



FSA Implementation report

Report on implantation of FSA 3.0.1 in
Consumption Crops in Denmark



Version 2 August 2023

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1. Introduction

The following document describes the work DAKOFO have done with the implementation of FSA 3.0 for Danish Consumption Crops. The implementation of FSA 3.0 follows the implementation of the FSA 2.1 for Danish malting barley which was made via the DAKOFO community.

In the original implementation, six DAKOFO member companies introduced the FSA 2.1 for Danish malting barley, to meet a growing demand from the malting and brewing industry.

With the 3.0 implementation DAKOFO aims to increase the strength of the program, while also expanding the scope with wheat, rye, and oats to embrace a larger part of the production of consumption grains in Denmark. Ten of DAKOFOs member aim to implement FSA 3.0.1 covering the harvest in 2023, 2024 and 2025 under the umbrella of DAKOFO.

The following report is aimed to work as a description of the implementation to ensure the DAKOFO FSA program covers the minimum requirements of the SAI FSA 3.0 program.

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2. Purpose of implementation

The FSA Program is introduced to meet an ever-increasing demand from customers in the food value chain to ensure a sustainable and responsible source of raw agricultural commodities. DAKOFO and our members continuously work together with the Danish farmers to increase the sustainability performance in our value chains.

The SAI FSA program has become an internationally accepted standard looking into all aspects of the sustainability status of different commodities. Several companies within the malting and milling industry are now asking for FSA verified commodities and the demand is only expected to increase in the following years.

It is the expectation of DAKOFO that by implementing the FSA 3.0 on an industry basis, we allow Danish farmers to access an even broader scope of global costumers while ensuring that global customers can have a safe supply of agricultural commodities verified using the FSA.

3. Scope of DAKOFO FSA for consumption crops

Our program uses a multi crop approach, with malting barley being the primarily connecting crop of the program. All farmers in the scope deliver malting barley to one of the 10 first stage buyers in the program.

As a multi crop approach the program also covers other consumption grains produced in Denmark: milling wheat, milling rye and consumption oat. Not all farmers deliver all the crops, however all delivers malting barley, as the other crops are small in a Danish content.

By offering this multi crop approach each of the ten first stage buyers decide if they will only focus on malting barley or also offer one of the other milling products. If a company decides also to include one of the milling products, they must have an Volumen Accounting System (VAS) for every crop in place just like for malting barley.

The growing of consumption grains including malting barley and milling grains are very similar and under the same legislative regime in Denmark. This is the reason why DAKOFO believes that these multi-crops FMG is in accordance with the rules of the FSA 3.0.

4. Participants and obligations

4.1. Participants

The following ten DAKOFO Members have agreed to be a part of the DAKOFO FSA program for consumption crops:

- Danish Agro A.m.b.a.
- DLG A.m.b.a.
- Vestjyllands Andel A.m.b.a.
- Salling Grovvarer A.m.b.a.
- Nordsjællands Andels Grovwareforening A.m.b.a.
- Lantmännen Agro A/S
- Overgaard Gods A/S
- Hornsyld Købmandsgaard A/S
- Brødr. Ewers A/S
- Møllerup Mølle A/S

4.2. Obligations of the participants

There are no significant changes in the roles of the Farm Manager group coordination in FSA 3.0 compared to FSA 2.1. The split of roles in the coordination continues.

DAKOFO acts as the overall FMG coordinator, however many of the obligations of the coordinator have been delegated to the participating members, as they are the main connection to the participating farmers in the FMG.

DAKOFO obligations

DAKOFO as the main coordination role, set the obligations of the program, act as an advisor for the participating members and farmers, coordinates the audit with the auditor and encourage the members of the FMG to work with sustainability.

DAKOFO will be the overall responsible for the Farm Management Group (FMG), the Volume accounting system (VAS) and for answering the Self-Assessment Questionnaire (SAQ) together with the farmers, Owns the Letter of Attention (LoA) and is responsible for developing the Continuous Improvement Plan (CIP).

DAKOFO will do an implementation report (current report) and do an annually report in coordination with the auditor.

Members obligations

The participating members should have one named person who is responsible for their group of farmers. Members are responsible for delivering farmers for the FMG and update DAKOFO annually if the group changes each year. Members are responsible for serving their own farmers and share the FMG and VAS register with DAKOFO.

The members are very much responsible for managing the accounting systems (VAS) as a mass balance system for the single crops delivered through the program. They should be able to show auditor how the VAS is coordinated among their own farmers. It is up to the companies if they wish to deliver only malting barley or also decide to deliver one of other milling products.

The participating companies are responsible for farmer engagement, and it is recommended that participation in the program is agreed into contracts for delivery of the commodities in question.

