

KERRY GROUP PLC

# Dairy Position Statement

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As a Group, Kerry has its origins in the dairy industry having been founded as a dairy co-operative in South West Ireland. Many of those families that originally supplied milk to Kerry Co-op continue to supply Kerry group to this day and we are proud of the strong relationships that have been established over many years.

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As the company has expanded its global presence, so too has the source of our dairy ingredients and we now work with suppliers from various regions around the world. Given the continued significance of dairy for our business, the long term sustainability of the industry is crucially important to us.

In the last three decades, world milk production has increased by more than 50 percent<sup>1</sup> and it continues to represent an important economic activity for many rural communities. However, as milk production has increased, so too has the awareness of the social and environmental pressures associated with dairy farming.

Concerns about climate change, resource use, economic returns, animal health and welfare are some of the key factors impacting the industry. Given our heritage and expertise in dairy, we understand these challenges and aim to play an active role in helping to address them.

## Liquid Milk

In the Republic of Ireland, Kerry has a direct contractual relationship with farmers who supply milk to the Group's facilities for processing. Already among the world's most carbon efficient dairy producers<sup>2</sup>, these farms are family owned and operated, and have average herd sizes of 60 cows where animals graze outdoors for up to 300 days per year.

To help ensure continued improvement in the sustainability of dairy production, and the broader food and drink industry in Ireland, Kerry became a founder member of Origin Green. This world leading national sustainability initiative, brings together primary producers, processors and supporting bodies under one programme that is designed to make Ireland a world leader in sustainably produced food and drink.

As part of the Origin Green programme, Bord Bia (the Irish Food Board) has developed the world's first internationally accredited, national Sustainable Dairy Assurance Scheme (SDAS). Under SDAS, farmers are independently audited every 18 months against a range of quality and sustainability criteria.

In addition to monitoring performance against each of these indicators, the data collected through the audit helps to determine a carbon footprint for each farm. Based on this information, farmers are then provided with targeted information on practical steps which they can take to lower their GHG emissions. Farmers are further supported by technology transfer programmes funded and operated by Kerry's Agribusiness division.

100% of Kerry's contracted milk suppliers are audited and certified under this programme and Kerry Group is the first major dairy processor in the world to have all farmers independently audited and certified under an internationally accredited scheme.

## Dairy Ingredients

In addition to processing liquid milk, we also source dairy ingredients for use in a range of products and applications. These dairy ingredients are supplied to Kerry Group through trusted partners in the regions where we operate.

As it is these partners, rather than Kerry Group, who have the direct relationship with farmers, we work with them and other industry stakeholders to identify ways to ensure the sustainability of the raw materials used.

In the absence of a globally agreed approach to sustainable dairy we aim to work with industry partners who are committed to continuous improvement. In Europe, we are a member of the Sustainable Agriculture Initiative's Dairy Working Group, through which we engage with partners and other industry stakeholders such as the Dairy Sustainability Framework. In the US, we are also working with the Innovation Centre for US Dairy to examine how best to drive improvements within our supply chain in that region.

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1 <http://www.fao.org/agriculture/dairy-gateway/milk-production/en/#.WVujL4TyvGg>

2 Source: EU JRC Evaluation of the livestock sector's contribution to the EU greenhouse gas emissions (GGELS)