Rising demand for sustainability in the value chain: Key trends and insights

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About Grain Farmers of Ontario

Vision: Thriving farms. Responsible production. Trusted grain farmers.

Mission: To build, defend, and promote an inclusive, innovative, and sustainable business environment that enables grain farmer-members the opportunity to prosper.

We work on behalf of 28,000 farmer-members who manage **6 million acres** of barley, corn, oat, soybean, and wheat.

Funding: Funded by license fees paid by farmer-members.

Ontario Production Highlights:

Ontario is Canada's leading producer of corn, soybeans, and winter wheat

Corn

- Canada's 3rd largest field crop
- Ontario grows 65% of Canada's corn
- Ontario's largest field crop by volume

Soybeans

- Canada's 5th largest field crop
- Ontario grows 61% of Canada's soybeans
- Ontario's largest field crop by value

Wheat

- Canada's largest field crop
- Ontario grows 82% of Canada's winter wheat
- Ontario grows 7% of Canada's wheat

Ecosystem of activities shaping sustainable agriculture

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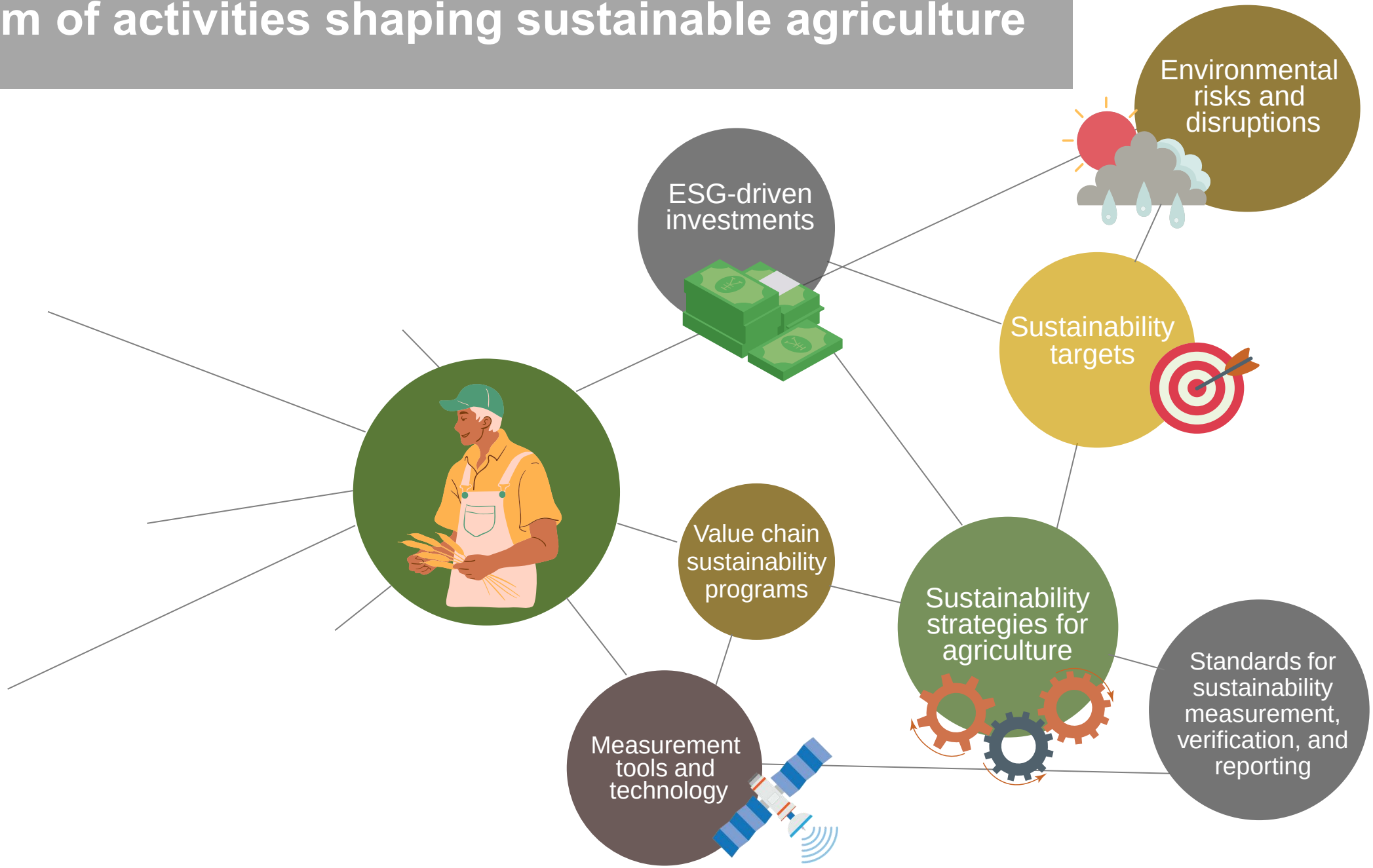


