



# NET-ZERO ROADMAP

## 2024 PROGRESS REPORT



INTRODUCTION

# FOREWORD

The Lactalis Group's **passion and commitment to the dairy industry** has been passed on from generation to generation since **1933** when our founder, André Besnier, produced his first batch of camembert.

With this rich heritage in the dairy industry, we've invested in driving high standards of milk quality, food safety, animal welfare and farm sustainability to responsibly deliver the healthy and nutritious dairy products our customers know and love.

As part of Lactalis Group, our CSR work at Lactalis UK & Ireland is aligned to a global framework focused on key sustainability issues: fighting global warming, heading towards a more circular economy and improving animal welfare. We are committed to our sustainability journey and minimising our impact on the environment. We published our goal to achieve carbon net zero across our entire value chain by 2050. We know we can't do this alone so we work in partnership with our suppliers, farmers, trade bodies and NGOs so that we can all move forward together.

To achieve positive change, we're setting clear commitments and goals to cut our emissions. Our teams and experts are staying up to date with the latest climate science advancements and requirements so we can operate and grow our business more sustainably. We have innovation at our core so as science evolves, so will our plans. We're committed to sharing our progress and impact openly and transparently.

Left

**MIKE CHATTERS**

**Group Managing Director, Lactalis UK & Ireland**

Right

**CATHERINE LEGORGEU**

**Managing Director,  
UK & Ireland Lactalis Nestlé UK Chilled Dairy Ltd**





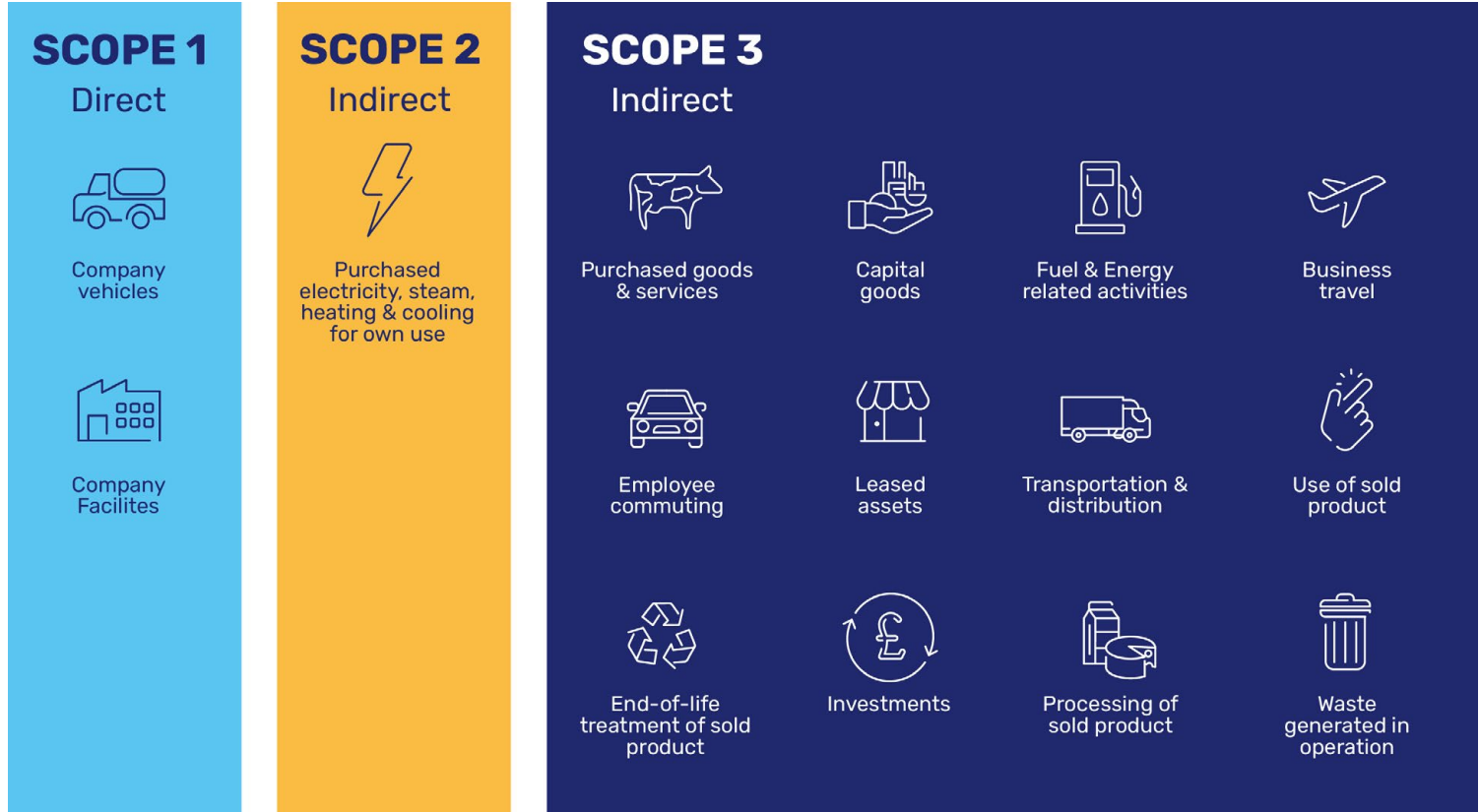
# OUR RESPONSIBILITY TO DELIVER ACTION

## Our carbon footprint covers **all scopes**

As a leading business in our sector, Lactalis in the UK understands our responsibility to measure, manage and reduce our climate emissions in line with recognised science and global goals.