Participants should have a written implementation plan for their own part of the program.

5. Farm Management System

Each of our 10 member companies delivers a list of farmers to DAKOFO FMG coordinator who assembles the list of farmers in one FMG. This means that the DAKOFO FMG is one combined list with several companies (figur 1). This gives the strength in the program as farmers are not bound to trade to only one buyer but can choose which company he wants to trade with.

The DAKOFO FMG is anonymized by the individual company, this is done in accordance with GDPR and Danish competition law. In this set up the participating companies know their own farmers but no other farmers from other companies. The farmer who is a part of the program is free to trade with whatever company he wishes.

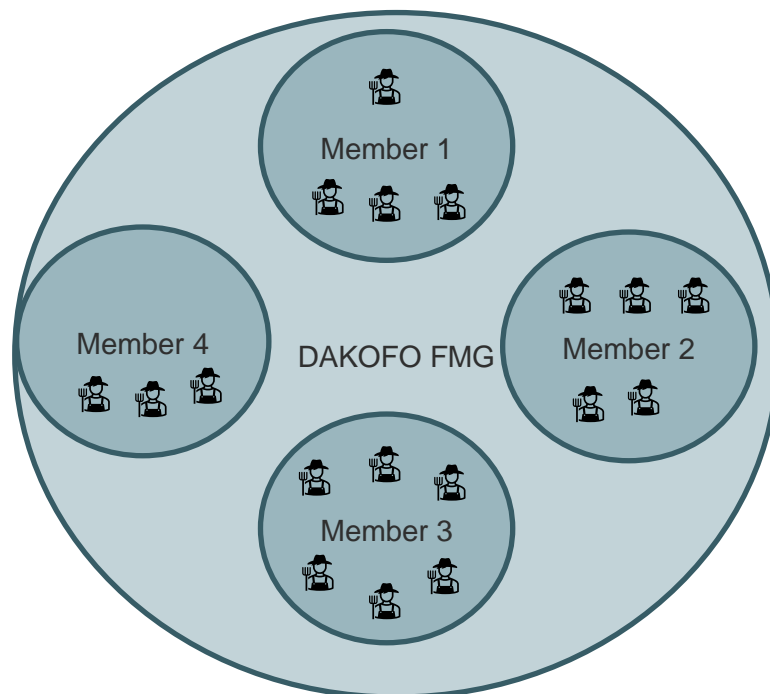


Fig 1: Structure of DAKOFO FMG

As the farmers in the FMG are anonymized and the farmers are free to trade with more than one company, there is a risk that one farmer is under contract with more than one company in the FMG and by that can be calculated more than once in the DAKOFO FMG. However, we do not believe that that will affect the results when farmers are designated to answer the SAQ.

If we recognize that one farm is extracted more than one time after extraction for audit. Auditor is able to another extraction for audit.

The FMG complies with the following requirements:

1. All farms must be in the same country: Yes, all farms are in Denmark.
2. All farms must deliver all the same crops: Yes, all farms deliver Malting barley, our FMG is a multi-crop FMG as some also deliver milling products.
3. All farms have an agreement with the FMG Coordinator: Yes, all farms agree through contracts signed when crops are delivered. Farmers can also be contacted in other ways and be informed about their involvement.
4. All farms are administrated in the continuous improvement plan: Yes.
5. All farms are administrated in the accounting system: yes, when they have a crop delivered to a company and the mass is registered in the company's accounting system.
6. The maximum number of farmers are 5.000: Yes, the total FMG is below 5.000 farmers.

The FMG is allowed to change by 10 % in the 3-year period. If the list changes by more than 10 % the program will go through a new audit. DAKOFO will keep track of changes and report these annually to the Verification Body.

6. Volume Accounting System

6.1. Mass Balance system and conversion factor

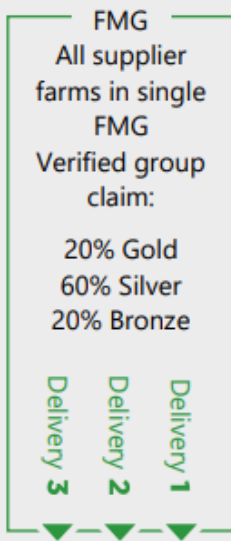
The members participating in the program are required to keep a mass balance system to track the volume which is a part of the system. A company can have multiple accounting systems if they decide to include milling products in their scope.

According to the FSA 3.0 Implementation guidelines a company can decide to make a segregation system, however this is not recommended by DAKOFO, as segregation normally led to increased cost.

The FSA 3.0 requires that a Quantity Credit Method is used for mass balance accounting. A 'credit' is a unit of material at a specific verified FSA performance level (i.e. bronze, silver, or gold).

