commercial perspective it is encouraging to see that Royal Agrifirm Group is managing to balance all its operations globally to deliver a solid overall financial performance. From a CSR perspective, we are doing the same. In the Netherlands we have long been regarded as a frontrunner in sustainable agriculture, and we are now focusing more of our efforts on addressing societal issues in our international markets too.

On behalf of the 10,000 Dutch members in the Agrifirm cooperative, we are leading the social debate in the Netherlands – not only with the government, NGOs and other civil groups, but also with retailers who treat agriculture as a commodity yet continuously ask farmers to raise the bar in terms of responsible production. We invest a lot of time and energy in developing business models for circular and resource-efficient agriculture and we are engaged in initiatives to protect and enhance biodiversity.

We are expanding our CSR efforts internationally, but at a different pace and taking national legislation and local wants and needs into account. In line with our ‘Better Together’ strategy, we are striving to share our CSR knowledge within Royal Agrifirm Group. We conducted materiality analysis in Poland and Brazil in 2018, and we will be doing the same in China in 2019. In 2018 we integrated business units from the Netherlands, Belgium and France under the same Agrifirm brand name, and we are increasingly operating as one global Royal Agrifirm Group. This enables us to offer our members and customers total solutions resulting from the sharing of knowledge and expertise within our group.

This shapes our ambitions for 2019 and beyond. With a better aligned global organizational structure, we can continue to close the loops and spur the development of circular agriculture at all levels, from farms to global markets. Whether in the Netherlands, Latin America, Poland or China, we collaborate with our members, customers and partners to support the creation of a safe and sustainable food chain for future generations.
1. Royal Agrifirm Group: Company and Cooperative

Royal Agrifirm Group is both a leading agricultural cooperative with a membership of some 10,000 Dutch farmers and growers, and a multinational agri-food player with a global distribution network and subsidiaries in 16 countries throughout Europe, North America, South America and Asia.

Offering products and services in four core segments – compound feed, co-products & specialties, arable farming, and horticulture – our work and decision-making is rooted in our vision for supporting a sustainable food chain for future generations.

For our members and customers worldwide, it is our mission to provide measurable, relevant and sustainable value at farm and field level, and to the industry. We do this by offering our customers total solutions: a broad range of products and services enabling them to operate both sustainably and profitably.

Solutions at different levels

At farm level, we offer livestock farmers innovative and effective animal feeds, customized premixes, high-performance concentrates, additives, functional feed ingredients, digital tools and professional advice on precision farming.

At industry level, we supply feed manufacturers in multiple countries with a wide range of efficient nutritional concepts for young animals, including customized premixes and concentrates. Besides this, we offer additives and functional feed ingredients which play an important role for the health, well-being and overall performance of animals. As feed mills can also be competitors, we guarantee the confidentiality and integrity of our customers.

The company

As a company, Royal Agrifirm Group owns production sites in 16 countries. Besides its domestic market of the Netherlands, the key international markets are Brazil, Poland and China. It also has operations in Belgium, France, Italy, Spain, Hungary, Ukraine, Romania, Bulgaria, Algeria, Uruguay, the USA and Russia.

Royal Agrifirm Group has its headquaters in Apeldoorn, the Netherlands. Worldwide it unites around 3,000 skilled and motivated employees, speaking 14 different languages between them. In 2018 we launched ‘Better Together’, our international strategy for a sustainable food chain for future generations. Using knowledge and synergies across all international divisions, Royal Agrifirm Group offers its customers total solutions comprising innovative products, services and advice offered under the Agrifirm brand name.

To strengthen our position in Africa, Agrifirm has established a joint venture in Algeria with Diam Grain, a large importer of raw materials for the feed industry. Both partners will build a new state-of-the-art premix plant offering high-quality nutritional solutions for the expanding Algerian animal nutrition market.

In the USA, Agrifirm acquired Spe- cial Nutrients, a global leader in the production of scientifically proven mycotoxin binders. This investment in the promising feed additive business supports our overall growth strategy.

In the Netherlands and Belgium, Agrifirm acquired the customer portfolio of Veecoeders Vanhengel, a supplier of pig feed. Production has now been relocated to Agrifirm’s plant in Belgium.

The cooperative

As a cooperative, Agrifirm is 100% farmer owned and its membership comprises 10,000 Dutch farmers and growers. Founded over 120 years ago in the Netherlands, the cooperative’s goal has always been to create value for its members, and this still holds true today. The cooperative actively supports its members in effectively responding to societal challenges.

As such, the cooperative Agrifirm focuses on projects that will be beneficial for the members’ future but are too broad in scope for individual members. Based on extensive feedback from members, 13 project ideas were selected in 2018.

The organization

Agrifirm’s organizational structure connects the company and the cooperative together. It reflects our ‘Better Together’ strategy and allows us to offer total solutions to customers in all active countries.

As of 1 January 2018, the Agrifirm brand name was introduced for our functional organizations and we implemented the reorganization over the course of the year. For instance, Agrifirm NWE (Northwestern Europe) held management meetings in May and June followed by several local meetings for employees in September to explain the new ‘total solutions’ approach. In November 2018, all relevant directors evaluated the new way of working and then developed additional action plans to ensure that all changes were understood, accepted and implemented in their business units. In December 2018, Agrifirm NWE held a two-day management meeting to further discuss the total solutions approach and develop a commercial action plan for the years 2019 and 2020.
The cooperative’s membership of some 10,000 Dutch farmers and growers is divided into ten districts, the geographical boundaries of which are determined by the Supervisory Board. In 2018 Agrifirm consulted its members on the role of a modern cooperative. This resulted in reorganization of the districts, with Agrifirm directors serving as first points of contact for members’ convenience.

The Supervisory Board consists of farmers and external members. They are appointed for a period of four years by the cooperative’s highest organ, the Council of Members. The Supervisory Board governs the cooperative and appoints the Council of Members and the Executive Board. In March 2018 its chairman, Theo Koekkoek, stood down after eight years and he has been succeeded by Arian Kamp. The Supervisory Board supervises the performance and decision-making of the Executive Board, which is responsible for strategy, policy, management and operational activities of all Royal Agrifirm Group subsidiaries worldwide.

The Council of Members comprises 70 cooperative members who are appointed by the Supervisory Board. It represents the cooperative’s membership base in all districts and all agricultural and horticultural sectors. The council approves financial statements and long-term strategic plans. Agrifirm’s position in the sustainability dialogue, its role and how it lives up to that role are continuously on the agenda of the Council of Members.

Conventions and Codes of Conduct Agrifirm aims for implementation of minimum standards for social security in accordance with the International Labour Conditions of the International Labour Organization (ILO). Nine ILO conventions that apply to our own operations are guiding principles for our supplier management and supplier requirements. Agrifirm supports ILO conventions such as the right to organize, and the right to equal opportunities and treatment (equal compensation and no discrimination). Forced labour and child labour are not tolerated by Agrifirm. We feel responsible for upholding this code of conduct within Agrifirm and we supervise our suppliers’ compliance with the ILO conventions. Furthermore, in terms of our own business principles, Agrifirm has a sustainable governance structure consisting of an Ethical Business Code of Conduct and a whistle-blowing procedure, plus we have an active policy to ensure good working conditions.

Risk management and financial performance

Agrifirm aims to minimize the strategic, operational, financial and compliance risks involved in its active engagement in various markets and in various countries worldwide. To coordinate and ensure this, Agrifirm employs a Group Auditor. See the 2018 Financial Report for more information on Agrifirm’s assessment and management of risk. That financial report also contains additional information about Agrifirm’s financial performance in 2018.

Key figures are:

**Turnover:** € 2,087 million

**Net profit:** € 44 million

**Member dividend:** € 28 million

CSR structure

‘Better Together’ also impacts on Agrifirm’s CSR structure which is founded on four strategic CSR pillars and four operational pillars. These are explained in Chapters 2 and 3 of this CSR report. The CSR structure provides a framework for Agrifirm’s vision for supporting a responsible food chain for future generations. The four strategic CSR pillars emphasize the implementation of a responsible food chain, while the four operational pillars strengthen the rationale for the license to operate.

Strategic objectives have been defined for all the pillars, and Agrifirm’s CSR department reports its progress on those objectives to Royal Agrifirm Group’s Executive Board and Group Board every four months. The Executive Board bears the overall responsibility for safeguarding and implementing the CSR policy. This solidly anchors sustainability within the organization. Furthermore, the management teams integrate CSR-related matters in the topical and operationally relevant processes.
2. CSR Structure: 4 Pillars for Responsible Agriculture

With approximately 3,000 dedicated employees, Agrifirm continuously strives to contribute to a sustainable food chain – both today and for the future. In order to maximize our impact, we have built our CSR policy around four specific pillars.