Focusing on emissions from food and agriculture is important as these sectors make a significant contribution to climate change. We're fully committed to taking action and finding new ways to support the delivery of global climate goals.

At both Group and UK level, our carbon footprinting covers all greenhouse gas emissions, expressed as CO2e equivalents.



## INTRODUCTION

# OUR RESPONSIBILITY TO DELIVER ACTION



**Our vision at Lactalis in the UK is to drive positive change now to achieve a low-emissions future.**

To achieve this, our guiding principles are:



Measuring our carbon footprint with standardised frameworks



Moving forward in transparency



Setting targets grounded in climate science



Setting a climate governance structure to support the Group ambition

**Across the whole Lactalis Group, we collaborate with external experts and use recognised and robust methodologies to accurately assess our emissions and identify where we can take action.**

- To help guide us, we use the Greenhouse Gas Protocol (GHG), an international methodology for measuring and managing GHG emissions throughout our whole value chain.
- Lactalis Group has approved near and long-term science-based emissions reduction targets with SBTi. Our targets are aligned with the best available science on what's required to limit global temperature rise to 1.5°C.
- In 2022, we also joined the Pathways to Dairy Net-Zero initiative so that we can work collaboratively across our industry.





# LACTALIS GROUP CLIMATE GOALS AND TARGETS



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Lactalis Group commits to reach **net-zero** greenhouse gas emissions across the value chain **by 2050.**

Lactalis Group commits to no deforestation across its primary deforestation-linked commodities, with a target date no later than December 31, 2025.

Lactalis Group commits that **73.8%** of its suppliers and customers by emissions, covering purchased goods and services, capital goods, fuel-and energy-related activities, upstream transportation and distribution and processing of sold products, will have science-based targets by 2028.

Lactalis Group commits to reduce absolute scope 1 and 2 GHG emissions **46.2%** by 2030 from a 2019 base year\*.

Lactalis Group commits to reduce scope 3 FLAG GHG emissions **30.3%** by 2030 from a 2021 base year\*\*.

Lactalis Group commits to:

Reduce absolute scope 1 and 2 GHG emissions **90%** by 2050 from a 2019 base year\*.

Reduce absolute scope 3 GHG emissions **90%** by 2050 from a 2021 base year.

Reduce scope 3 FLAG GHG emissions **72%** by 2050 from a 2021 base year\*\*.

2019 2021 2025 2028 2030 2050

FLAG emissions = all GHG emissions associated with forests, land and agriculture | Non-FLAG emissions = all other types of emissions (industry, energy, etc.)

\*The target boundary includes land-related emissions and removals from bioenergy feedstocks.

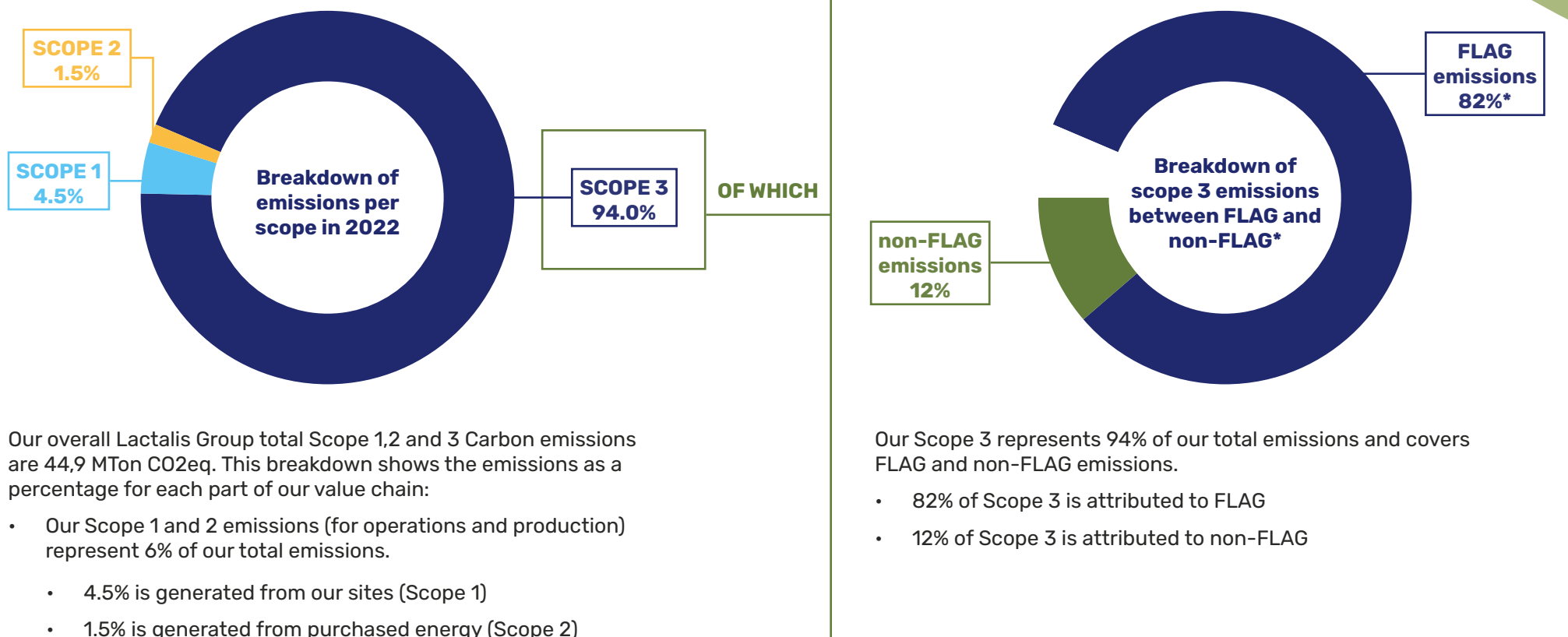
\*\*Target includes FLAG emissions and removals



