

Background information on sustainability reporting

2023 Annual Report

We aim to show a well-balanced, reliable and clear impression of our approach and performance in the area of sustainability. This appendix therefore contains concrete information about the management approach and reporting methods that we use to compile the data, results and themes regarding sustainability.

Safeguards and implementation

The Public & Cooperative Affairs Director is responsible for safeguarding the sustainability policy. Progress is discussed quarterly in the Global Leadership Team. The CSR coordinator at the group level is responsible for implementing the sustainability policy, sharing knowledge, setting out the policy lines, targeting the KPIs and monitoring and contributing to important sustainability debates in the agricultural sector.

Materiality

In 2022, we performed a materiality analysis for our worldwide operations. We drew up a longlist of topics that are potentially materially relevant based on issues addressed in current and planned legislation and regulations, sector-specific standards, past materiality analyses and the materiality analyses of our competitors. This longlist contained topics relating to the environment, society and good

governance (Environmental, Social, and Governance, ESG). We drafted a short description for each topic in the longlist, where possible making use of existing descriptions in legislation and regulations, existing standards and other such sources.

Based on the GRI definition of stakeholders, we identified the following stakeholder groups: supply chain parties, NGOs, public authorities, employees,

members and customers, suppliers, advocacy groups, financiers and the Supervisory Board. To ensure proportionate input from the different parts of the world, we applied a ratio based on the net sales in 2021 in the countries in which we operate. This meant that two thirds of the stakeholders we approached were based in or from the Netherlands or Belgium, while one third were based in or from the other countries in which we operate, such as China, Brazil, Poland and Hungary.

All the stakeholders were sent an online survey and asked to rate the extent to which Agrifirm:

- Has an economic, environmental or social impact on the ESG topic;
- Can influence the ESG topic;
- By managing the ESG topic, can contribute to (more) successful business operations in the long term while paying attention to the interests of stakeholders and the wider community.

Each ESG topic could be scored with one, two or three stars. At the end of the survey, the respondent could suggest additional topics and confirm or change the score.



The results of the materiality analysis were plotted in the matrix. This was then discussed with the Executive Board and during in-depth interviews with stakeholder groups. The most materially relevant topics were determined on the basis of the interviews and the reflection by the Executive Board.

Scope of the reporting process

This report contains qualitative and quantitative information about the year 2023. It covers the consolidated companies of Coöperatie Koninklijke Agrifirm UA, with the exception of Welkoop Retail Holding BV. Welkoop has been excluded because of the company's unique character and its particular focus on sustainability. All the reported data relates to the consolidation scope.

The sustainability information is collected separately from the financial systems. In future, we aim to integrate the data collection in the financial systems where possible. In 2023, we worked on more extensive data protocols and carried out an audit readiness check for two CSR KPIs. It is our aim to request an auditor's report on the reported sustainability performance in the future.

Reporting criteria

Where possible, we make use of the GRI Standards for reporting on progress in our CSR KPIs. We have formulated separate reporting criteria for some



KPIs where the GRI KPIs are not appropriate for our approach, market and business operations. The definitions and criteria that we apply for each KPI are given below, along with the scope and any particularities.

KPI: Responsible Sourcing

Using risk assessments, we calculate whether a raw material comes from a 'high risk' or 'low risk' country. The risk assessments of the countries of origin are updated every five years by an independent party in the international agricultural sector. The risk of non-compliance with applicable laws and regulations is taken into account in the assessments. The outcomes of our risk assessments are in line with the results of the Country Legal Compliance Assessment of the SAI Platform (2019). The assessments were updated by Control Union in 2021.

A given volume of procured raw materials can qualify as a responsible purchase in three ways:

1. The raw material comes from a 'low-risk' country (cultivation origin) according to the risk country list drawn up by Control Union.
2. The raw material comes from a 'high-risk' country (cultivation origin) according to the risk country list, but the volume of the purchased raw material is certified by means of a sustainability certificate. Only those certificates qualify that comply with the FEFAC Soy Sourcing Guidelines for soy, RSPO certificates for palm products and ISCC certificates for other raw materials.
3. The raw material comes from a 'high-risk' country (cultivation origin) according to the risk country list, but together with the supplier, mitigating measures have been taken in the supply chain.

If the origin of a raw material is completely unknown, this raw material stream is not classified as 'responsible' until the origin can be determined. The following methods are used to determine the origin: own estimates based on our experience with the raw materials market, estimates based on discussions with the suppliers, and the contractually stipulated origin. We aim to include the origin (at the country level) as a requirement in all our contacts with suppliers and to record this in our IT systems. In 2023, a first step was taken in this regard by the companies that work with SAP.

We tightened up our own processes in 2023.

Concrete changes include:

1. More specific inquiries about the derivatives of major agricultural raw materials in order to report more accurately. One example is the question of corn oil.
2. Setting an internal target for data quality: a maximum of 10% of the volume may come from an

estimated origin. This ties in with the frequently used safety margins in the verification of qualitative and quantitative information.

3. Since the first quarter, origin has been recorded in the ERP systems of the companies that use SAP. For these companies, it is possible to monitor progress on a weekly basis and easier to establish the quarterly report.