The four CSR pillars are:
- Sustainable Raw Materials
- Circular and Resource-efficient Agriculture
- Healthy Soil, Plants and Animals
- Socially Responsible Chains

These four CSR pillars are focused on making agriculture responsible and on optimizing the social impact of the agricultural sector. Key areas in which Agrifirm has a positive impact include circularity (creating closed-loop systems as much as possible), protecting and promoting biodiversity, and minimizing the impact of agriculture on the climate and quality of life. As such, these CSR pillars are an integral part of the business strategy of Agrifirm, its members and its customers.

As a cooperative, Agrifirm works in the best interests of its members. We will always put the relevance and sustainability of our solutions first, above short-term profitability. We firmly believe that sustainability and commercial competitiveness can go hand in hand.

The four CSR pillars also provide guidance for increasing the sustainability of the entire food chain in all countries in which Agrifirm operates. Our CSR policy is most mature in NWE, and we are now implementing our CSR approach internationally. Because Agrifirm has influence not only at farm level but also in the rest of the supply chain, we are a perfect consultative partner for all relevant stakeholders in the food supply chain.

Safeguarding and Implementing the CSR Policy

To monitor the CSR policy’s quality and progress, Agrifirm uses a number of reporting principles (balance, comparability, accuracy, timeliness, clarity and reliability) which are consistent with the GRI Standards. We use standardized processes for collecting information as much as possible. In addition to performance indicators for monitoring progress, we have also developed strategic objectives that are in line with our vision and the role that key stakeholders expect Agrifirm to assume. Agrifirm’s CSR department provides a progress report on the strategic objectives to Royal Agrifirm Group’s Executive Board and Group Board every four months. The Executive Board bears the final responsibility for safeguarding and implementing the CSR policy. This solidly anchors sustainability within the organization. The management teams also discuss current, operationally relevant CSR-related matters.

Interview with Hendrik Arends, Commercial Director Cooperative Affairs

“When our new cooperative approach, we enhance the link between our members and our business.”

With our new approach, we enhance the link between our members and our business whilst also contributing to a responsible food chain for future generations. To this end, we organized 23 regional member meetings in 2018 to discuss the role of a modern cooperative. After this intensive member consultation we defined four concrete action areas, in order to:

- Give farmers a voice in the market and in society
- Actively participate in the societal debate on behalf of our members
- Support initiatives that connect farmers and citizens
- Develop projects to address complex issues that are important to our members.

These roles are perfectly aligned with our ‘Better Together’ strategy, aimed at delivering measurable, relevant and sustainable value at farm, field and industry level. Besides the organizational changes to our cooperative structure to ensure a closer connection with our members, we are also starting to develop concrete farm-level projects. Within the Council of Members, a dedicated committee was established to identify the most impactful projects which should be rolled out in 2019. This resulted in a longlist of projects, several of which will actually be implemented in the coming year. These projects deal with important topics such as circular agriculture, soil health, nature-inclusive agriculture and low-emission farming. We will continue to identify relevant projects and topics in 2019 in a bottom-up process in conjunction with our members. Besides this, another priority in our new cooperative approach is to promote agricultural entrepreneurship among young people. This is in response to members who have asked us to help them with succession planning. One example of our activities in this area is the Young Entrepreneur Development Programme (or JOOP for short). The objective is to help young farmers discover what type of entrepreneur they are, and what is key to their new business and market environment. Our coaches trained 25-30 young farmers in 2018 and we plan to scale this up to 120 in 2019. Ultimately, our new cooperative approach is designed to deliver added value for our customers and to strengthen the position of our members and our business.”
Global roll out of the CSR Policy

Ruud Tijssens, Director Public & Cooperative Affairs

“CSR was a key topic during the international management conference held at our headquarters in Apeldoorn, the Netherlands, in February 2018. There was a significant buzz around how we can effectively deliver on our vision for supporting a responsible food chain for future generations in all the countries in which Agrifirm operates. Our aim is to create relevant impact worldwide by delivering sustainable value at farm, field and industry level. But what this actually means can vary from country to country, which is why we have decided to perform materiality analysis in our strategic core markets: Poland, Brazil and China. By doing so, we hope to embed Agrifirm’s CSR policy in a local context, ensuring support among both internal and external stakeholders whilst also contributing to realizing our business ambitions.

I am very proud of the results that were achieved by conducting the regional materiality analysis in Brazil and Poland. They provided us with a useful perspective on what matters most to Agrifirm and its stakeholders within a regional context. This will allow us to take the necessary steps to truly embed our CSR policy within a local context. In addition, it was very inspiring to see how our in-country teams came together to discuss how Agrifirm can truly drive its vision for a responsible food chain forward. There was a lot of enthusiasm and focus in this process. This is also reflected in the fact that we have now appointed regional CSR coordinators in Brazil and Poland. For more details of the materiality analysis in Brazil and Poland, please see page 46 and 48 in this report. In 2019, we are planning to conduct materiality analysis in China.

In addition to our work on the international rollout of our CSR policy, we also achieved excellent results in other material areas of interest for Agrifirm in 2018. One example is the work we did together with GD Animal Health on the Animal Health Scan, which is aimed at developing a science-based weighting method for measuring Agrifirm’s impact on animal health. This method has now been developed successfully and will be integrated into Agrifirm’s innovation process in 2019. Albert van den Belt provides more background on this on page 33 of this report.”

Materiality Analysis – Agrifirm LATAM
Bruno Alexandre Bauke, Coordinator HSE + CSR, Agrifirm LATAM

“In December 2018 we presented the results of our materiality analysis during a workshop in Brazil. The analysis provides unique insights into how our company and important external stakeholders view the development of our industry in Brazil. The analysis highlights that traceability, transparency and supply chain collaboration are key drivers for us in Brazil. Besides the analysis results, the process itself has also helped to put CSR on the agenda. This is important as it provides more guidance to our CSR engagement in the region, and it creates enthusiasm around this important topic. We have developed an action plan based on the outcomes and we will start implementing it in 2019.”

Materiality Analysis – Agrifirm Poland
Anna Erenc, Coordinator CSR, Agrifirm Poland

“The results of our materiality analysis for Agrifirm in Poland were presented in Szamotuły in January 2019 during a workshop which was attended by our local management and key members of staff. Although CSR is currently perhaps not as prominent on the business-to-business agenda in Poland as it is in other European markets, we nevertheless see it as an important driver to underpin our future growth and deliver on our vision for a responsible food chain. For this reason, our team was very much engaged in the process and I am happy to report that our colleague Anna Erenc will now assume the role of CSR Coordinator in Poland. Together with Emese Brósz, she will be responsible for starting the implementation of our regional action plan in 2019.”
Stakeholder Engagement

In 2018, we consulted various stakeholders on relevant themes. The regional sourcing of raw materials is one important topic for food and feed processors and retailers, which is why we organized a round-table discussion on that topic in March 2018. Another important opportunity for stakeholder consultation was the side event on circular agriculture organized by Agrifirm during the Global Forum for Innovation in Agriculture (GFIA) held in Utrecht, the Netherlands, on 20 June 2018. Both events are discussed more in detail in Chapter 6. For an overview of all stakeholders consulted in 2018, see the appendix on page 57.

Materiality Analysis

In 2016, Agrifirm completed materiality analysis to test the stakeholder focus on the CSR policy. The analysis provided insight into the opportunities and challenges perceived by stakeholders relating to sustainability at Agrifirm. In total, 13 stakeholders from government, NGOs, processing companies, retailers, academia, media, members/customers and Agrifirm’s Works Council were interviewed (see figure below). A high position on the Y axis indicates that stakeholders regard that topic as important for Agrifirm. A topic that is positioned to the right on the X axis is considered important for Agrifirm’s success and is a topic on which Agrifirm can exert influence.
## Sustainable Raw Materials

**2018 Process Milestones/Activities:**

- Develop a strategic action plan for countries where there are more than three serious high-risk topics.

**Status:**

- On track

**2019 Result Objectives:**

- Further intensify the responsible procurement approach by defining regional action plans for core origins and commodities.

**2020/2025 Objective:**

- By 2020, all key raw materials are incorporated as part of a sustainable procurement policy. The production risks for each raw material and region are identified, including the actions to be undertaken by Agrifirm in this regard.

**Material Topics:**

- Sustainable procurement of raw materials

**Contribution to SDGs:**

- 1. No poverty;
- 8. Decent work & economic growth;
- 10. Reduce inequalities;
- 12. Responsible Consumption;
- 15. Life on land.

## Circular and Resource-Efficient Agriculture

**2018 Process Milestones/Activities:**

- Integrate the Sustainability Scan into Agrifirm's innovation process.

**Status:**

- On track

**2019 Result Objectives:**

- In 2019 the Sustainability Scan is fully integrated into Agrifirm’s innovation process.