# HOW OUR EMISSIONS ARE PRODUCED

Across the entire Lactalis Group, we measure our greenhouse gas emissions using the GHG Protocol method.

The breakdown of our greenhouse gas emissions is:



Our overall Lactalis Group total Scope 1,2 and 3 Carbon emissions are 44,9 Mton CO<sub>2</sub>eq. This breakdown shows the emissions as a percentage for each part of our value chain:

- Our Scope 1 and 2 emissions (for operations and production) represent 6% of our total emissions.
  - 4.5% is generated from our sites (Scope 1)
  - 1.5% is generated from purchased energy (Scope 2)

Our Scope 3 represents 94% of our total emissions and covers FLAG and non-FLAG emissions.

- 82% of Scope 3 is attributed to FLAG
- 12% of Scope 3 is attributed to non-FLAG

\*FLAG emissions = all GHG emissions associated with forests, land and agriculture | Non-FLAG emissions = all other types of emissions (industry, energy, etc.)



# HOW OUR EMISSIONS ARE PRODUCED

## SCOPE 1

Production - use of natural gas, liquefied petroleum gas, light fuel oil and transportation fuels.

4.5%

CONTRIBUTION

## SCOPE 2

Production - emissions from purchased electricity, hot water and steam.

1.5%

CONTRIBUTION

## SCOPE 3 FLAG

- Milk Supply
- Other dairy raw materials
- Ingredients
- Paper and cardboard packaging

82%

CONTRIBUTION

## SCOPE 3 NON-FLAG

- Upstream transport and distribution, purchased goods and services.
- Fuel and energy-related activities
- Capital goods

12%

CONTRIBUTION

## SCOPE 3 FLAG EMISSIONS

- **94%** are attributed to milk production
- **6%** to other dairy raw materials, ingredients & paper and cardboard packaging

## SCOPE 3 NON-FLAG EMISSIONS

- **43%** comes from purchased goods and services
- **18%** comes from capital goods and fuel
- **14%** comes from transport and logistics
- **11%** comes from fuel and energy-related activities
- **14%** fall under other categories

With **94%** of our total emissions coming from Scope 3, this is where we're focusing most of our resource so we can deliver impactful change and achieve a low-emissions future.

- We're working in close partnership with our farmers on innovative projects so we can identify and deliver the right changes together to reduce FLAG emissions.
- We're reducing non-FLAG emissions through transforming our approach to procurement, logistics and transportation.

**You'll read more about our work to reduce Scope 3 emissions later in this report.**

# MILK PRODUCTION AND FARMING

**SCOPE 3 - FLAG** (Forest, Land and Agriculture)



MILK PRODUCTION & FARMING



# DRIVING THE REDUCTION OF EMISSIONS THROUGH TRANSFORMATIVE PROJECTS



Emissions generated by our supplying farms are the largest contributor in both our Scope 3 and overall emissions. We are working closely with our supplying farmers to share best practice and technological advances to reduce carbon footprints on farm.



MILK PRODUCTION & FARMING

# OUR CORE THEMES FOR ACTION



Maintaining high standards of herd health and welfare to optimise milk output, improve animal longevity and reduce replacement rates.



Efficient use of inputs, particularly purchased feed and fertiliser.



Carbon audit programme to track progress of carbon reduction on supplying farms.



Slurry / manure storage and handling.



Championing change through our Sustain programme.



Creating our baseline to monitor and track biodiversity on supplying farms.



Understanding and managing soils to support more sustainable farming practice.