Ecosystem of activities shaping sustainable agriculture

Sustainability certifications and initiatives

Market-based incentives

ESG-driven investments

Environmental risks and disruptions

Sustainability targets

Sustainability research, innovation and development

Value chain sustainability programs

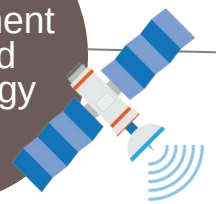
Sustainability strategies for agriculture

Standards for sustainability measurement, verification, and reporting

Consumer preferences

Cost-share programs for practice adoption

Measurement tools and technology



Drivers: Climate change and biodiversity loss

Impacts on agricultural production

- Increases in the frequency and intensity of extreme weather events, changing precipitation patterns, pest and disease pressures, and warm annual average temperatures.

Agriculture production's impact on the environment

- Agricultural management's impact on climate change and land use change (e.g., GHG emissions from fertilizer use, tillage, raising livestock)

Agriculture production as a source for solutions

- Farmers can contribute to reducing GHG emissions and enhancing carbon sequestration, improved water quality and enhanced by diversity through their land management decisions.

Drivers: Shareholder, stakeholder, and value chain demands and interests

- Increasing number of **financial institutions have public commitments to improve the environmental and social impacts** of their investments and lending portfolios.

- We are observing an **increasing trend of business-to-business demand** for sustainability data and progress that can help meet targets and be communicated in ESG reporting.

- **Current barriers to scaled investment** in sustainable agriculture:
  - Lack of data access and quality
  - Quantified ROI from investments in actions to mitigate climate change and other environmental outcomes.
  - Internal capacity and knowledge to navigate sustainability ecosystem.

Drivers: Overlap among agriculture, climate and environment policy

- Grain Farmers of Ontario is working to **inform and navigate this domestic landscape** of increasing environmental and climate focused policy in agriculture.
- Other jurisdiction's policy, funding, and strategies to consider include USDA's Partnerships for Climate Smart Commodities, EU's Farm to Fork roadmap and New Green Deal, and Quebec's Sustainable Agriculture Plan.