**2020/2025 Objective:**

- By 2025 Agrifirm has developed sustainable agricultural practices that have the ability to reduce the environmental footprint of our customers’ production of animal and plant-based products by 15% in comparison to 2015.

**Material Topics:**

- Circular economy, climate

**Contribution to SDGs:**

- 2. Zero hunger;
- 6. Clean water & sanitation;
- 12. Responsible consumption & production.

## Healthy Soil, Plants and Animals

**2018 Process Milestones/Activities:**

- Adopt indicators and a weighting method to be able to demonstrate the impact of Agrifirm’s products and services on the health of plants, soil, and animals.

**Status:**

- On track

**2019 Result Objectives:**

- This weighting method will be integrated into Agrifirm’s innovation process in 2019.

**2020/2025 Objective:**

- Substantial increase in low-impact crop protection agents in use at the farm level by 2020.

**Material Topics:**

- Preservation of biodiversity, crop protection agents, and animal health and welfare

**Contribution to SDGs:**

- 2. Zero hunger;
- 6. Clean water & sanitation;
- 13. Climate action;
- 15. Life on land.

## Socially Sustainable Chains

**2018 Process Milestones/Activities:**

- Engage in partnerships with other links in the chain to create sustainable concepts in food and feed.

**Status:**

- On track

**2019 Result Objectives:**

- Develop relevant KPIs to provide insight into Agrifirm’s impact as a consultation partner for sustainable chains and to exert better influence on those chains.

**2020/2025 Objective:**

- By 2025 Agrifirm is the main discussion partner for chain parties in developing and testing new supply chain concepts.

**Material Topics:**

- Regional production

**Contribution to SDGs:**

- 12. Responsible consumption & production;
- 17. Partnerships for the goals.
## Operational Pillars

<table>
<thead>
<tr>
<th>Operational Pillar</th>
<th>2018 Process Milestones/Activities</th>
<th>Status</th>
<th>2019 Result Objectives</th>
<th>2020/2025 Objective</th>
<th>Material Topics</th>
<th>Contribution to SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Efficient Production and Logistics</strong></td>
<td>The Energy Efficiency Team will exchange data about energy consumption and energy efficiency every quarter using an online platform. Further identify best practices and develop fact sheets for more refined analysis of the actual impact of energy-efficiency improvement measures.</td>
<td>Review and monitor objectives in order to achieve the 2025 goals, continuous improvement.</td>
<td>By 2025 Agrifirm has improved its energy efficiency by 15%. Agrifirm has made binding agreements with its carriers about achieving the reduction objectives for energy use and the emission of various substances, including particulate matter.</td>
<td>Climate</td>
<td>7. Affordable and clean energy; 9. Industry, innovation &amp; infrastructure; 13. Climate action.</td>
<td></td>
</tr>
<tr>
<td><strong>Employees: Safety First</strong></td>
<td>Review and refine 2017 objectives for 2018 and thereafter.</td>
<td>Review and monitor objectives in order to achieve the 2020 goals.</td>
<td>Average employee satisfaction survey results: by 2020, 10% better than in the reference year (2017) with the ultimate objective of retaining and creating highly engaged and committed people. By 2020, the number of accidents with lost time is a maximum of 1 per 200 employees and we are receiving a minimum of 1 reported near miss per person working at a production site (per year).</td>
<td>Employee satisfaction</td>
<td>3. Good health &amp; well-being; 8. Decent work &amp; economic growth.</td>
<td></td>
</tr>
<tr>
<td><strong>Food Safety</strong></td>
<td>Implement quality management at the group level.</td>
<td>By the summer of 2019 we intend to have completed the implementation of the Agrifirm global quality policy.</td>
<td>By 2020 Agrifirm has a standard quality management approach for all companies within Royal Agrifirm Group.</td>
<td>Animal feed/food safety</td>
<td>3. Good health &amp; well-being; 12. Responsible consumption &amp; production.</td>
<td></td>
</tr>
<tr>
<td><strong>Ethical Business Operations</strong></td>
<td>Workshop for managers in key countries and in high-risk countries (Hungary and Ukraine). Develop an online tool for dilemma training for all Agrifirm employees. Develop a country and partner policy as part of the corporate guidelines.</td>
<td>Sensitivity analysis in core countries to see if further training is needed.</td>
<td>By 2025, all employees are trained in terms of the ethical business operation principle and its implementation within Agrifirm.</td>
<td>Ethical business operations</td>
<td>12. Responsible consumption &amp; production.</td>
<td></td>
</tr>
</tbody>
</table>
About Royal Agrifirm Group

Agrifirm is a leading, agricultural Cooperative with an international network of subsidiaries established in 16 countries in Europe, South America and Asia, with a global distribution network. With more than 3,000 committed employees who aim to excel each and every day, Royal Agrifirm Group contributes to a sustainable food chain for future generations. We provide measurable, relevant and sustainable value at the farm and field levels, and to industry. Better cooperation with members/customers, chain parties and among Agrifirm companies is a key focus of our ‘Better Together’ strategy.

Circular and Resource-Efficient Agriculture

The foundation for a future-proof food chain is a circular agriculture with maximum resource efficiency. The basic principle in this respect is to close mineral cycles and to prudently deal with the use of raw materials. In 2017 Agrifirm developed a Sustainability Scan that ensures that the sustainability results of the products and concepts are already calculated in the development phase.

Healthy Plants, Soil and Animals

Resistant plants and healthy animals need fewer supporting substances such as crop protection agents or veterinary medicines. Our goal is to develop sustainable agricultural practices. In 2016 we launched a new crop protection strategy. The integrated approach is focused on minimising the impact of crop protection agents on the animal habitat and the human living environment.

Sustainable Raw Materials

The demand for food will increase over the coming decades. This increases the pressure on raw materials, water and the natural environment. Agrifirm is therefore working on purchasing sustainably cultivated raw materials for its animal feeds. By using a volume-based approach, Agrifirm focuses on the most strategic raw materials and on creating the greatest possible impact. We started with the major raw materials for the Dutch market. The goal is to roll out this policy worldwide.

Socially Sustainable Chains

A broader choice of sustainable and healthy food helps people make a positive change to their consumption pattern. Every party in the chain makes an indispensable contribution to this. Together we work on product concepts with shorter chains and on the use of local raw materials. In order to make a contribution to the development of sustainable food chains, Agrifirm launched the ‘Livestock Feed of European Origin’ Code in 2017.

Turnover and Result

<table>
<thead>
<tr>
<th>Sales Volume (in 1000 tonnes)</th>
<th>Turnover (in millions of euros)</th>
<th>Net Profit (in millions of euros)</th>
<th>Member Dividend (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,611 Compound feeds</td>
<td>€2,087</td>
<td>€28</td>
<td>€</td>
</tr>
<tr>
<td>1,941 Co-products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>514 Premixes &amp; concentrates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>364 Fertilisers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cereals, potatoes, onion and carrots</td>
<td>€339</td>
<td></td>
<td>109.6 Crop protection agents (€ millions)</td>
</tr>
</tbody>
</table>
3. Operational Pillars for Professional Business Operations

Safe working conditions, ethical business operations, food safety and efficient operations are all fundamental in Agrifirm’s vision for a sustainable food chain for future generations. To Agrifirm, these four aspects are its license to operate and therefore form the operational pillars of its CSR structure.

Operational Pillar 1: Employee Safety First

At all operational locations, Agrifirm aims to create safe working conditions for employees and intends to create social added value. We evaluate employee safety by constantly monitoring the number of accidents and the level of employee satisfaction.

Targets and achievements

Our targets for 2020 are: a maximum number of 0.5 Lost Time Accidents (LTAs) per 100 FTEs, and employee satisfaction results registered via our annual AEOS Survey to show a 10% improvement on 2017.

For 2018 we set a target of fewer than 1.5 incidents per 100 employees. This target was met and exceeded as we actually achieved a reduction to 0.8 LTAs per 100 FTEs. Regarding employee satisfaction, the 2018 score cannot be compared against the 2017 score of 7.6 because a different external agency performed the survey based on different topics in 2018. However, the ‘Recommending Agrifirm to others’ topic scored an average of 7.06 among the 2,128 respondents in the 2018 survey.

Approach

Safety is a top priority for Agrifirm, and all our operations worldwide comply with international safety and quality standards such as GMP+, FCA and ISO 9001. We combine this with local efforts and activities like safety training and awareness sessions in various locations, and making the use of personal protection equipment mandatory. Globally, we use safety signs and conduct job risk assessments. The global standard we use for employee safety is described in our Health Safety Environment (HSE) protocol. In 2018 we optimized this protocol by appointing one HSE lead per region. We currently have four HSE leads who meet up with one another regularly. We are implementing global safety programmes in line with this structure across all Agrifirm locations worldwide. Key examples include procedures for high-risk activities, ‘golden rules’ for safety, incident management systems, training courses, instructions and standardized monthly report formats.