Exploring and understanding the potential of feed additives to reduce methane emissions from cattle.



# WHAT WE'VE ACHIEVED SO FAR



## Championing change and supporting our farmers through our Sustain programme

Lactalis Sustain has two core components, our Lactalis Sourcing Standards and the Sustain Development Programme.

The Sourcing Standard sets out clearly our position on key farming practices and principles we wish our supplying farms to maintain. The Sourcing Standards are audited requirements and include milk quality, herd management, antibiotic use, carbon footprints and health and safety.

The Lactalis Development Group shares industry best practice through a programme of expert-led workshops and insightful discussions with farmers. To maintain momentum, farmers are required to attend a minimum of two Development Group activities each year.

To help drive our Sustain programme in January 2024 we launched our Sustain payment of 0.75ppl which is available to farmers who meet our Sustain qualifying criteria.



## UK-wide carbon audits to identify a baseline and track our progress

All our supplying farms were carbon audited between 2020 and 2022 to establish our baseline carbon footprint from farms. In 2023, we implemented our on-going audit programme with all our UK supplying farms being measured within a 3-year cycle. This enables us to accurately monitor progress towards our targets on the road to net-zero. Each farmer receives a 1-2-1 farm visit with a farm carbon expert to discuss their results and they are provided with a personalised plan to reduce on-farm emissions.



MILK PRODUCTION & FARMING

# OUR FUTURE FOCUS

**We've made positive progress working with our supplying farmers and we're fully committed to doing even more.**

Our Sustain Development Group workshops along with our carbon audit programmes are providing our farmers with the knowledge and expertise to continue reducing their carbon footprints.

## NUTRIENT MANAGEMENT PLANNING AND SOILS

Understanding and managing soils is fundamental to supporting more sustainable farming practice and managing on-farm carbon emission.

### Key elements of this initiative include:

- Regular programme of soil analysis for farmers to understand detailed nutrient content and soil pH.
- Nutrient management plans to balance grass/crop requirements with applied fertilisers (including slurry/manures).
- We're encouraging our farmers to reduce their use of purchased inorganic fertiliser utilised and the associated emissions.
- Expert-led, on-farm workshops including the utilisation of precision farming technologies where appropriate.

## COW WELFARE - MOBILITY

Lameness is one of the most common health conditions affecting cows. Tackling this is good for cows' welfare and positively impacts carbon footprint results.

### Through this work, farmers and staff members will:

- Receive expert training on the techniques of Mobility Scoring (RoMS).
- Be able to identify early signs of lameness and treat these issues before they escalate, avoiding lameness and potential involuntary culling.
- Avoiding lameness improves milk yield and means fewer replacement animals are required to maintain the herd. By reducing replacement rates and breeding less replacement animals the quantity of methane from the youngstock is reduced.





## ANIMAL FEED

Methane, a by-product of digestion in cattle, is the largest source of GHG emissions on farm. Ensuring carefully formulated diets with the right quantities and balance of feed types can optimise efficiency in how cows convert their food into milk with a composition suited to cheese production, whilst reducing methane output.

**Through expert-led workshops and supporting new initiatives we'll:**

- Assist farmers in maximising the quantity and quality of homegrown grass, silage and other forage crops in diets.
- Guide farmers with rationing to optimise the quantities of supplementary concentrate feeds used on farm.
- Consider the choice of feed ingredients, ensuring in particular that where soya and palm oil are used, they are responsibly sourced and not linked to deforestation.
- Review the use of methane suppressing feed additives

## MANURE AND SLURRY STORAGE

Before it can be used as an organic fertiliser, slurry and manure must be collected and stored effectively to protect against emissions of ammonia and potent greenhouse gases including nitrous oxide and methane.

## BIODIVERSITY

We're benchmarking biodiversity on all our supplying farms, this will enable changes to be tracked and monitored. Our biodiversity benchmarking results will be used to expand on our biodiversity pillars and develop our Lactalis biodiversity policy. As part of our biodiversity policy, we will provide our farmers with birdboxes and wildflower seed so they can create habitats suited to birds and help provide food for pollinators.

## BREEDING AND FERTILITY

Breeding choices are an important part of on-farm efficiency and can help farmers lower their carbon footprint. Selective breeding can contribute to longer life expectancy and the need for lower numbers of replacement animals. Through expert-led workshops, supporting information and tools, we can help our farmers improve their herd breeding performance.

We'll also continue to explore advancing technology to understand how genetic potential of individual animals (genomics) and sensor technologies can be used to support breeding practices on farm.

