

## Section 172 statement

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered their general duties under Section 172(1) of the Companies Act 2006 to act in a manner they would consider would be most likely to promote the long-term success of the Company for the benefit of all stakeholders, including employees, suppliers, customers and others.

### Engagement with stakeholders

The Company has a number of stakeholders, including employees; farmers; suppliers; customers; the communities local to its sites and offices; and its ultimate parent undertaking, Saputo Inc. The Directors recognise the fundamental importance of each of these groups to the Company and dedicates substantial time and resources to maintaining ongoing dialogues with each on matters relevant to them. The Directors also review at regular meetings the Company's compliance with its permits to operate.

Each of these stakeholder groups is represented on the Company's Executive Committee through the presence of the President and Chief Operating Officer, Group Human Resources Director, Group Procurement Director, Commercial Director, Manufacturing Director, Finance Director and Company Secretary. The Executive Committee meets every week to review and discuss all aspects of the business. The viewpoint of each stakeholder group is taken into account when the Executive Committee makes any major decision and this decision making process considers their impact on each of the Company's stakeholders.

Stakeholder	Engagement
Employees	<ul style="list-style-type: none"> <li>• Semi-annual roadshows, normally hosted by a member of the Executive Committee, at sites and offices where employees receive an update on the business performance and can ask questions</li> <li>• Regular briefings by the Site Leadership Teams with all employees</li> <li>• Annual employee survey, the results of which are reported back to employees at roadshows or employee briefings</li> <li>• Articles and resources posted weekly on the Group's intranet</li> <li>• Well-established consultation and negotiating arrangements with established trade unions</li> <li>• An established Pension Consultative Committee Forum to which updates are provided on the closed defined benefit pension fund</li> <li>• Communication to employees of annual pay increase and outcome of 2020/21 annual bonus scheme. A new bonus scheme, paying out quarterly, was implemented from 1 April 2020.</li> <li>• For employee groups covered by collective bargaining arrangements, outcome of pay negotiations was communicated by joint statement with the recognised Trade Unions.</li> </ul>

Farmers	<ul style="list-style-type: none"> <li>• Annual roadshows (virtual or in person) hosted by a member of the Executive Committee where farmers receive an update on the business performance and can ask questions</li> <li>• Dedicated Farm Business Managers who offer support and guidance to all farmers both on farm and over the phone. They also have access to a dedicated web portal</li> <li>• Monthly meeting with Dairy Crest Direct, the Dairy Producer Organisation representing the Company's supplying dairy farmers, at which the performance of and outlook for the dairy industry and the Company and a range of agricultural technical matters are discussed and the Company's future milk price to its supplying farmers is negotiated.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Regular meetings with key suppliers at which future plans and developments are discussed</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Dedicated teams allocated to each customer to manage relationships on an ongoing basis. Focus on supply chain performance including order fulfilment and on-time delivery KPIs</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Each site has established its own links with the local communities, through donating to worthy causes, sponsoring sports clubs or hosting tours of facilities</li> <li>• As we progress through the expansion project in Davidstow, meetings are held at least once a month with the Parish Council and local residents</li> </ul>
Saputo Inc.	<ul style="list-style-type: none"> <li>• Financial and operational data is shared on a monthly basis in addition to more detailed quarterly updates presented in person by the Divisional President &amp; Chief Operating Officer</li> </ul>

### **Statement on employee engagement**

The Company is committed to employee engagement and the key aspects of this are summarised above in the Section 172 engagement table.

### **Statement on business relationships**

Strong business relationships with customers and suppliers are of critical importance to the Company's success. The key aspects of our engagement with customers and suppliers are summarised above in the Section 172 engagement table.

## Other relevant information

The Directors also take into consideration the long term consequences for both the Company and its stakeholders when making decisions, ensuring the Company conducts its business in a fair way, protecting its reputation and external relationships.

The Company strives to maintain a reputation for high standards of business conduct through its internal culture and values. It has regard to relevant legislation such as modern slavery, human rights and ensures tax policies are up to date.

## Energy and carbon reporting – Streamlined Energy & Carbon Reporting 2020/21

The information provided in this report addresses the Company's obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, commonly referred to as Streamlined Energy & Carbon Reporting (SECR). This report builds upon the information provided by Dairy Crest Group plc for previous reporting years under the Mandatory Greenhouse Gas (GHG) requirements.