Our regional HSE leads coordinate regular training sessions and incident reporting, including input of data on incidents and near misses into the system. Employees can submit incident reports by completing a form, sending an email or by directly contacting the regional HSE lead.

We have optimized our incident reporting globally to facilitate frequent monitoring. We also report monthly on near misses and share the information with employees to raise awareness. We use the ‘5 Whys & Fishbone methodology’ to analyse serious near misses and LTAs in order to search for root causes and prevent similar incidents from happening elsewhere. We intend to integrate this effective methodology into our management software by 2019.

Our global HSE approach applies to all Agrifirm employees apart from those in our retail division. From operational employees at production locations and warehouses to office workers, salespeople and technical employees on farms, we engage all of these groups to improve their awareness of safe working conditions. Our system of ‘golden rules’ for safety is a good example of such initiatives. We also connect with external workers such as truck drivers and contractors who are active at our facilities to alert them to the importance of safety. In Belgium, for instance, contractors need to complete an online safety training module before they are allowed to work for us. In 2019 we will intensify our efforts to increase awareness among this external target group.

Following on from our AEOS survey, we made various changes in various regions. In Poland the survey revealed possible improvements in communications, training and working conditions, so we created an action plan that we are gradually implementing. In Tianjin, China, we implemented a new salary system for our employees to improve working efficiency while maintaining income levels and reducing overtime. There, and at our facility in Suzhou, China, we now hold exit interviews with people who leave us voluntarily. Understanding why they decided to do so will help us to identify root causes and ultimately improve conditions. Furthermore in China, the local management has organized ‘One Winning Culture’ workshops as a platform for listening to employees and catering to their needs wherever possible. Most of the action points stemming from the workshops relate to work environment, process improvements, productivity and communication.

Workforce composition

In 2018 Royal Agrifirm Group employed 3,172 people, equivalent to 2,957 FTEs. 87.4% of those FTEs were on permanent contracts and 12.6% of them worked on fixed-term contracts. At FTE level, the largest percentages of employees are in sales (33%) and production (33%).
The FTE breakdown per region is as follows:
Agrifirm NWE: 1,031
Agrifirm International (EMEA, LATAM, Asia): 1,198
Other: 728

Within Royal Agrifirm Group, the average absence due to illness was 3.3% in 2018. This marks a slight increase from 2017, when it was 2.7%.

Operational Pillar 2: Ethical Business Operations
Agrifirm and its employees are aware of their influence, both internally within the organization and externally in the value chain. Therefore, it is important to do business ethically.

Targets and achievements
We manage and evaluate our ethical business efforts, including by educating our employees and raising awareness of the importance of business ethics. By 2025, we aim for all our employees to have received training on the principle of ethical business operations and its implementation within our company.
We organize workshops on ethical business in our key countries (NWE, Poland, Brazil, China) and in high-risk countries (Hungary, Ukraine). In 2018, we held 7 workshops internationally and approximately 20 in the Netherlands. We also developed an online dilemma training tool for all Agrifirm employees.

Approach
Our ethics policy is based on our Ethical Business Code of Conduct. This is a guideline for fair business practices and establishes a code of conduct both internally and externally. In countries with less stringent local laws, our Ethical Business Code of Conduct takes precedence. If local laws are stricter than our Ethical Business Code of Conduct, those laws must be respected and upheld.

Royal Agrifirm Group has a whistle-blower scheme in place. It allows every employee to internally report any (suspected) situation of abuse in our organization or in relation to us, without any fear for the employee’s own position. Cases of fraud or illegal behaviour can be reported to the HR director or Legal director. This can be escalated to the Supervisory Board if a next step is needed.

In consultation with Ernst & Young, it has been determined that all cases in 2018 were either too small or insufficiently clear to merit being reported here.

Operational Pillar 3: Food Safety
Food safety is of key importance for the entire agricultural food value chain: from farmer to supplier to consumer. Agrifirm collaborates with partners on challenges arising from stricter industry standards for feed and food safety.

Targets and achievements
By 2020 Agrifirm will have a standard quality management approach for all companies within Royal Agrifirm Group.
In 2018 we implemented quality management at group level. By the summer of 2019 we intend to have completed the implementation of the Agrifirm global quality policy.

Approach
The responsible sourcing of raw materials is a strategic CSR pillar for Agrifirm (see Chapter 4). This also concerns our approach regarding feed and food safety. We have quality systems in place – Qcontrol and QAssurance – and we are compliant with laws, regulations and standards in our countries of operation. Our experts have the knowledge and the tools to help members and customers comply with standards.

For feed and food safety, Agrifirm is a member of SecureFeed which combines knowledge of raw materials with knowledge of how they are produced and processed. Our membership of GMP+ means that our suppliers are audited regularly – at least once a year – for compliance with feed safety regulations.

We categorize our products as high risk, medium risk or low risk and we audit them accordingly. Certain subsidiaries of Royal Agrifirm Group do this in line with SecureFeed procedures, while others work with complementary schemes that focus on microorganisms and microbiology.

Incidents are reported internally to senior management on a quarterly basis. External partners such as SecureFeed, customers, suppliers, governmental bodies and certification bodies such as GMP and FCA and are also notified if required by law and/or by industry organizations. In 2018 Agrifirm received no penalties.
In 2018, the total energy consumption of Royal Agrifirm Group decreased by 6% (134,112 GJ) compared to 2017. Between them, NWE Feed (59%), NWE Oldambt (22%), Poland (8%) and Hungary (4%) are responsible for 93% of the total energy consumption (see diagram below).

Operational Pillar 4: Efficient Production and Logistics

Raw materials processing and logistics are two energy-intensive activities that produce greenhouse gas (GHG) emissions. By continuously increasing efficiency in production and logistics, Agrifirm strives to reduce its ecological footprint.

Approach
In 2018, the Energy Efficiency Team started the quarterly exchange of data about their energy consumption and energy efficiency via an online platform. The team comprises managers from all operations globally, with a focus on Agrifirm’s feed operations in NWE, Poland and Hungary. The Energy Efficiency Team investigates how Agrifirm can meet its energy efficiency targets. Besides this, the team identifies best practices (e.g. removal of unnecessary equipment, replacement of inefficient machinery with new energy-efficient equipment, isolation of steam pipes and valves) and it develops fact sheets enabling Agrifirm to further improve its analysis of the impact of energy-saving measures.

Agrifirm’s energy consumption
Agrifirm uses various energy sources in producing animal feed and other products and distributing feed and associated materials such as fertilizers and seeds to its members and customers, as well as in providing lighting and heating at its offices, warehouses and production facilities.

Royal Agrifirm Group’s Global Energy Consumption

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas (m³)</td>
<td>11,910,947</td>
<td>10,602,551</td>
</tr>
<tr>
<td>Gas, liquid (l)</td>
<td>372,472</td>
<td>391,188</td>
</tr>
<tr>
<td>Oil (l)</td>
<td>90,341</td>
<td>186,053</td>
</tr>
<tr>
<td>Electricity (kWh)</td>
<td>151,615,941</td>
<td>142,509,707</td>
</tr>
<tr>
<td>Coal (tonnes)</td>
<td>15,554</td>
<td>15,244</td>
</tr>
<tr>
<td>Diesel (l) (own transport)</td>
<td>27,150</td>
<td>25,531</td>
</tr>
<tr>
<td>Steam (t)</td>
<td>2,622</td>
<td>2,982</td>
</tr>
<tr>
<td>Wood (t)</td>
<td>386</td>
<td>156</td>
</tr>
</tbody>
</table>

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Breakdown of energy use by production location (share in %)

- 59% NWE Nutritional Solutions (Feed)
- 22% NWE Oldambt
- 1% NWE Co-Products Bonda
- 2% NWE Arable Solutions (Plant)
- 2% International-EMEA (excl. Poland & Hungary)
- 4% International-Hungary
- 8% International-Poland
- 1% International-LATAM
- 1% International-APAC

1 Heating values are kept constant over time to allow for isolation of the effect of reduction in energy consumption as a result of measures taken at Royal Agrifirm Group. Differences with values in 2017 may be due to changes in heating factors; these have been reassessed this year and revised where necessary.
Energy-efficiency improvement measures

Agrifirm has been calculating its Energy Efficiency Index (EEI) since 2010. The EEI provides insight into the level of efficiency with which animal feeds are produced. Various energy-efficiency improvement measures that were implemented in 2018 led to a 6% reduction in the total energy consumption. Moreover, the EEI has improved in comparison to 2017. However, it should be noted that the EEI in Poland increased in 2018 compared with 2016, largely due to the acquisition of two production facilities in Poland which are equipped with less efficient technologies. Plans are being developed in 2019 to improve the energy efficiency of these sites. Other factors influencing the EEI are the production mix, e.g. the ratio of pallets and/or meal produced, and smaller order sizes. Please see Appendix 3 for more details.