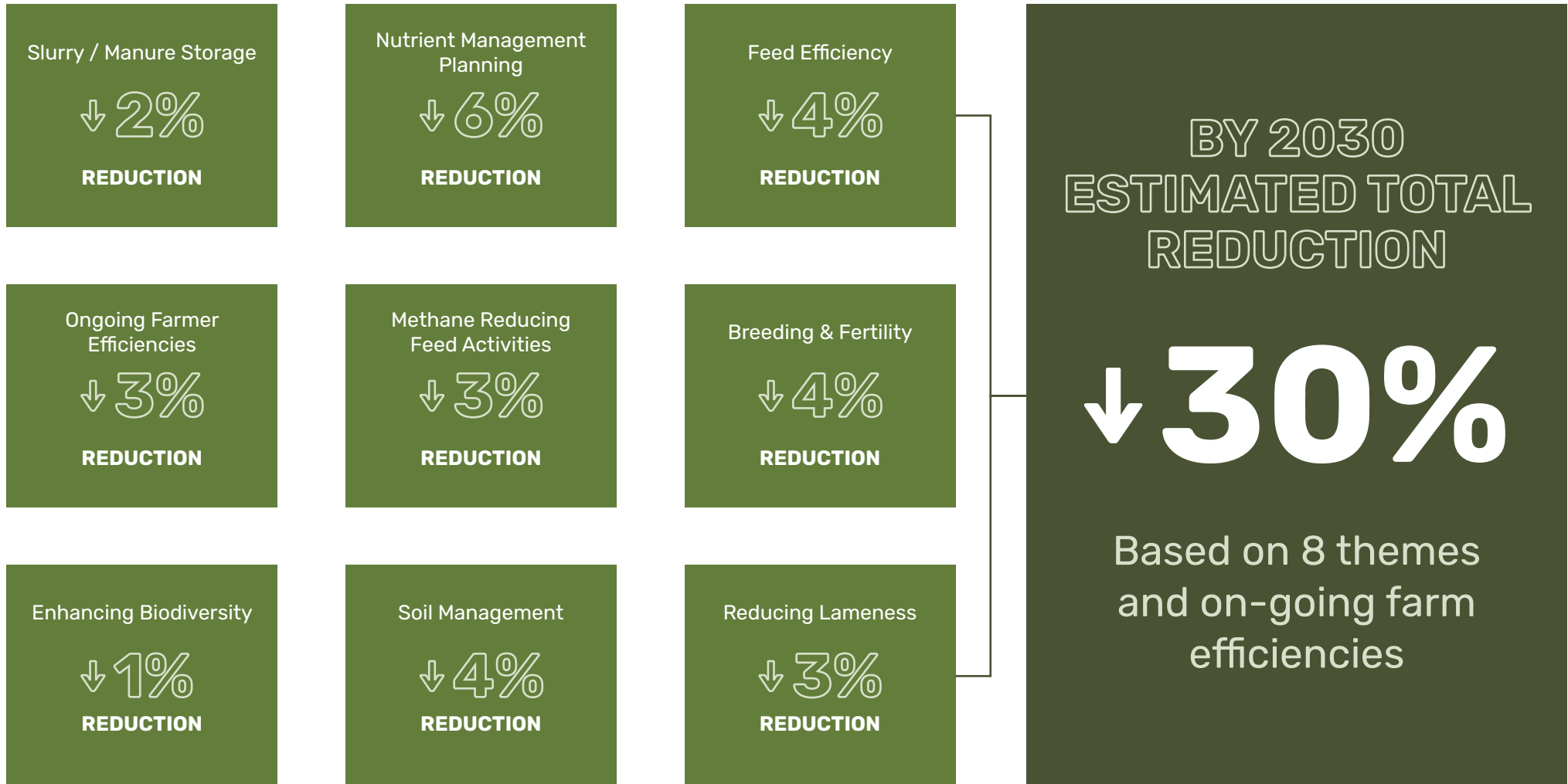




# OUR FUTURE FOCUS



Collectively these 8 themes and on-going farmer efficiencies will lead to an **estimated 30% reduction in emissions.**



