

# Appendix 4: Stakeholder engagement

Version 2022



# Appendix 4: Stakeholder engagement

*Every year, Royal Agrifirm Group invites stakeholders to discuss our responsible procurement policy. This stakeholder board includes experts from various civil society organizations, financial institutions, academia and industry. The valuable input of the stakeholder board is carefully discussed with our procurement department and if possible, implemented in practice.*

On February 22nd 2022, we shared and discussed the progress on our responsible procurement approach and our protocol for sourcing physical deforestation and conversion-free soy. Present were Heleen van den Hombergh (IUCN NL), Seline Meijer (WWF Nederland), Gert van der Bijl (Solidaridad), Willem Klaassens (IDH), Leon Mol (Ahold Delhaize), Aukje Berden-Praamstra (Rabobank) and Klaas-Jan van Calker (Unilever). Please find below an anonymized report of the most important points of feedback as well as our response.

## 1. Update responsible procurement policy Royal Agrifirm Group

---

We shared our vision, ambitions and approach to responsible procurement. We deal with increased competition on agricultural supplies, deforestation related to agricultural production and issues related to labor and working conditions. It is our belief that the future asks for fully transparent and traceable supply chains; linking sustainability claims to physical streams will be key. It is our ambition to end negative impacts on the environment and societies of our own supply chains and use our influence 'for good'.

Based on our efforts of the last 5 years, we are now taking the next step by broadening our scope from the procurement from the Dutch business to our international businesses. This means that we will include the procurement of the in scope commodities of our procurement departments in Hungary, Serbia, Brazil, Uruguay, China, Poland, Belgium, Spain, etc. We are engaging with all procurement leads in these countries and work on trustworthy data on volumes and regions of origin of the in scope commodities.

### Feedback stakeholders

- Communicate clearly about the scope of the renewed Responsible Procurement policy; are the targets set for only the in scope commodities?
- Communicate clearly about the rationale to select the 'in scope commodities' of the renewed responsible procurement policy.
- Focus on where you can make an impact; do not only work with a volume based approach, also select low volume commodities with large issues.
- Work on a complete risk profile of countries of origin; include not only risks determined by an external party but include public data as well.
- Make the role of Agrifirm more explicit when supplier engagement in high risk region crop/country combination show issues with legal compliance.
- Does Agrifirm strive to develop her own sustainability standard of responsible production of work in the future of ISCC e.g.?





### Response Royal Agrifirm Group

- › We hope that this renewed version of the Responsible Procurement policy offers a more clear picture of the scope of the policy. The targets are set for the procurement worldwide for in scope commodities. The target and KPI thus shows our progress on procuring in scope commodities worldwide.
- › In scope commodities are determined based on volume, strategic importance (e.g. palm oil) and societal scrutiny (e.g. fish meal). This list is shown more clearly in this renewed version so the procurement policy.
- › We acknowledge that there are also some small volume commodities that can be related to sustainability issues, such as certain vitamins and amino acids. For now, we follow legislation on these commodities and will deal case by case with these small volume commodities.
- › The risk profile of countries of origin of all commodities are updated in 2021 and public available data sources will now be considered on a yearly basis. This is also a key step in our process of working on limited assurance for the progress shared in our annual report on responsible procurement.
- › In this renewed version of the policy we updated the step 'additional action'. Please notice that we do not exclude this supplier to clean up our own supply chain but rather use our influence as a buyer 'for good'.
- › We do not strive to develop our own sustainability standard or work with a preferred standard. With our approach we work on our own due diligence and use our influence for good. It is our belief that a certification, by using a sustainability standard such as RSPO, is one of the tools to work towards responsible agricultural production and supply.

## 2. Update pilot deforestation free soy supply chain with FrieslandCampina

---

Deforestation continues to be an issue for the feed and food sector. Certificates without a connection between the physical product and the sustainability claim are vulnerable to critique. The last years, Royal Agrifirm Group received indications that clients are investigating to phase out soy completely because of sustainability issues. Market intelligence however shows that most soy is not linked to deforestation and that full traceability is almost realized by traders. Our conclusion: there is plenty of deforestation free soy supply.