The in-scope raw materials of the KPI form 69% (2022: 71%) of the total purchased volume of raw materials for animal feed. In 2023, we purchased 3,603,000 tonnes of animal feed raw materials (2022: 3,979,000 tonnes), of which 2,493,040 tonnes (2022: 2,839,393 tonnes) was in scope for the KPI Responsible Sourcing. For more information about our responsible procurement policy and the methodology used for risk assessments, please refer to the [2022 Responsible Procurement Policy](#).

KPI: Responsible Operations

In line with the Greenhouse Gas Protocol, we report Agrifirm's greenhouse gas emissions as standard for reporting our scope 1 and scope 2 emissions. All production, office and storage locations of the consolidated companies of Coöperatie Koninklijke Agrifirm UA are in scope. This means that only joint ventures and minority interests fall outside the scope. Welkoop is also placed outside the scope of the KPI because of the company's unique character and Welkoop's own sustainability report. The scope will not be changed in the coming years, unless production, office and storage locations are purchased or sold.

In 2023, a number of locations were added to and removed from the emission accounting to reflect the consolidation scope. The chosen reference year for our emissions reduction target is 2019. This is the last year for which no Guarantees of Origin (GOs) were purchased. The reference year is representative for the total of emissions and it was a normal, average production year. The emissions in the base year will only be recalculated when production, office or storage locations are sold.

The emissions of scope 2 emissions are calculated on the basis of the emission factors of contractual instruments such as GOs. This compensates for the CO₂ emissions of the electricity for which a guarantee of origin for the same quantity has also been





purchased, bringing the emissions to 0 CO₂. In 2023, we purchased GOs in order to largely green our electricity consumption and achieve our emission reduction target of 65%, compared to 2019. Because our electricity supplier for the Netherlands and the Belgian location Drongen has a commitment to supply 100% green electricity with Guarantees of Origin (GOs), we achieved a 69% emission reduction compared to 2019. The 4% emission reduction that our supplier achieved through the purchase of GOs is included in our 2023 emission accounting.

The location-based method gives information on the average emissions in the place in which the electricity is consumed. The emissions are calculated using the average emissions intensity of the grid. For the purpose

of transparency, Agrifirm reports both the market-based and location-based emissions in scope 2.

The reporting of greenhouse gas emissions includes CO₂ emissions. The emissions of the gases CH₄, N₂O, HFCs, PFCs and SF₆ are not included. The emissions relating to electricity are calculated on the basis of the purchased electricity. The emission factors are updated every year by an external consultant.

The emission factors that apply in the country where the production, office or storage location in question is located are used in the calculation of the greenhouse gas emissions. The emission factors are updated at the start of each calendar year in the emission accounting. In 2022, country-specific CO₂ emission factors for gas were added to the emission accounting. This resulted

in a specific and more precise calculation, and it was decided to implement this change on a one-off basis for the emission calculation of the base year and the previously reported year 2023. This will ensure the comparability of the figures.

The following sources are used for emission factors when calculating the reported figures (Bilan Carbone method):

Electricity

- > In the Netherlands: <https://www.co2emissiefactoren.nl/>;
- > All production and storage locations outside the Netherlands: IEA 2019 for electricity

Gas

- > http://wds.iea.org/wds/pdf/gas_documentation.pdf
- > <https://www.rvo.nl/sites/default/files/2020/03/Nederlandse-energiedragerlijst-versie-januari-2020.pdf>

For all other energy carriers such as steam, the emission factors from the Bilan Carbone™ Method V.8.4. are used.

KPI: Responsible Solutions

In 2021, we developed a protocol to assess unambiguously whether a product, service or concept qualifies as a Responsible Solution. The development of the protocol is an internal process as the protocol must be suitable for scoring the kinds of products, services and innovation projects that are found in the portfolio. Commercial interests play a role here. In order to still receive independent feedback on the protocol and the way in which this KPI is designed, the protocol was evaluated by a scientist in 2023 and we started discussions with external stakeholders in the fourth quarter about the structure of this KPI.

In the protocol, product marketing managers are asked to estimate the impact on the six themes identified in the sustainability policy. The positive or negative scores (-5, -3, -1, 1, 3, 5) for these six themes are combined

to give an overall estimated impact score. A product, service or concept qualifies as a Responsible Solution if this overall score is positive and if it can be shown – using research results and data – that our product, service or concept performs better with respect to these sustainability themes than the ‘standard in the market’. From 2024, we will work with a simplified protocol in which we only ask whether there is a positive or negative impact, as well as asking product marketing managers to put dilemmas on the table.

A multidisciplinary team of employees will discuss the protocol and decide whether a product, service or concept is a Responsible Solution, to ensure that the protocol is assessed and applied in an unambiguous manner. If the multidisciplinary team gives a positive assessment, the gross profit margin of the product, service or concept is then monitored. The gross profit

margin percentage arising from the sale of Responsible Solutions is calculated by dividing the gross profit margin of all Responsible Solutions by the total gross profit margin.

In 2023, a decision was made to include the gross profit margin of the entire financial year in which the product or service was approved in the KPI report. Otherwise, the timing of the audit team meetings will play too much of a role in the performance of this KPI. We also decided to reassess each Responsible Solution one year after approval. This will allow us to keep each other focused and prevent certain products and services from being classified as responsible ‘forever’.