Transport and logistics

Logistics efficiency not only improves the flexibility of the operational process, but also reduces fuel consumption and the emission of CO₂ and particulate matter. Therefore, Agrifirm works with its logistics service providers to continuously reduce fuel consumption and emissions. To this end, Agrifirm works in a plan-do-check-act cycle, combined with regular monitoring of the impact of its efficiency improvement measures. The Euro 5 emissions standard that came into force in 2009 is the standard for all its vehicles.

CO₂ emissions

Agrifirm calculated its CO₂ emissions (Organizational Environmental Footprint) for the entire company on the basis of its energy consumption. The results of the CO₂ emissions are based on the emission factors published by Stimular (in line with CE Delft 2010) and the Climate Neutral Group (in line with the NL Enterprise Agency’s 2012 CO₂ Performance Ladder). In 2018, the direct CO₂ emissions decreased compared to 2017, mainly due to a reduction in energy consumption. The emissions increased in Poland, but this can be explained by the addition of two production facilities in 2017. The indirect CO₂ emissions are slightly higher than the direct CO₂ emissions due to steam and electricity that is sourced externally.

<table>
<thead>
<tr>
<th>CO₂ emissions (metric tons of CO₂ equivalent)</th>
<th>2017</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct (energy generated by the combustion of oil and gas)</td>
<td>60.802</td>
<td>56.949</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Indirect (consumption of electricity and steam)</td>
<td>82.822</td>
<td>78.419</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Total</td>
<td>143.624</td>
<td>135.368</td>
<td>-5.75%</td>
</tr>
</tbody>
</table>
4. CSR Pillar 1: Working on Sustainable Raw Materials

The increasing demand for food is exerting greater pressure on the use of raw materials, water and the natural environment. Agrifirm shoulders its responsibility by transparently making sustainable choices relating to raw materials, suppliers and regions of origin at the crop level. The basic principles in this regard are that we aim to minimize damage to the environment, valorize residual flows from the food industry and work together with suppliers on the sustainable production of raw materials.

For Agrifirm, close cooperation with suppliers and stakeholders is the starting point in realizing the sustainable production of agricultural raw materials. A shared vision ensures that the right decisions are made and the right measures are implemented. Agrifirm strives to establish long-term trust-based relationships with its suppliers. The majority of information is obtained through open and transparent trading relations and by monitoring performance, logistics, quality and legality. Agrifirm also aims to have as direct contact with its industry partners as possible to be able to influence these parameters. In addition, Agrifirm is in constant dialogue with its stakeholders.

Agrifirm has a Responsible Procurement policy in place, which was last updated in 2017. The approach is built on a generic risk assessment, specific risk assessments and active stakeholder involvement in those processes. The main objective behind this approach is for us to have a good understanding of the social and environmental conditions in our supply chain, ensure food safety and work on addressing these issues jointly with our suppliers. Our membership of SecureFeed and GMP+ helps us to avoid working with companies that are blacklisted and to evaluate suppliers regularly, usually on an annual basis.

Agrifirm takes a volume-based approach to focus on the most strategic raw materials and on creating the greatest possible impact. We decided to start with the raw materials for the Dutch market: corn, wheat, rapeseed meal, barley, feed cereal meal, beet/citrus pulp and sunflower kernel meal. The goal is to roll out this policy worldwide.

Goals and targets
By 2020, all key raw materials will be incorporated as part of a sustainable procurement policy. The specific risks associated with the production of these raw materials in different regions have been identified, including the associated actions to be undertaken by Agrifirm.

Citrusuco
In December 2018, Agrifirm visited Citrusuco - an important citrus pulp supplier in Brazil. Citrus pulp pellets are produced by pressing and drying orange peels, seeds and rag. The main objective of our visit was to review and discuss current developments with regard to sustainability in the Brazilian citrus production chain. Citrusuco operates in all stages of the orange juice production chain and is one of the world's largest orange juice companies. Sustainability is a central element to its business; it demonstrates its corporate social responsibility in multiple ways. For example, the company genuinely cares about the people impacted by its operations, it re-uses the water extracted in concentrated juice production and uses renewable energy in processing, plus it has multiple certification schemes in place for the farms and the entire supply chain.

Sustainable Sugar Beet
Royal Agrifirm Group is a partner in the Sugar Beet Russia (SUBERU) project of the Sustainable Agriculture Initiative (SAI) platform, a global initiative aimed at promoting the development of sustainable agriculture. The SUBERU project started in 2018 and will run for 18 months. It aims to develop an agreed, effective approach to management practices, land use and broader environmental best practices in Russia, which has become the world’s largest producer of sugar beet. Furthermore, it will encourage and provide support to farmers, specialists, agronomists and processing companies to help them embrace, communicate and learn from each other how to improve their farming businesses.

Danube Soy
In 2018, Agrifirm joined Danube Soy – an international non-profit organization promoting the development of a sustainable European protein supply chain, its membership includes retailers, agri-food companies and civil society organizations like Greenpeace and WWF. Together with its partners, Danube Soy implements soy breeding and research projects. The development and implementation of its ‘Donau Soja’ and ‘Europe Soy’ standards is another important cornerstone of the organization in promoting a sustainable, regional, GMO-free soy production for European-based value chains. Agrifirm is represented on the board of the association.

Emese Brósz joined Royal Agrifirm Group in January 2019 as CSR Coordinator. She has a strong background in the international agri-food sector, having worked in responsible raw material procurement and sustainability for many years. Her national group of laboratories.

Sustainable Procurement
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Sustainable agriculture is the cornerstone of a sustainable food chain. A variety of plant and animal species play an important role, both functionally and socially. Farmers protect their crops sustainably, enhancing soil quality and improving plant resistance to pests and diseases. Furthermore, livestock is housed, fed and treated in such a way to improve animal health and well-being. Robust animals are resistant to pests and diseases and are better able to adapt to changing circumstances.

Responsible farming is at the core of our development of products and services. Sustainability and animal well-being are fundamental to our research & development (R&D) activities, and in the synergies we seek by sharing knowledge within our group and in collaboration with external partners. To embed this in our company, we developed the Sustainability Scan (in 2017) and the Animal Health Scan (in 2018). Both approaches are based on fundamentally integrating sustainability gains and improved animal well-being into our solutions.

**Goals and targets**

By 2025, Agrifirm aims to have developed sustainable agricultural practices. Key will be prevention strategies and making the use of crop protection agents more environmentally friendly. This will significantly increase the share of low-impact crop protection agents used by our customers. For livestock farmers, we are developing innovative feed concepts that strengthen the natural resistance of animals to such a degree that our customers can significantly reduce the use of veterinary medicines.

Agrifirm’s ‘total solutions’ approach (known as Totale Oplossingen or TOP in Dutch) combines products, advice, knowledge-sharing and monitoring of results. Our solutions help entrepreneurs to optimize their revenues and profits at farm, field and industry level. We efficiently cater to all our customers’ needs regarding soil, animals, plants and entrepreneurship, supporting a business model for sustainable and circular agriculture.

In 2018, we developed two relevant solutions for livestock farmers by combining expertise within Royal Agrifirm Group:

1. For pig farmers that are keen to address societal demands for animal well-being, we introduced UniQ – a combination of feed lines, piglet scanning, high-quality advice and performance monitoring. Sows are farrowing more piglets as a result of genetic developments, while it is a top priority to reduce the use of antibiotics in the industry. In this context, UniQ helps to optimize the piglet quality. It comprises five new and integrated feed lines for a smooth transition in all stages, from farrowing to delivery.

2. For dairy farmers we introduced 1inMilk (1inMelk in Dutch), a tailor-made combination of feed for each stage – from calf to lactating cow – and advice and monitoring tools. 1inMilk optimizes the combination of compound feed and feed concentrates, enabling the dairy farmer to achieve the best milk yield from compound feed.

In November 2018, during the Euroti- er trade show in Hannover, Germany, Agrifirm introduced solutions for livestock farmers and feed suppliers that had been developed both by leveraging synergies and exchanging know-how within the Royal Agrifirm Group, and by collaborating with external partners. These solutions are a clear demonstration of Agrifirm’s ‘Better Together’ strategy in practice.

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6. CSR Pillar 3: Circular and Resource-efficient Agriculture

The foundation for a future-proof food chain is a circular agricultural system with maximum resource efficiency. The basic principle is to close mineral loops and to prudently deal with the use of raw materials. That is why Agrifirm develops products, services and tools that contribute to reducing the ecological footprint of products, and why the company is working to valorize manure.

