

# Kerry Group Annual Report 2017 – Assurance Statement

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Jacobs UK Ltd (Jacobs) has provided this assurance statement in relation to the Greenhouse Gas (GHG) performance data presented in the Kerry Group Annual Report 2017. The information and presentation of data within the Kerry Group Annual Report is the responsibility of the Kerry Group (Kerry). This statement is the responsibility of Jacobs and represents our independent opinion. The intended users of this statement are the readers of the Kerry Group Annual Report and it is intended for this statement to be read in its entirety.

## Methodology

The assurance process was conducted between September 2017 and February 2018 in accordance with AA1000 Assurance Standard (2008). We were engaged to provide Type 2 assurance, which covers evaluation of adherence to the AA1000 Accountability Principles Standard (2008) and the Principles of Inclusivity, Materiality and Responsiveness ('the Principles') in the context of Kerry's sustainability performance. We also considered the reliability, to a moderate level of assurance, of Kerry's global Scope 1, Scope 2 and selected Scope 3 GHG emissions, as well as water withdrawal and discharge data. The scope of this work was limited to manufacturing facilities, which account for 98% of Kerry's scope 1 and 2 GHG emissions.

The work was conducted via face-to-face meetings, telephone interviews and email correspondence with staff responsible for collating and reporting Kerry's GHG performance data at the Group level and specifically at five manufacturing facilities: Noon Windmill Lane, Savannah, St Claire, Melrose Park and Shal Alam. We also verified the water withdrawal and discharge data at five additional sites: New Germany, Listowel, Newmarket, Nantong and Cikarang.

## Quality Assurance

Our assurance team has the appropriate experience and competence to complete this assurance engagement and is not working for Kerry in any other capacity. Other staff from Jacobs do work with the Kerry Group; however, we do not consider there to be a conflict between the other services provided by Jacobs and that of our assurance team. Jacobs has a Quality Management System (QMS) which is certified to BS EN ISO9001.

## *Inclusivity – the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability*

Kerry's commitment to sustainability is demonstrated through its 'Towards 2020' Sustainability Programme, which includes both annual and 2020 goals within a four-pillar framework of Environment, Marketplace, Workplace and Community.

Kerry has systems in place for internal and external stakeholders to participate in the development of its response to sustainability issues. External stakeholders are able to participate and engage on Kerry's Sustainability Programme and other sustainability issues through sustainability group networks, joint working projects and customer meetings. Kerry is working with customers and suppliers on sustainable raw material sourcing and Kerry's sustainability expectations are set out in its Supplier Requirements Manual which is sent to all suppliers. Kerry already uses SEDEX to monitor supplier performance and will use this platform to look at performance against the expectations in its Supplier Requirements Manual. Kerry is engaging with local communities through programmes such as 'FareShare', the 'Kerry Employment Engagement Programme' and 'Project Leche'. Kerry has also engaged with a number of partners to help drive sustainability improvement across the industry, including the Tropical Forest Alliance 2020, Origin Green, the Sustainable Spices Initiative and the Sustainable Agriculture Initiative Platform.

Internal stakeholders are able to participate and engage on Kerry's Sustainability Programme and other sustainability issues through a number of mechanisms including an online sustainability training course, the Kerry sustainability video and the Kerry Group quarterly sustainability newsletter which was published for the first time in 2017. Sustainability is discussed during some town hall meetings at a site level and is covered in workshops. Kerry has a well-established Sustainability Council with a mix of staff from different regions and functions. The Council is responsible for implementation of the Kerry's Sustainability Programme. It provides leadership, assesses sustainability performance and evaluates the risk and opportunities throughout the Group. The North America region has its own regional Sustainability Council that feeds into the Group Council and during 2017, Kerry Foods established a Sustainability Committee composed of Directors from Technical, HR, Procurement and Marketing, who each have responsibility for progressing one of the pillars of the Sustainability Programme. This is a positive development that should be replicated in the other regions.

Kerry has developed a new process for recording stakeholder engagement at a site level, using the monthly sustainability data collection forms that each site completes. It has produced a stakeholder engagement guidance note to assist site staff in identifying and prioritising stakeholders and recording their engagements. The information provided by the sites is analysed and discussed at internal site meetings, Sustainability Council meetings and bimonthly environmental meetings. We recommend Kerry use this information when updating the stakeholder engagement matrix and include the mode of engagement for each stakeholder group. Kerry should look to develop a similar process for recording stakeholder engagements at a regional and group level.

Kerry records information on sustainability projects in carbon, waste and water trackers at both a regional and site level. The performance of these projects is being reviewed and recorded and progress is discussed regularly at regional meetings. However, the level of detail in the tracker varies and Kerry should encourage all sites to update these regularly and fully, as projects are identified, progressed and completed.

It is our opinion that Kerry is committed to being accountable to those whom the organisation has an impact on and who have an impact on it.

### **Materiality – *determining the relevance and significance of issues that are material to sustainability performance***

Kerry has a clear process for identifying business risk which includes sustainability issues. This process is informed by engagement with stakeholders, comparison to peer-based norms, financial considerations and policy-based performance.