# OPERATIONS AND PRODUCTION

SCOPE 1 & 2

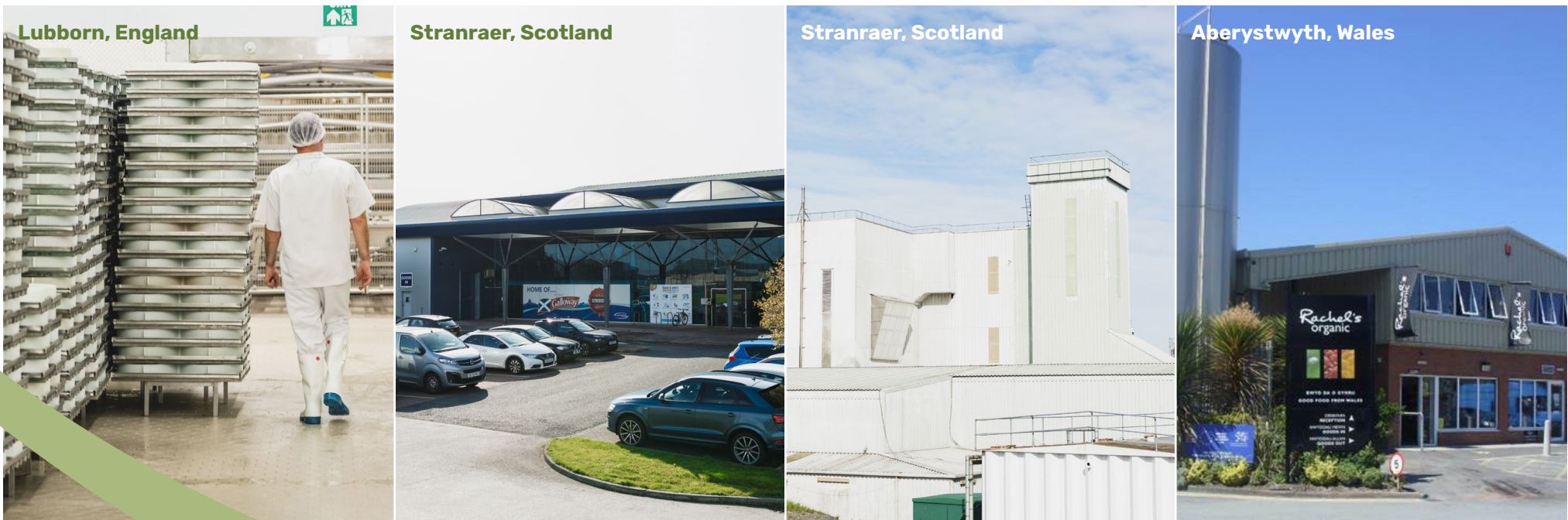


# REDUCING ENERGY CONSUMPTION ACROSS OUR UK MANUFACTURING SITES



In the UK, we have manufacturing sites producing our cheeses and yogurts **across three locations**, Stranraer in Scotland, Lubborn in England and Aberystwyth in Wales.

Through our energy and climate policy we've developed a climate action roadmap, which focuses on short-term and long-term actions to achieve our net zero ambition.



# OUR CORE THEMES FOR ACTION



OUR ENERGY MANAGEMENT POLICY IS BASED ON THREE CORE PRINCIPLES:



Implementing best practices



Efficient operational processes



A transition to low carbon energies



To achieve these objectives in the UK, we've set up a cross-functional project team and collaborated with Lactalis Group's central team to develop UK-focused roadmaps.

## IN THE UK, OUR PRODUCTION SITES ARE FOCUSED ON THREE BIG ACTIONS TO ACHIEVE OUR NET-ZERO AMBITION:

- 1. Improving our operational efficiency** - by implementing production and storage best practices.
- 2. Transitioning to energy sources** - with reduced carbon intensity
- 3. Exploring on-site generation** - through investments in renewable energy production equipment on-site or through partnerships to produce renewable energy on-site or off-site.



# WHAT WE'VE ACHIEVED SO FAR

## Improving Operational Efficiency



### AGREED BASELINES AND IMPLEMENTED ON-GOING MONITORING

To improve our operational efficiency through production and storage best practices, our manufacturing sites have identified their carbon footprints, and implemented systems to monitor their levels of emissions.



### EMBEDDED BEST PRACTICES

Compressed air and steam management are key priorities at our production sites. We regularly conduct air leak and steam trap surveys to identify and rectify any issues.

We're also upgraded our carbon and energy monitoring systems to make our energy use more transparent, drive changes in how we use energy and help us make better decisions about where to invest to deliver more efficiencies.

These systems as well as the mandatory ESOS (Energy Savings and Opportunity Scheme) will help us identify more opportunities to reduce our energy consumption.

We're making investments across our UK sites to optimise our processes and equipment and reduce energy consumption, heat loss and carbon emissions. These investments include:

### 1050 tonnes per annum saving

New boilers for our largest UK site, fitted with the best available processes to maximise heat recovery and efficiency. They'll be delivering potential CO2 savings of 1050 tonnes per annum.

### 350 tonnes per annum saving

We've already replaced around 50% of lighting across our UK sites with energy-efficient LED solutions and plan to increase this in the coming years. We're saving around 50-70% CO2 per light switched which equates to 300-350 tonnes per annum.

### 45% more efficient

We've installed new effluent pumps at our Stranraer site, which are around 45% more efficient than the old pumps.

### Transitioning To Energy Sources With Reduced Carbon Intensity

To support our aim of increasing the use of fuels with lower CO2e and particulate emissions, we've invested in our manufacturing sites so they can use gas instead of liquid fuels for heating and industrial production. We've also invested in electric vehicles for local site activity.