Agriculture is a major producer of biomass. In order to preserve our planet’s natural resources for future generations, production growth must be aligned with the Earth’s ecological capacity. Therefore, sustainable food production must be based on two principles: circular agriculture and optimal utilization of resources.

Sustainable agricultural practices help to reduce the carbon footprint of Agrifirm and its customers. In a circular economy, raw materials and products remain within the loop as long as possible and at the highest possible quality. This requires cooperation between all the links in the value chain, and Agrifirm’s management approach is essentially focused on such collaboration.

On 14 March 2018, Agrifirm and two NGOs - Natuur & Milieu (‘Nature & Environment’) and Milieudefensie (‘Environmental Defence’) - organized a round-table discussion on the matter of whether regional or European livestock feed can contribute to chain sustainability and a circular economy in agriculture. The session was attended by stakeholders from the poultry, pig and dairy product chains as well as government agencies and governmental organizations.

In line with its ‘Better Together’ strategy, Agrifirm strives to exchange knowledge at local, regional and global level, both within its own organization and externally with its members, customers and relevant third parties.

Precision agriculture and data management and analysis increasingly allow for optimization of the use of fertilizers and crop protection agents. For farmers, this reduces both costs and their ecological footprint. In 2018, Agrifirm organized several precision farming study groups for farmers. A key element of Agrifirm’s management approach is the Sustainability Scan, which ensures that the sustainability impact of products and services is calculated right from the start, in the development phase. In 2018 Agrifirm was also involved in the Next Level Manure Valuation (mestverwaarding in Dutch) consortium which aims to stimulate the use of manure in a circular fertilizer concept and as a source for the generation of biogas.

Goals and targets
By 2025, Agrifirm aims to have developed sustainable agricultural practices that have the ability to reduce the ecological footprint of our customers’ production of animal and plant-based products by 15% compared to 2015.

In the feed for laying hens, the share of soy products in 2018 increased compared to 2017. In the feed for fattening pigs, the share of whole grains in 2018 increased compared to 2017. This explains the reductions in co-products used in 2018 compared to 2017.

GHG Emissions of Feed (Eggs, Meat, Dairy) (Scope 3)
The calculation of the CO₂ impact of Agrifirm’s feed production in the Netherlands reveals varied results. The amount of CO₂ per kilogram of end product has increased for pig feed and laying hens. For broilers and dairy cattle, the development was favourable with somewhat reduced amounts of CO₂ emissions per kilo of end product. Detailed figures can be found in the appendix on page 59.

The Use of Recycled Input Materials (% of co-products in animal feed by animal type)

<table>
<thead>
<tr>
<th>Delivered product</th>
<th>Co-products per delivered product</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>1kg LW poultry</td>
<td>38.23%</td>
</tr>
<tr>
<td>1kg LW pig</td>
<td>36.90%</td>
</tr>
<tr>
<td>1kg milk</td>
<td>58.18%</td>
</tr>
<tr>
<td>1kg egg</td>
<td>36.70%</td>
</tr>
</tbody>
</table>

Note: Compared to 2017, the calculation of the co-products percentage has been slightly adjusted. The scope of the calculations is the Netherlands. Other locations will be added to the calculations in the coming years. The numbers are expressed as a percentage of co-products of 1kg of delivered end product.

Results
In 2018, Agrifirm partially achieved its goal of fully integrating the Sustainability Scan into its innovation processes. As a standard procedure in all new project charters, sustainability has become part of the business case. Results are still limited, however, due to the reduced number of new projects in the pipeline.

In 2018, we managed to slightly reduce (by 0.8%) the level of phosphorus in our pig feed. This is mainly a result of a decrease in feed for sows and a stable level of phosphorus in feed for meat-type swines. In November 2018, Agrifirm announced its collaboration with Protix, a producer of certified sustainable insect ingredients. Both partners intend to develop circular feed concepts for broilers, layers and pigs as well as targeted applications for circular soil improvers.
Circular Collaboration between Agrifirm and Protix

Protix is a leading producer of circular, natural and sustainable proteins from insects. “Protix intends to bring the food system back in balance with nature. We reduce plant-origin food waste by re-using it as feed for our insects. In nature, insects do the same and are a crucial and natural source of proteins and other nutrients for many animals,” explains Tarique Arsiwalla, founder and chief commercial officer of Protix. “One of the key species that we’ve been growing since 2009 is the black soldier fly, whose larvae provide a unique profile of protein and lipid, making it very suitable for animal feed applications.”

The collaboration between Agrifirm and Protix started in 2018 and will result in the launch of various new feed concepts and a soil improver using insect-based ingredients. “In Agrifirm, we have found not only a valuable partner but also a new customer and a supplier with a lot of knowledge and experience,” continues Tarique Arsiwalla. “Agrifirm has a clear ambition to bring positive and lasting change by creating a more sustainable and circular food system. We are proud to actively support each other in our mission.”

Protix’s insect-based ingredients will inspire Agrifirm’s researchers in developing new and innovative circular feed concepts. Agrifirm will also explore the full potential of the Protix natural soil fertilizer, composed of by-products from the insect breeding industry such as food fibres, insect skins and droppings. These are rich in organic matter, chitin and minerals, which all help to restore the natural balance in the soil. The product creates soil with a healthy structure which can absorb water. Based on the first signs, it also has additional properties such as stimulating the activity of beneficial soil microorganisms, improving the natural defence of plants and – as a fertilizer – helping crops to grow. Agrifirm will be conducting extensive field tests with this natural soil improver – which is already circular – to determine its added functionality for specific crops.

GFIA side event on circular agriculture

Agrifirm organized a side event on circular agriculture at the Global Forum for Innovations in Agriculture (GFIA) in Utrecht, the Netherlands, on 20 June 2018. Over 250 attendees, representing stakeholder groups ranging from farming specialists, supply chain partners, nature conservation organizations, knowledge institutions, retailers, government officials and politicians, discussed the topic ‘Does geographical distance determine the success of circular agriculture?’

One conclusion from the side event was that definitions are needed on the parameters of circular agriculture and a responsible food chain. This will allow for a common language and effective management, as circular production, food safety and environmental impact are all interrelated. “Circular agriculture is a holistic process that can only work if parties join forces,” said Marjolijn Sonnema, Director General for Agro and Nature Policy at the Dutch Ministry of Agriculture, Nature and Food Quality. Referring to multi-stakeholder initiatives like the Dutch Raw Materials Agreement or the Delta Plan for Restoring Agriculture, Sonnema added that she sees work in progress when it comes to circular agriculture.

According to Marin Scholten, Managing Director of the Animal Sciences Group at Wageningen University & Research, circular agriculture must become the baseline. “No biomass may be lost during food production, and the sector needs to recycle minerals from its side streams,” he said. “This requires a deep look at the system. Technology allows for converting crop residues into animal feed, but when it comes to manure management, improvements are needed for optimal fertilization of the soil with minerals.”

Tjeerd de Groot, a member of parliament for the Dutch political party D66, argued that thinking in terms of chains is outdated. “You need to shift towards smart combinations of business clusters,” he stated. “The government should take the lead. Current legislation compartmentalizes everything: ammonia, phosphate. We burn bone meal, ship off manure and bring in fertilizer to replace it. It drives farmers crazy. Implement measures at local levels, lessen restrictions and offer room for experimentation.”
Circular agriculture: balanced agricultural system

In circular agriculture, raw materials and products remain within the cycle as long as possible and at the highest possible quality, through the full use of raw materials, the high-quality use of biomass and the recycling of residual streams. This demands cooperation by all links in the chain and at all levels: local, regional and global. The optimal choice of scale level is different for every sector.

Local
Basic principle at the farm level: ‘What the farmer takes out, the farmer also puts back.’ The small cycles can be relatively easily influenced. Depending on the cultivation plan and the choice of livestock feed, the farmer can determine the specific need for organic matter, nitrogen and phosphate for the soil, crop and animal.

What Agrifirm has to offer:
> A Livestock Life Cycle Management Guide (KringloopWijzer) (Study Groups).
> A mineral planner and manure bookkeeping program Mineraal Optimaal.
> Draft and update the fertilisation plan.
> Supply organic fertilisers and compost.
> Mediate between the livestock farming and arable farming sectors about the transport and processing of manure.
> Supply grazed clover and other green fertilisers that retain phosphorus and nitrogen.
> Prevent the leaching of nutrients to the soil through liquid manure additives (Top Flow) and supply fertilisers that release nutrients in stages.
> Stimulate precision fertilisation on the basis of soil analyses and the development of task charts.
> Provide advice on soil health and stimulate local cooperation among agricultural farmers.
> Procurement of crops from regions where they grow most efficiently in terms of climate in line with the sustainable purchase policy.

Regional
Use the surplus in one region to supplement the shortages in other regions. Work on manure quality improvements to make it suitable as organic fertiliser.