Sustainability issues identified by stakeholders are captured through a variety of sources, including records of customer meetings, sustainability assessments by external investor rating agencies and through the 'Our Voice' employee survey, which was completed for the first time in 2017. Site level issues are captured in the monthly data collection forms.

At a global level, Kerry evaluates the relevance and significance of sustainability issues identified by stakeholders at the Sustainability Council meetings. As part of this process, Kerry has assessed the material sustainability issues for key customers, has undertaken peer-based comparisons and has examined its sustainability performance in external rating agency assessments, such as Sustainalytics, MSCI and Manifest.

Progress in relation to the identified material environmental issues is monitored at the bimonthly environmental meetings. The 'Towards 2020' Sustainability Programme is also reviewed each year by the Sustainability Council to assess progress and to set annual sustainability goals in line with changing sustainability context and maturity of issues and concerns raised by stakeholders.

At a regional level, the relevance and prioritisation of sustainability issues is facilitated by the regional Environmental Directors and occurs through regional sustainability councils and committees. Kerry Foods produces monthly Quality Safety Health Environment reports which identify its key sustainability issues at both a regional and site level. At a local level, the relevance and prioritisation of sustainability issues is undertaken by local site management.

It is our opinion that Kerry has improved its materiality determination process in 2017. At a global level, Kerry has made progress in reviewing and recording reviews of the relevance and prioritisation of sustainability issues. However, further enhancement is required to ensure the process is fully documented, applied consistently and integrated on an ongoing basis.

### **Responsiveness – *an organisation response to stakeholder issues that affect its sustainability performance***

Kerry responds formally to external stakeholders through the sustainability pages of its website and through its Annual Report. In response to stakeholder requests, Kerry has published new information on its website including a 'No Deforestation' commitment, an animal welfare statement and a sustainable agriculture guidance document. The latter identified key raw material categories priorities and Kerry then

developed responsible sourcing statement or policy for each of one of these. During 2017 Kerry has produced its first report on progress against its Palm Oil Policy.

Kerry has responded to external stakeholders on other issues during 2017, including undertaking sustainability assessments of products, providing carbon information for customers and completing the supply chain CDP programme for customers who requested it. Kerry also completed the CDP water programme and reviewed the performance of the water scarcity priority sites in reducing their water footprint and improving water quality.

Kerry should ensure that it records its responses to external stakeholders. At a site level, including stakeholder engagement information in the monthly data collection form has facilitated this. At a regional and global level, Kerry has provided training and workshops to its commercial teams where it identified a knowledge gap on Kerry's approach to sustainability. However, further work is needed to develop a fully consistent and integrated response to stakeholder enquiries.

Kerry has responded to internal stakeholders through a variety of means. At a group level, Kerry has continued to review its progress against the goals in the 'Towards 2020' Sustainability Programme during Sustainability Council meetings, using information displayed on Kerry's Sustainability Scorecards that present performance for each region against each pillar. Kerry developed an online sustainability course and it should continue to promote completion of this by staff. To ensure that Kerry is responding to the needs, concerns and expectations of internal stakeholders, Kerry undertook an employee survey, which demonstrated most employees think Kerry is taking action on sustainability. Kerry is in the process of developing its response to the results of the survey.

At a site level, Kerry engages with and responds to internal stakeholders on sustainability issues through town hall meetings, noticeboards and site environmental days. However, this level of engagement was not occurring consistently at the sites audited. It is recommended that Kerry continues to raise awareness of sustainability through the mediums outlined above, particularly presentations at town hall meetings. Where not already implemented, sustainability should be added as a regular agenda item in site meetings to encourage discussion of performance and issues.

It is our opinion that Kerry has demonstrated that it responds to stakeholders and is accountable to them, although some improvements have been identified which will help to improve robustness and consistency of the approach. Formalising the materiality determination process will help Kerry to identify other areas where it should enhance reporting to ensure comprehensive and balanced communication of sustainability issues.

## **Reliability of Performance Information**

The systems and processes used to support the GHG and water performance data have been evaluated. It has been possible to obtain a moderate level of assurance in respect of the GHG, water withdrawal and water discharge data reported in the Group Annual Report. A small number of errors were identified at a site level during the assurance exercise. None had a material impact on reporting at a Group level and

they were corrected prior to the Group Annual Report being published. The Group reporting tool clearly outlines the boundaries of the footprint, the emission factors used and the structure for the footprint calculation.

Kerry uses training webinars and guidance documents to provide sites with information on the reporting requirements and process. Kerry continues to have a robust data collection system for collating GHG and water performance data and the data collection forms help to identify potential anomalies in the data sets by comparing current data against data reported for previous months.

As noted previously, where not already in place, Kerry should encourage sites to have a second person spot check the data before submission and to produce a site-specific written procedure on how to complete the monthly submission.



Lucy Hayes, Principal Sustainability Professional

Jacobs, London, 12 February 2018

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