

Kerry Group Annual Report 2016 – Assurance Statement

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 2016. 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 October 2016 and February 2017 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) Principles of Inclusivity, Materiality and Responsiveness ('the Principles'). We also considered the reliability, to a moderate level of assurance, of Kerry's global Scope 1, 2 and 3 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: Gainsborough, Evansville, Irapuato, Jackson and Owen. The scope of this work was limited to manufacturing facilities, which account for 98% of Kerry's scope 1 and 2 GHG emissions.

Quality Assurance

Our assurance team has the appropriate experience and competency 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. The Kerry stakeholder engagement communications plan identifies internal stakeholder groups and the engagement strategies, plans and modes of engagement for each stakeholder. As this document is focussed on internal

stakeholders, it is recommended that Kerry also consolidates here information on the communications it plans to do with external stakeholders. Kerry should review the plan regularly, in conjunction with reviewing entries in the online stakeholder engagement system, to identify further opportunities for engagement.

External stakeholders are able to participate and engage on Kerry's 'Towards 2020' Sustainability Programme and other sustainability issues through a number of mediums including sustainability group networks, customer, investor and supplier meetings.

Internal stakeholders are able to participate and engage on Kerry's Sustainability Programme and other sustainability issues through regional sustainability conferences, articles on the My Kerry Sustainability site and town hall meetings at a site level. Kerry has a well-established Sustainability Council with a mix of staff from different regions and functions. The Council provides leadership, appraises sustainability performance and promotes industry best practice throughout the Group. The North America region is developing a regional Sustainability Council to mirror the Group Sustainability Council. This is a positive development, which could be rolled out in other regions.

Kerry records and shares its stakeholder engagements through its online stakeholder engagement system and then discusses the content at bi-monthly environmental meetings. Use of the online stakeholder engagement system varies significantly among the different regions. Kerry has recognised this and it is positive that it is going to address this inconsistency in 2017 by requiring sites to provide information on stakeholder engagement activities in their existing monthly performance reports. It is recommended that Kerry ensures adequate training is provided to site staff on this new process and on how it links to the online stakeholder engagement system.

Kerry has an online sustainability projects system which records information on carbon, water and waste projects to raise awareness and encourage other sites to replicate these projects. In 2016, some regions continued to use this system, whereas other regions used their Quality, Safety, Health and Environment Portals to record information on sustainability projects. Kerry should ensure that regions are consistent in the information they are collecting and that the information is accessible to internal stakeholders, particularly now that different systems are being used. As recommended last year, sites should also record the cost and carbon savings achieved as projects are implemented to enable other sites to benchmark the benefits.

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.

Stakeholder issues are captured through the online stakeholder engagement system. Kerry evaluates the relevance and priority of sustainability issues identified by stakeholders at the Sustainability Council meetings and the bi-monthly environmental meetings.

The 'Towards 2020' Sustainability Programme is also reviewed each year by the Council to assess progress and to set annual sustainability goals. In 2016, Kerry identified water scarcity as a material issue and analysed the relevance of water scarcity to each of its manufacturing sites using the World Resources Institute Aqueduct tool. Kerry then identified water scarcity priority sites using a list of criteria that were clear, credible and understandable. Kerry is now focusing on improving water stewardship at those sites. Kerry had previously identified sustainable sourcing of raw materials as a key issue and had selected ten key raw material categories. In 2016, it evaluated the relevance and priority of each of these categories, based on customer demand and technical feasibility, in order to prioritise work within the ten categories. The work on sustainable sourcing and water scarcity is a positive development and Kerry should ensure action is progressed on these issues.

At a regional level, the relevance and prioritisation of sustainability issues is facilitated by the work of the regional Environmental Directors and occurs through meetings and sustainability conferences. At a local level, it occurs through local site management. It is recommended that reviews of the relevance and prioritisation of sustainability issues are formalised to ensure they are undertaken regularly and are recorded.

It is our opinion that Kerry has improved its materiality determination process; however, further enhancement is required to ensure the process is documented fully, applied consistently and integrated on an ongoing basis across site, regional and Group levels of the organisation.

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

Kerry responds formally to external stakeholders through the sustainability pages of Kerry's Website, and through its Annual Report. The Website contains reporting on each of the four pillars of the 'Towards 2020' Sustainability Programme'. However, for the marketplace pillar, Kerry should consider providing more detail on how it is progressing against its goals. In response to external stakeholder requests, Kerry has responded to additional modules in the Carbon Disclosure Project.

Kerry has responded to external stakeholders on a wide range of issues during 2016. It has completed sustainability assessments of some products, undertaken a water stress analysis, produced a draft animal welfare statement and developed a palm oil sourcing policy. In response to customer requests, Kerry has also upgraded its Sedex membership to enable it to view and run reports on its suppliers' ethical data, to manage information on its own facilities and to share information with its customers. Kerry should ensure that it records its responses to external stakeholders in its online stakeholder engagement system and that it works further to develop a consistent response to stakeholder enquiries.

Kerry has responded to internal stakeholders through a variety of means. At a group level, Kerry has reviewed 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. The sites audited this year demonstrated varying levels of awareness of the 'Towards 2020' Sustainability Programme. To help improve awareness of sustainability issues and Kerry's response to them, Kerry has organised regional sustainability conferences and has developed an online sustainability course. These are commendable initiatives and Kerry should consider making the conferences regular annual events. Kerry should ensure the online sustainability course is available in other languages for non-English speaking sites. Kerry has developed a diversity programme to be implemented in 2017.

At a site level, Kerry engages with and responds to internal stakeholders on sustainability issues through noticeboards, the intranet, newsletters 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 and through presentations at town hall meetings. Where not already implemented, sustainability should be added as a regular agenda item in site meetings, to facilitate discussion of sustainability 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. Formalising the materiality determination process will help Kerry identify other areas where reporting should be enhanced to ensure that the communication of sustainability issues is comprehensive and balanced.

Reliability of Performance Information

The systems and processes used to support the GHG performance data have been evaluated and it has been possible to obtain a moderate level of assurance in respect of the GHG data reported in the Group Annual Report. A small number of minor 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 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 performance data and the data collection forms used help to identify potential anomalies in the data sets by comparing data against the submissions in previous months.

As noted last year, where not already in place, Kerry should encourage sites to have a second person spot check the data, particularly the units used, before it is submitted and sites should ensure they have a site-specific written procedure on how to complete the monthly submission.

Hayes

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Jacobs, London, 10 February 2017

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