What Agrifirm has to offer:
> Manure Investment Fund.
> Contribute to research into the 100% circular application of fertilisers.
> Code ‘Animal Feed of European Origin’.
> As much as possible valorise and make use of co-products.
> Stimulate growth of European soy.

Global
Nitrogen, phosphate and organic matter are in balance at the international level. Finite raw materials are no longer mined and used in a ‘virgin’ state.

What Agrifirm has to offer:
> Procurement of crops from regions where they grow most efficiently in terms of climate in line with the sustainable procurement policy.
> The sustainable procurement policy stimulates sound agricultural practices throughout the world.
> Development of regional and alternative proteins.
> Active involvement in international networks by exchanging knowledge and experience internationally, internally, as well as with chain partners.
Agrifirm strives to improve chain collaboration and is keenly focused on developing business models that integrate social needs. As a cooperative, Agrifirm is very well positioned to engage in the public debate on socially and environmentally responsible farming. The cooperative is also conducting relevant projects that are beneficial for each member’s social impact but are too large for individual members to handle. This has been described in more detail in Chapter 1 of this report (page 6 to 10).

Via the Livestock Feed of European Origin Code published in 2017, Agrifirm aims to create social support for agriculture. This code assesses the options for sustainable raw material sourcing, the optimization of closing the loops within arable and livestock farmers’ processes, and the procurement of sustainably produced raw materials for animal feed. This code is a good starting point for discussions with different stakeholders on creating a sustainable food chain. No discussions took place with stakeholders happened in 2018 but such discussions are on the agenda for 2019.

### Targets and results

By 2025, Agrifirm aims to be the main discussion partner for organizations that are developing and testing new chain concepts.

In 2019, Agrifirm is planning to develop relevant key performance indicators (KPIs) to provide insight into our impact as a consultation partner for sustainable chains, and to exert better influence on those chains.

### Providing Advice for PlanetProof

In 2018, Agrifirm developed an advisory and support scheme for farmers and growers that must comply with the ‘On the Way to PlanetProof’ sustainability label in order to supply potatoes, fruit and vegetables, flowers, plants, trees and flower bulbs to the Dutch market. This label has replaced the ‘Milieukeur’ label.

In the summer of 2018, dairy and eggs were added to the categories for which retailers and other distributors can require suppliers to comply with PlanetProof’s conditions. As these conditions are updated annually to secure continuous improvement in sustainable production, Agrifirm helps farmers and growers to keep pace with the changing requirements.

PlanetProof-certified companies take steps that go beyond legal requirements to contribute to cleaner air, fertile soil, good water quality, increased biodiversity on the farm, animal welfare and recycling. As these issues reflect the rising expectations in society, items displaying the PlanetProof label have a clear competitive edge.

In 2018, Agrifirm provided farmers and growers with advice and support for PlanetProof, e.g., helping them to decide what to do in terms of fertilization and crop protection. Entrepreneurs can score bonus points for sustainable practices like soil improvement and support for biodiversity. These can offset penalty points that are given for using specific crop protection means when less impactful alternatives exist, for instance. In other words, Agrifirm provides tailor-made advice.
In recent years, Agrifirm has been working with suppliers and value chain partners to develop sustainable food concepts that are attractive to consumers and retailers alike. One good example is Hamletz, a brand of sustainable pork meat produced with respect for the needs of animals, the farmer, the consumer and the environment. This started with an Agrifirm innovation project on modern livestock farming and the family-owned business has been building this sustainable brand ever since.

Hamletz uses pig feed made from local ingredients as much as possible. Soy has been replaced by farm-produced lupin, and animal well-being prevails. In July 2018, the Hamletz farm opened a state-of-the-art dartelstal (literally: ‘frolic sty’) offering enough space and good conditions for 4,900 pigs. This pigsty received a two-star rating under the Dutch Society for the Protection of Animals’ Beter Leven Keurmerk (‘Better Living Label’).

For 2019 and beyond, it remains one of our priorities to support the development of sustainably produced food concepts. In addition to our ongoing support for Hamletz, another good example is the ‘Oerei’ initiative with our new partner, Protix. The hens laying Oerei eggs consume soy-free feed supplemented by insects in an animal-friendly environment. In collaboration with Protix we will develop innovative feed concepts for broilers, laying hens and pigs, and fertilizers composed of by-products from the insect breeding industry that improve soil health and lead to improved natural defence of plants.
Outlook

Both as a company and as a cooperative, Agrifirm supports the development of a sustainable food chain for future generations. In line with this vision, we play a leading role in social engagement for agriculture. Operating on behalf of our Dutch members, this is a natural development in our domestic market in the Netherlands. In 2018, we embarked on a journey to actively roll out our CSR policy abroad, including by conducting materiality analysis in Poland and Brazil. We will continue this approach this year, when we will perform a materiality scan in China.

In line with our ‘Better Together’ strategy, this will create balance in our CSR policy and CSR commitments. Clearly there is a chance that our efforts abroad may slow down our CSR progress in the Netherlands. Nevertheless, we are confident that an aligned CSR policy in all the operating countries where we offer total solutions under the Agrifirm brand will support our vision.

2019 will also be the year in which we will reap the benefits from our partnerships. We are presenting several circular feed concepts with Protix, and our new joint venture in China – Agrilakes – will start producing value-added feed, feed ingredients and additives and premixes for Chinese dairy farmers, feed companies and forage growers.

In all our countries of operation, we will remain committed to developing socially sustainable chains and product concepts. We will also offer support to growers and farmers supplying the Dutch market, helping them to comply with the requirements of the PlanetProof quality mark for fruit, vegetables, dairy and other products.

Colophon

Agrifirm’s Corporate Sustainability Report 2018 is a publication of Royal Agrifirm Group and is available digitally on Agrifirm’s website.

Editorial Committee
Representatives of various Agrifirm business units and departments: CSR, Public & Cooperative Affairs, Communications, Finance and HR.

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7325 AW Apeldoorn
The Netherlands

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info@agrifirm.com
www.agrifirm.com

Text
Schuttelaar & Partners

Concept and Realization
DTP Agrifirm

June 6, 2019
Appendix 1a: Materiality Matrix for Poland

Material Topics

Top material Topics
- Ethical business operations
- Sustainable procurement of raw materials
- Preservation of biodiversity
- Circular Economy
- Employee satisfaction
- Feed safety

Top material Topics
- Customer satisfaction
- Crop protection agents
- Animal health and animal welfare
- Climate
- Regional production
- Field staff advisory services
- Employee training
- Innovative feeds
- Employee safety

Other Topics
- Fair pricing
- Genetics technology
- Food waste
- Water consumption and quality
- Innovative feeds and patents
- Soil quality and fertility
- Precision agriculture
- Agriculture and food education
- Support for CSR
- Sustainable food production
- Increasing scale of agricultural production
- Livestock farmers and growers earnings model
- Succession of agricultural entrepreneurs
- Energy consumption
- Efficient transport

Poland specific topics
- Social charity
- Access to healthy food and reliable food information
- Food availability
Appendix 1b: Materiality Matrix for Brazil

Material Topics

Top material Topics
- Ethics in Business
- Responsible purchases
- Attraction and retention of employees
- Quality of products and services/ food safety

Other Topics
- Solid and liquid waste
- New consumption standards
- Energy and water efficiency

Brazil specific topics
- Organizational culture and transparancy
- Relationship with strategic partners
- Packaging
- Traceability
- Local development
- Diversity and inclusion
- Site security
- Sustainable value chain
- CO₂ and other emissions
- Family farming
- Investment in local communities
- Relationship with local government

CSR themes
- Planet
- People
- Profit
# Appendix 2: KPIs Relating to the Organization

## Agrifirm Group BV

### Memberships & Initiatives

<table>
<thead>
<tr>
<th>Organization/Initiative</th>
<th>Role</th>
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<tbody>
<tr>
<td>FEFAC – the European Feed Manufacturers’ Federation:</td>
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<tr>
<td>Sustainability Taskforce &amp; PEFCR Technical Secretary</td>
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<td>FEFAC – the European Feed Manufacturers’ Federation: Praesidium</td>
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<td>Project Management, Sustainable Soy Chain Transition Foundation</td>
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<td>Dairy Campus Innovation Committee</td>
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<td>SAI (Sustainable Agriculture Initiative)</td>
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<td>Round Table Responsible Soy (RTRS)</td>
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<td>Round Table Sustainable Palm Oil (RSPO)</td>
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<td>BO Akkerbouw</td>
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<td>Nevedi (Netherlands Feed Industry Federation)</td>
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<td>Nevedi/LTO Feed Track Agreement</td>
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<td>Feed4Foodure Top Sectors Project</td>
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<td>WPSC – World’s Poultry Science Association</td>
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<td>FEFANA (European Feed Additives Association)</td>
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<td>TaskForce Mest- en Mijnbouwvereniging Mijninvesteringsfonds</td>
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<td>Convenant Weidegang (Agrifirm Feed)</td>
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<td>Actieplan Plantgezondheid (BO Akkerbouw)</td>
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<td>Deltaplan Biodiversiteit International Feed Industry Federation (IFI)</td>
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<td>Climate Change Tables Dutch Government</td>
<td>Member (via AgrNi)</td>
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<td>Nederlands Agribusiness Forum (AgrNi)</td>
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### Compliance with Certificates & Standards