The data reported below relates to emissions from activities in the operational control of the Company from 1 April 2020 to 31 March 2021 consistent with its financial reporting period. All of the energy consumption and emissions data relate to activities undertaken in the United Kingdom.

Parameter	Units	2018/19	2019/20	2020/21
Fuels	kWh	124,512,871	119,342,435	121,945,247
Electricity	kWh	70,803,648	67,683,632	63,926,844
<b>Total Energy Use</b>	<b>kWh</b>	<b>195,316,519</b>	<b>187,026,067</b>	<b>185,872,091</b>
Energy Intensity	kWh/tonne	975	919	857
Scope 1 GHG Emissions	tonnes CO <sub>2</sub> e	12,071	11,266	11,574
Scope 2 GHG Emissions	tonnes CO <sub>2</sub> e	20,042	17,300	14,901
<b>Total Scope 1&amp;2 Emissions</b>	<b>tonnes CO<sub>2</sub>e</b>	<b>32,113</b>	<b>28,566</b>	<b>26,475</b>
Emissions Intensity	kg CO <sub>2</sub> e/tonne	160	140	122
Emissions from combustion of biomass	tonnes CO <sub>2</sub> e	24,575	24,390	24,525

Energy data is based on activity data contained in supplier invoices for liquid and solid boiler fuels, utility meter data for imported electricity and gas, manual records for minor quantities of gas oil used in portable equipment, and mileage records and fuel card transactions for road fuel used for business travel. Energy activity data is converted to

common units of kWh recognised calorific values e.g. those used for reporting under Climate Change Agreements.

The Company has followed the GHG Protocol Corporate Accounting and Reporting Standard to calculate emissions from the combustion of fuels (Scope 1) and from purchased electricity, heat, steam and cooling (Scope 2). Carbon emission factors have been used to convert each activity that gives rise to GHG emissions to a carbon dioxide equivalent (CO<sub>2</sub>e) using the latest UK Government conversion factors for company reporting.

Scope 1 emissions data includes material sources of gaseous and liquid fossil fuels used at manufacturing sites, offices and its national distribution centre. Road fuel used in company cars operated for business travel is also included. Fugitive losses of refrigerants used in cooling equipment have been converted to tonnes of carbon dioxide equivalent and are included for completeness.

Scope 2 emissions data includes purchased electricity used in manufacturing, distribution and offices.

The Company employs a 'per tonne of finished product' denominator as the most effective measure of relative performance for both energy and GHG emissions. This measure is consistent with its internal target setting process and how it communicates relative performance.

Consistent with the GHG Protocol, emissions from biologically sequestered carbon are reported separate to the other Scopes. These comprise emissions from combustion of biomass fuel at its creamery in Davidstow that significantly reduce Scope 1 emissions from fossil fuels. Emissions from combustion of biomass fuels are not included in the emissions intensity ratio reported above.

During the year the Company's absolute energy consumption reduced by 0.6% and intensity by 6.8% compared to the previous year. This was as a result of a range of energy reduction projects implemented at its manufacturing sites including the installation of LED lighting, reduction of steam and compressed air losses, insulation and improved control of refrigeration, air and production equipment. Energy intensity also reduced as a result of increased activity levels across all manufacturing sites.

The installation of additional sub-metering of energy usage and increased use of a web-based utility monitoring system enabled the Company's operations teams to make efficiency improvements through equipment scheduling and isolation of non-operational equipment.

During the year, further efficiency and renewable energy improvements were implemented such as changes to steam infrastructure to reduce the use of fossil fuels and enabling works

for a solar installation. Both of these projects are due to come into effect in the following reporting year.

Over the past 12 months, absolute Scope 1 and 2 emissions reduced by 7.3% and intensity by 13.1% compared to the previous year as a result of:

- The energy reduction measures described above;
- Higher activity levels across all manufacturing sites, and
- The carbon intensity of electricity imported from the public grid reduced by 9% compared to the previous reporting year (based on annual emissions factors issued by DEFRA), thereby reducing Scope 2 emissions.