The company must keep track of the credits they have for the different performance levels, The mass balance system must take drying and cleaning into account. Each company must be able to verify their own conversion (processing) factor to the auditor.

DAKOFO defines one credit as one ton of commodity. In the below example is a mass balance system describes below:



Delivery	t	Delivery by Attribute	t
1	100	1.1 Gold	20
		1.2 Silver	60
		1.3 Bronze	20
2	200	2.1 Gold	40
		2.2 Silver	120
		2.3 Bronze	40
3	50	3.1 Gold	10
		3.2 Silver	30
		3.3 Bronze	10
TOTAL	350		350

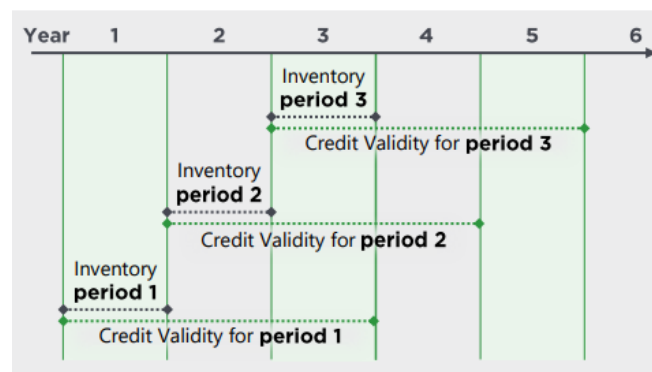
Attribute	T in	cf	T out
OPENING	0		0
Gold	70	0.75	52.5
Silver	210	0.75	157.5
Bronze	70	0.75	52.5
CLOSING	350		262.5

Sales Delivery	T sold	Gold stock	Silver stock	Bronze stock
OPENING	0	52.5	157.5	52.5
A Gold	20	32.5	157.5	52.5
B Silver	100	32.5	57.5	52.5
C Silver	30	32.5	27.5	52.5
D Gold	32.5	0	0	52.5
E Bronze	52.5	0	0	0
CLOSING	235	0	27.5	0

6.2. Accounting Period

The Accounting Period for the mass balance system is 12 months and follows the market year 1. July to 30. June the following year. This means that the inventory will be settled each year by the end of June. Each year the members are required to settle the mass balance system and state how much credit is left in stock.

Credits not used in the relevant market year can be used the following year. Credit which is not used at the end of the market year is valid for 24 months (table)



7. FSA Self-Assessment Questionnaire (SAQ)

On the basis of the total number of farmers in the FMG, which is below 5.000, the auditor will randomly draw 40 farmers to fill out the SAQ. The draw was made using: <https://www.gigacalculator.com/calculators/random-number-generator.php>.

The member companies that have withdrawn farmers will be contacted by the auditor and DAKOFO in to prepare the farmers for filling out the SAQ.

DAKOFO will be supportive of the farmers to answer the SAQ. DAKOFO have been through the SAQ to fill out the questions which are already covered by the Danish Legislation.

DAKOFO have made an unofficial translation of the SAQ to easy the work for the Danish Farmers. Hence the farmers will only answer the parts which are not covered by legislation or common-sense questions.

Further a smaller group of nine farmers are subject to an extra Audit by a 3. Party audit which aims to investigate the work done by DAKOFO.

8. Continuous Improvement Plan (CIP)

The purpose of the CIP is to encourage farmers to work more with sustainability. It is a report developed by DAKOFO based on the Priority Screening Tool (made by DAKOFO), the SAQ or feedback from members or farmers in the FMG.

DAKOFO is responsible for development of the CIP and we will communicate the CIP for the farmers and members as well as the monitoring progress of it.

It is expected that DAKOFO develop a minor action plan in the CIP which could be e.g. improved sorting of garbage within the next year for all the farmers in the group,- or it could also be an action related to encouraging a growing group of farmers to measure sustainability through e.g. ESG Green Tool.

DAKOFO will follow up annually with the actions in the CIP and make it clear for the audit.

9. Third Party Audit

DAKOFO have chosen Albers Hansen, part of Control Union as the third-party auditor. Albers Hansen will conduct audits at DAKOFO, the member companies and the farmers.

Albers Hansen will review the setup, as described in this report, and that the steps are done in the member companies as described in this report.

10. After successful completion of audit

10.1. Letter of Attention (LoA)

When audit is successful done, DAKOFO receives a letter of Attention (LoA) confirming the claims on each crop for each company member in the FMG.

The LoA is valid for three years from the date of issue.

The same claim will be applied to each company to each crop they have claim for. Credits can not be transferred between companies or crops.

On the LoA it will be stated which companies are covering only barley and which companies are covering the other consumption grains.