OPERATIONS AND PRODUCTION

# OUR FUTURE FOCUS



**We've made good progress, but there's still more we want to do so we'll be identifying and delivering more operational efficiencies to reduce our energy consumption. Some of these initiatives will include:**

**Recovering lost energy in the form of heat from spray drying and other processes across our industrial sites**

**Changing utility infrastructure to reduce system losses and improve energy efficiency**

**Continuing with LED lighting replacement investments**

**Investigating on-site energy investment opportunities including anaerobic digestion**

**Investigating opportunities for CO<sub>2</sub>e capture at our production sites**

**Exploring opportunities with our sites or through partnerships to produce solar energy**



# TRANSPORT, LOGISTICS AND PROCUREMENT

## SCOPE 3 - NON-FLAG



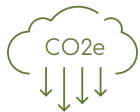
# REDUCING EMISSIONS BY TRANSFORMING OUR APPROACH TO PROCUREMENT, LOGISTICS AND TRANSPORTATION



**Our transport, logistics and procurement emissions are generated through the supply of products to UK and European markets.**

By working closely with our suppliers and customers, we're reducing the carbon footprint linked to transport, logistics and procurement.

## Our core themes for action



Working in partnership with our suppliers to reduce emissions



Reducing product reworks



Transforming our transport and logistics operation



Involving CSR requirements in our haulage tenders as well as providing training to hauliers on CSR topics and how to prepare for SBTi implementation.



Effectively measuring CO2e



Working with customers and charity organisations to reduce food waste





# WHAT WE'VE ACHIEVED SO FAR

## Procurement

**Across Lactalis Group, we've not only been reviewing and improving our own operations but we've also actively engaged with our key suppliers to understand their carbon targets too.**

To give us valuable insights into the current levels of carbon maturity, they've completed a survey sharing more about their climate strategies. This data is helping us identify where we can focus our work together to collectively reduce emissions.

### WORKING IN PARTNERSHIP WITH OUR SUPPLIERS

Lactalis Group commits that 73.8% of its suppliers and customers by emissions, covering purchased goods and services, capital goods, fuel-and energy-related activities, upstream transportation and distribution and processing of sold products, will have science-based targets by 2028.

We've also asked our suppliers to set targets for being certified as being aligned with a 1.5°C warming scenario by SBTi (or equivalent standard) by the end of 2028. They'll also be reporting their carbon footprint and the status of their climate objectives to us annually.

#### GOALS ACHIEVED

# Understanding carbon targets

by reviewing, improving and engaging with key suppliers

#### FUTURE GOALS

# 73.8%

of our suppliers will have science-based goals of 2028

Commitment covering 73.8% of suppliers from the following categories: purchased goods and services, capital goods, fuel-and energy-related activities, upstream transportation and distribution and processing of sold products.



# WHAT WE'VE ACHIEVED SO FAR

## Transport and logistics

Every day we're focused on reducing the carbon footprint of our transport and logistics activity by:



Optimising truck loading



Reducing distances travelled

We have completed Project 'WAVE,' a strategic initiative aimed at optimising our route-to-market in the post-Brexit landscape. By using the latest EDI (electronic data interchange) technology, we managed to remove unnecessary steps in the supply chain and reduced our carbon footprint by 192 tons of CO<sub>2</sub>e a year. That's 100,000 cubic meters of CO<sub>2</sub>e, the same volume as 1,000 double decker buses!

## How we're reducing emissions in our logistics operation

By identifying our baseline and the sources of greenhouse gas emissions, we've been able to establish a comprehensive set of actions to reduce carbon footprints. These include:

- **Promoting more sustainable transportation** - our partner transport company Lactalis Logistics Transport are requesting CSR data as part of the tender process.
- **Route optimisation** - we're regularly reviewing our routes to market to optimise mileage and we're also utilising intermodal transportation that combines truck and rail.
- **Packing innovation** - we're working closely with our manufacturing sites to standardise packaging and reduce wasted space inside the case.
- **Load optimisation** - we're maximising truck load capacity to reduce the number of trips and optimise our transport.
- **Regular monitoring** - we've set up a monitoring and reporting tool to track our emissions enabling us to proactively adjust our processes and approach.

And finally, **we're evolving our carbon reduction plan.** The world is constantly changing and as technology advances and economic and political situations change, we're responding and continuously improving our action plan.





# WHAT WE'VE ACHIEVED SO FAR

## CONSISTENT AND RELIABLE CO2E MEASUREMENT



We've created a **fully auditable and traceable CO2e tracker report** that measures the run rate for Group Lactalis operations in the UK (including Lactalis UK & Ireland, Lactalis Nestlé Chilled Dairy and Lactalis Ingredients), helping us to accurately monitor our CO2e results.

## REDUCING PRODUCT REWORKS



Products are typically reworked for customers in terms of case size or the mix of products. **We've reduced the number of reworked products from 63 to 22** saving on packaging, labels and warehouse movement.

## REDUCING FOOD WASTE



**Reducing food waste is at the heart of our operation**, playing a vital role in reducing our carbon footprint and improving resource utilisation across our supply chain.



**We've signed up to the Courtauld 2030 food waste target and UN Sustainable Development Goal 12.3 through WRAP. We're proud that our latest submissions show that we're already exceeding our waste reduction targets.**

Guided by the Food Waste Hierarchy, our number one priority is to prevent food waste. We're collaborating with our customers and using the best available forecasts to accurately produce only what we need.