Drivers: Private sector standards and guidance

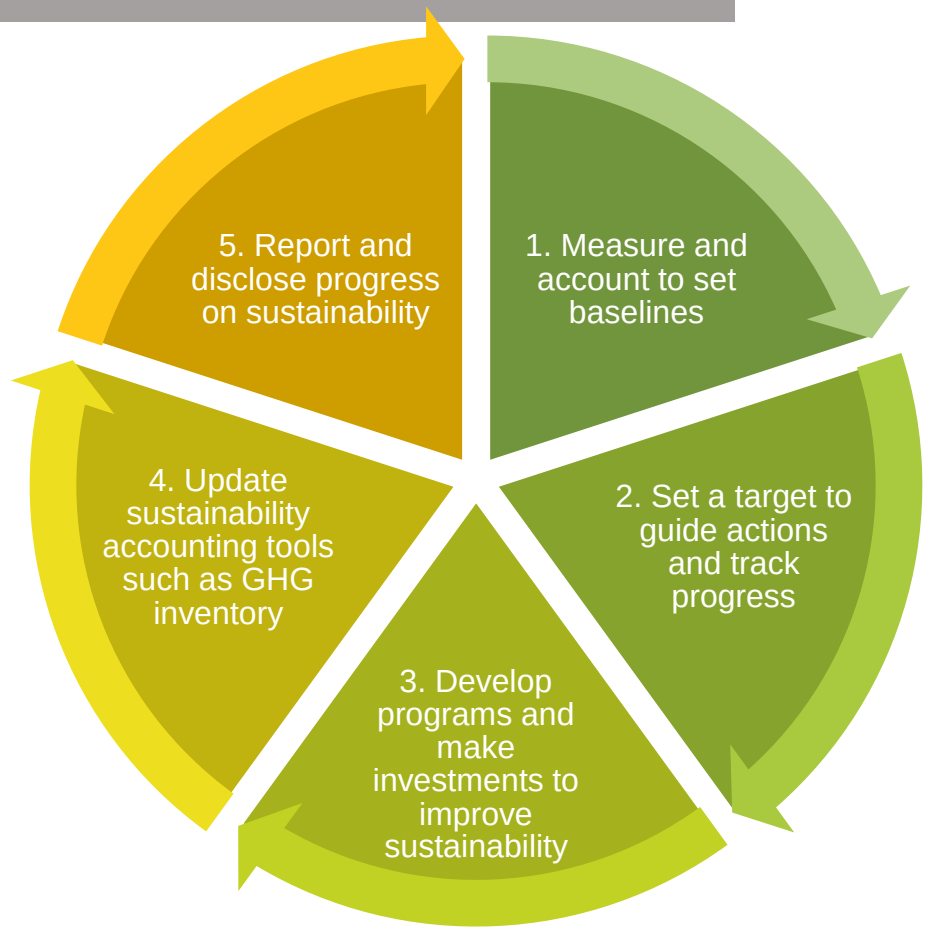
- **Setting targets:** Companies now have a framework for setting targets for the GHG emissions and carbon sequestration that results from the agriculture and forestry production in their value chain.
  - Science Based Target initiative's (SBTi) Food Land and Agriculture Guidance

- **Measuring and accounting impacts:** Draft guidance for companies to include GHG emissions from agriculture and forestry in their GHG inventories and measure and track progress towards GHG targets.
  - Greenhouse Gas Protocol's (GHG Protocol) Land Sector and Removals Guidance

- **Reporting and disclosing impacts:** Regulations are expected to require publicly traded companies to report GHG emissions from their operations, energy use, and potentially their value chains.
  - United States Securities and Exchange Commission (SEC) and the Canadian Securities Association (CSA) have proposed regulations that could require publicly traded companies to report GHG emissions from their operations, energy use, and value chains.

Common Steps in Company-led Sustainability Programming

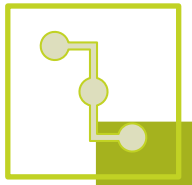
- We have observed **agriculture and food companies are at different stages** along the continuum of measurement, setting targets, program development, and disclosing impacts.
- The standards and guidance that enable companies to advance on-farm sustainability are primarily **focused on climate change mitigation**.
- More companies are moving away from ‘carbon tunnel vision’ **toward communicating about landscape change and broader impacts** such as soil health and regenerative systems.



Project design: Company-led sustainability programs

Geography-specific

- Geography-specific approaches to scaling impact include companies working to understand local context and make investments in the adoption of sustainability practices and technologies within the sourcing region.



Supply chain

- Companies can take supply chain wide actions (e.g., sourcing sustainability standards) where suppliers would have to meet standards to be a part of the supply chain.

Purchase assets

- Purchase assets (e.g., carbon inset credits generated via an inventory accounting approach) from another company with one's value chain.
- Carbon insetting allows companies along the value chain to purchase and trade credits to use towards targets.

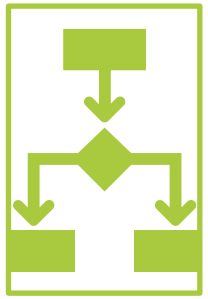
Diverse objectives: Company-led sustainability programs

Validate an existing level of sustainability

- Relies on data collection to support verification of practice adoption.