With the pilot on deforestation soy we work to achieve (1) a deforestation-free soybean meal supply chain from soy field to Dutch dairy farmer, (2) promote effective options for sourcing deforestation-free soy and (3) contribute to a credible market transformation. In the pilot we work with the cut-off date of 31-12-2020 and effective, applicable to practice definitions and verification criteria.

The pathways to source soy, as described in the protocol for sourcing physical deforestation and conversion-free soy were shared with the stakeholder board. The need to develop a risk qualification study was also shared and subsequently executed by Schuttelaar & Partners in the summer of 2022 (please see Annex 1 in the protocol for sourcing physical deforestation-free and conversion-free soy).

### Feedback stakeholders

- › The pilot is a good initiative of cooperation in the supply chain. Agrifirm not only works on the own supply chain but also stimulates chain partners to work on a more sustainable supply chain.
- › The pilot allows Agrifirm to impact the own supply chain and use its influence for good; a good example of using 'limited means' to create impact beyond the own supplier-buyer relation.
- › The approach of the pilot is suitable to work on deforestation-free soy, but Agrifirm should also continue to buy RTRS-certificates to ensure that 'broader' sustainability issues in the soy chain are tackled as well.
- › Additional to working on physical deforestation-free soy supply chains, Agrifirm should orient itself on regional certification to use their 'influence for good'. For example, a project that uses a landscape-based approach.
- › Certification should not be seen as an 'intermediate' step in working towards sustainable transformation of the soy supply chain. Certification is one of the essential tools in the toolbox.
- › In addition to working on 'clean supply' Agrifirm should try to work with 'clean suppliers' that have clear and ambitious commitments on deforestation-free soy.



#### Response Royal Agrifirm Group

- › In the protocol for sourcing physical deforestation and conversion-free soy we included our vision on certification. Indeed, we will continue to buy sustainability certificates during the pilot and agree that certification is one of the essential tools to work on more sustainable supply chains.
- › We also acknowledge the importance of working with 'clean suppliers' instead of working only on a 'clean supply'. Cleaning our own supply chain is not the purpose of the pilot, we also explicitly explain in the protocol that we will continue to work with suppliers in high risk regions to use our influence 'for good' and stimulate suppliers on deforestation issues.
- › Additional to working on this pilot, we are working on selecting a project to invest in regions at risk of deforestation and conversion. Our team in Latin-America and Dutch team are scouting and selecting projects that include a landscape-approach and/or regional certification. Deadline: 31-12-2022.
- › As we did not receive feedback on the procurement criteria to buy deforestation and conversion free soy, we will use these criteria for the first year of the pilot (March 2022-March 2023).

### 3. Position on palm kernel expeller

Royal Agrifirm Group yearly a large volume of palm kernel expeller, compared to palm oil and other derivatives. The palm kernel expeller is a by-product of a by-product (originates from palm oil production) with little to no value. If it is not sold, the palm kernel expeller is burned or rots away in the region of production. We believe that buying RSPO-credits for palm kernel expeller makes little sense; the price of a RSPO credit for palm kernel expeller is out of proportion with the actual price of palm kernel expeller.

Calculations executed by the CSR-coordinator and an external consultant on using RSPO palm oil credits to 'cover' our palm kernel expeller consumption show that volume wise, the expeller is not covered by the palm oil credits. A calculation that uses economic allocation, shows that Agrifirm indeed cover >100% of the palm kernel expeller by palm oil credits. What could be a next step? We shared the dilemma of dealing with palm kernel expeller with the stakeholders.

#### Feedback stakeholders

- › It is only allowed to use palm oil RSPO certificates to cover palm kernel expeller that originates from the same production site. It is impossible to track and trace this within the complex palm supply chain.
- › Using palm oil RSPO certificates to cover palm kernel expeller as well is up for debate as well; volume and economic allocation is one way of approaching this but you could also use an 'impact allocation'.
- › Because the influence of Agrifirm on the palm chain is limited, the advice is to keep palm kernel expeller for now out of scope and focus on other key issues with the responsible procurement approach.

#### Response Agrifirm

- › Palm kernel expeller will be placed out of scope in our responsible procurement policy. We will follow the developments in the palm chain and discuss the progress in our yearly meetings with our key palm product suppliers.