We've **built partnerships with food banks including Fareshare and Bia Food** and we're **working closely with Company Shop to manage excess stock** and use it to fight food insecurity in UK and Ireland. Any leftover stock is processed through anaerobic digestion and **we have a zero-landfill policy.**



# OUR FUTURE FOCUS

## MULTIMODAL SOLUTIONS



We'll continue to explore the use of multimodal solutions as well as European and UK train network optimisation. We are also looking into back-haul opportunities in our network.

## KNOWLEDGE SHARING



Following our recent acquisitions of Rowcliffe and Hawkrigge (dairy suppliers & wholesalers) we have been working with our new colleagues to map out their businesses sharing knowledge and skills sets. As these companies have over 200 artisan suppliers from the UK and Europe, we will work together to continue to reduce our carbon footprint across total Lactalis UK operations.

## EMBRACING INNOVATION



As the dynamics of UK logistics continue to evolve, we'll play an active role in understanding advancements in technology and fuel alternatives as they come to the wider market.



# CLIMATE GOVERNANCE, DATA AND REPORTING





# OUR CLIMATE GOVERNANCE, DATA AND REPORTING

At both UK and Lactalis Group level, we're taking important steps to drive change and fully integrate sustainability into our business.

Sustainability is an important focus for Lactalis in the UK and we're strategically embedding it across our entire operation through a range of initiatives:

We have **more than 50 people directly involved in sustainability** working groups across our head office and factory locations.

We've **implemented a clear governance structure** and additional steering committees which collectively provide support and monitor our progress.

We created a **brand new Sustainability Manager role** in June 2022.

**All Board Directors and everyone involved** in a working group have **sustainability targets** included as part of their objectives.

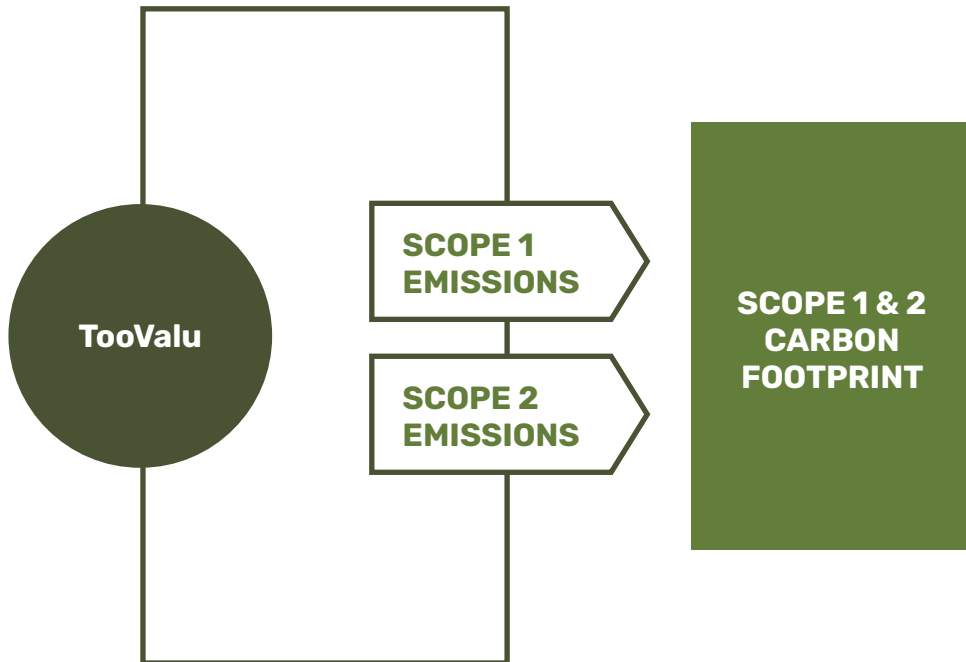


# HOW WE'RE RECORDING DATA AND REPORTING OUR RESULTS



**We're using an established carbon tool called TooValu to accurately report and analyse our Scope 1 and Scope 2 emissions and measure our carbon footprint.**

Environmental data from all our UK sites is recorded, assessed and shared with Lactalis Group using an environmental reporting system, Lact@HSE so that progress can be monitored across the entire Group.



## Our UK farm audits

**We're auditing greenhouse gas emissions on a rolling basis with all our supplying farms being measured at least once every 3 years to track their carbon footprint.**

A qualified and independent farm advisor gathers data from the farm and processes it using the carbon calculator tool, Agrecalc. Once the audit is complete, every farmer receives a customised report and advisory visit sharing the opportunities for farm-specific improvements that align with our overarching projects.

The Scope 3 FLAG carbon footprint data will be collated at both UK and Lactalis Group levels, enabling us to report and monitor progress towards our SBTi targets.





# WHERE YOU CAN LEARN MORE ABOUT OUR APPROACH TO SUSTAINABILITY

If you'd like to know more about how we're driving sustainability, identifying and managing material issues and organising our plans and actions, you can visit the sustainability section of our website and read our Sustainability Progress Update 2024.



FUTURE GOALS



FUTURE GOALS



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