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<tr>
<td>GMP+ QS: Good Management Practices – ‘Qualität und Sicherheit’</td>
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<td>Trustfeed Secure Feed</td>
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<td>HACCP – Hazard Analysis and Critical Control Points</td>
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<td>SKAL</td>
<td>Certificate</td>
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<tr>
<td>VLOG – Verband Lebensmittel Ohne Gentechnik</td>
<td>Certificate</td>
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<tr>
<td>QM-Milch (certified via country note)</td>
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<td>CVB – Feed optimization calculation methodologies</td>
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## Nuscience Group

### Memberships & Initiatives

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<tr>
<th>Organization/Initiative</th>
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<tr>
<td>Animal Feed Research and Animal Feed Product Board Advisory Committee</td>
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<td>Pig Veterinaries Survey Group</td>
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<td>WPSC European pig producers’ platform</td>
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<td>Nevedi Premixes Consultation Platform</td>
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<td>Fefana: EU Association of Specialty Feed Ingredients and their Mixtures</td>
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<td>Bermea – Belgian Feed Association</td>
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<td>Schothorst AGM</td>
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<td>AniMedica AGM</td>
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<td>Agrivaknet</td>
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<tr>
<td>Socially Responsible Soy Contracts</td>
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<td>Industrial Zone Cooperation (Droningen)</td>
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### Compliance with certificates & standards

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<td>ILO Convention 29 and 105 – No forced labour</td>
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<td>IPV5</td>
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</table>

**Agrifirm Belgium**

**Memberships & Initiatives**

- Bemefa - Belgian Feed Association | Member

**Compliance with Certificates & Standards**

- FCA (Feed Chain Alliance, former GMP) | Member
- HACCP – Hazard Analysis and Critical Control Points | Certificate
- SKAL | Certificate
- VLOG – Verband Lebensmittel Ohne Gentechnik | Certificate
- SecureFeed | Participant
- KAT | Certificate

**Agrifirm Germany**

**Memberships & Initiatives**

- Participant in Landliebe Programme | Member
- Socially Responsible Soy Contract | Member

**Compliance with Certificates & Standards**

- QS | Certificate
- KAT | Certificate
- VLOG – Verband Lebensmittel Ohne Gentechnik | Certificate
- Certified Organic Trade (Ingredients and Feed) | Certificate
- QM-Milch | Certificate
- DVT Supplier Audit Team | Certificate

**Agrifirm Belgium**

**Memberships & Initiatives**

- Hungarian Grain and Feed Association | Member
- The Netherlands-Hungarian Chamber of Commerce | Member

**Compliance with Certificates & Standards**

- SO 22000:2005 (Kaba, Győr) | Certificate
- HACCP (Kaba, Győr) | Certificate
- ISO 14001:2005 (Kaba) | Certificate
- Global GAP (Kaba, Győr) | Certificate
- GMP+B1 (Kaba, Győr) | Certificate
- OSI Food Solutions (Kaba, Győr) | Certificate

**Agrifirm Co-products NL/FR**

**Memberships & Initiatives**

- International Expert Committee of GMP+ (on behalf of OPNV), Transport | Member (NEW)
- OPVODI (Consultative Platform on Wet Animal Feeds within Nevedi) | Member (NEW)
- Valoria (French – Former Foodstuffs Syndicate) | Member
- SNIA (French – Compound Feed Companies Syndicate) | Member

**Compliance with Certificates & Standards**

- GMP+ | Certificate (NEW)
- KAT | Certificate (NEW)
- SecureFeed | Participant (NEW)
### Agrifirm Plant

**Memberships & Initiatives**

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<td>Stuurgroep SGGV Gewasbeschermingsmiddelen</td>
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<td>Nemadecide</td>
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<td>Geonema</td>
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<td>Agrodis</td>
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<td>NiBEM (Brewing Barley Advisory Committee)</td>
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<td>GP Groot</td>
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**Compliance with Certificates & Standards**

### Oldambt

**Memberships & Initiatives**

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<td>Copa-Cogeca, Fodder Legumes Working Group</td>
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<td>Dutch Federation of Agricultural and Horticultural Organisations (LTO)</td>
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**Compliance with Certificates & Standards**

### Agrifirm Exian

**Memberships & Initiatives**

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<td>Stuurgroep Projectbureau Lokale Mestverwerking</td>
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<td>Nevedi Werkgroepen Kringloopwijzer</td>
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**Compliance with Certificates & Standards**

### NutriControl

**Memberships & Initiatives**

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<td>Fenelab Agrofood Committee</td>
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<td>Fenelab Accreditation Committee</td>
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<td>GMP+ Reliability of Laboratory Testing Steering Group</td>
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<td>VRG</td>
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<td>Het Comité van Graanhandelaren</td>
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**Compliance with Certificates & Standards**

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Overview of Key Topics that Emerged in Consultation with Stakeholders

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<th>Stakeholders &amp; type of contact</th>
<th>Relation to CSR policy/objectives</th>
<th>Frequency of contact</th>
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<td>Co-products</td>
<td>InDirect</td>
<td>Animal health and scarcity of raw materials</td>
<td>Monthly</td>
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<td>Climate (greenhouse gas emissions)</td>
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<td>Sustainable raw materials (local raw materials, sustainable soy, sustainable procurement)</td>
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<td>Animal health and scarcity of raw materials</td>
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<td>Efficient use of raw materials</td>
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<td>Local residents near production/processing plants - safety and liveability</td>
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<td>Biodiversity</td>
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<td>Animal health</td>
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<td>Feed safety</td>
<td>PigutNet</td>
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<td>Biodiversity (plant health, soil health, flowers &amp; bees)</td>
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<td>Logistics</td>
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<td>‘Safety First’ activities</td>
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<td>Involvement with local communities</td>
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<td>Contribution to developing countries</td>
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<tr>
<td>Collaboration for sustainable supply chains</td>
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### Other Topics

#### Bonda:

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<thead>
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<th>Nutritional and Industrial Solutions</th>
<th>Stakeholders &amp; type of contact</th>
<th>Relation to CSR policy/objectives</th>
<th>Frequency of contact</th>
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<tbody>
<tr>
<td>Co-products</td>
<td>NL: All our suppliers FR: Labels</td>
<td>NL: Sustainability, circularity, CO₂ emissions reduction, GMO-free production, EU 28 FR: Allow use of co-products in specific areas</td>
<td>NL: Very frequently FR: Quarterly</td>
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</table>

<table>
<thead>
<tr>
<th>Logistics</th>
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<table>
<thead>
<tr>
<th>Generic Topics</th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>'Safety First' activities</td>
<td>NL: Employees, HSE colleagues, visitors/contractors</td>
<td>NL: Weekly</td>
<td></td>
</tr>
</tbody>
</table>

#### Nuscience:

<table>
<thead>
<tr>
<th>Nutritional and Industrial Solutions</th>
<th>Stakeholders &amp; type of contact</th>
<th>Relation to CSR policy/objectives</th>
<th>Frequency of contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable raw materials (local raw materials, sustainable soy, sustainable procurement)</td>
<td>BEMEFA</td>
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<table>
<thead>
<tr>
<th>Generic Topics</th>
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<tbody>
<tr>
<td>'Safety First' activities</td>
<td>- Red Cross - Responsible Young Driver</td>
<td>Safety 2x per year</td>
<td></td>
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</tbody>
</table>

### Appendix 3: KPIs Relating to the Environment

#### Global warming - incl. LUC

- **Production system one-day chickens**
- **Feed for broiler parents**
- **Feed for broilers**
- **Production system broilers**

<table>
<thead>
<tr>
<th>Year</th>
<th>Feed for piglets</th>
<th>Feed for sows</th>
<th>Feed for fattening pigs</th>
<th>Production system fattening</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>2018</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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</tbody>
</table>
Feed for laying hens < 17w
Rearing of layers
Feed for laying hens > 17w
Egg production system

Global warming - incl. LUC

- Roughage
- Concentrates
- Dairy production system

Energy Efficiency Index (2016-2018)

- Feed NWE
- Hungary
- Poland
- Oldambt

Global warming - incl. LUC

- Feed for laying hens < 17w
- Rearing of layers
- Feed for laying hens > 17w
- Egg production system