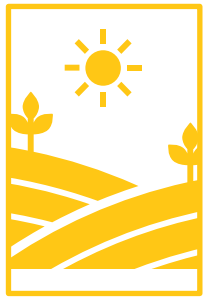
Build transparency and traceability

- Enables improved access to aggregated information on agriculture sustainability within key sourcing regions.



Demonstrate progress and impact

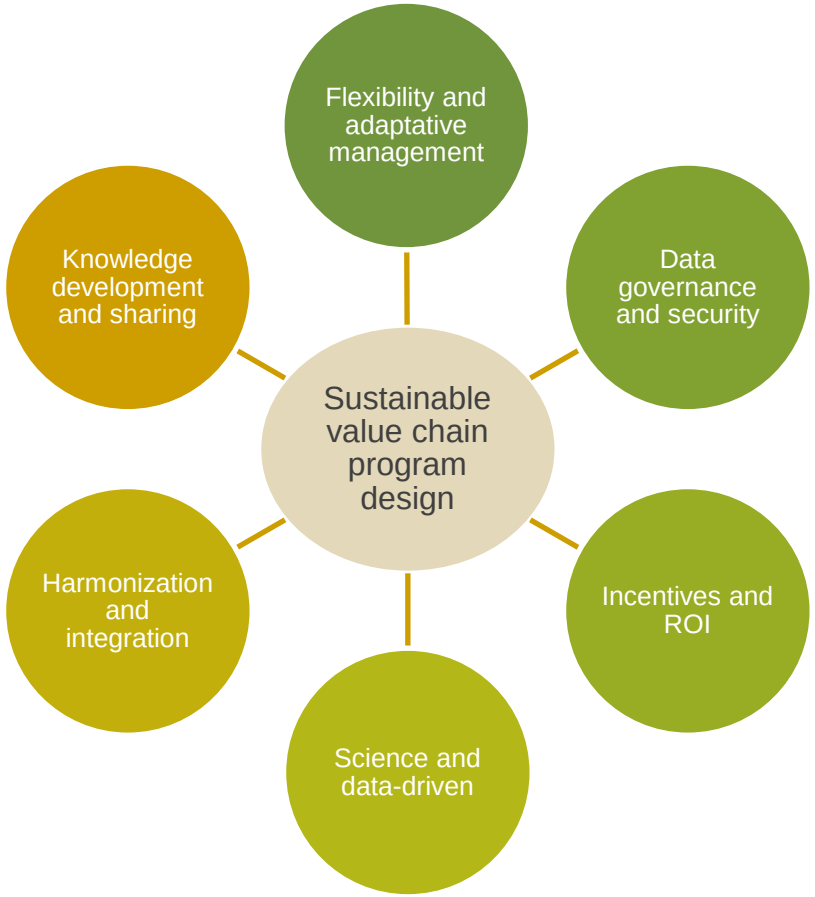
- Includes use of calculations and direct measurements to determine outcomes from practice adoption.



Improve landscape resiliency

- Contributes to future-proofing supply chains and the long-term viability of key sourcing regions.

Key components from a farm perspective on sustainability programs



- The growing interest in on-farm sustainability coupled with the wide-range of program types that are being developed calls for **identifying the key components that are needed from a farm perspective**.
- **Integrating farmer and local organizations' perspectives within program design** and development can enable value chain and farmer success.
- Farmers operate within complex systems, and they may each face different limitations and opportunities. **Recognizing this diversity in sustainability programs can support buy-in**.

What’s next in sustainability programs

Biodiversity

Large focus on standards and guidance for climate but this is expected to expand to include biodiversity with emerging marketplaces, nature-related financial disclosure guidance and nature target frameworks.

Standardization in measuring, accounting, and reporting

Proposed standards and guidance for measuring and accounting of greenhouse gas emissions and carbon removals in value chains are expected to be finalized in 2023/24.

Accuracy in measuring and monitoring of environmental outcomes

We expect to see more companies utilize tools and to collect data and quantify practice adoption and estimate environmental outcomes.

Thank You!

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