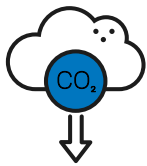


# Net zero: Food

25% of human-caused greenhouse gas emissions come from agriculture, forestry and other land use<sup>1</sup>

What does the **food sector** need to do to reach net zero?

**LGIM will vote and implement investment sanctions against companies falling short of our climate expectations. LGIM expects companies' boards to oversee and publicly disclose answers to the following:**



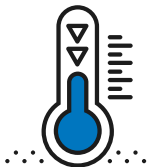
## Net-zero commitment

- Does the company have a comprehensive target for net zero by 2050 or earlier, covering scopes 1, 2 and material scope 3 emissions?<sup>2</sup>
- Has the company made a commitment to certify/certified this target with the SBTi or other external independent parties as they develop?
- Does the company have a net-zero transition plan that includes short- and medium-term targets?<sup>3</sup>



## Strategy

- What are the actions and investments involved in the company's plan to reach net zero, and what is the contribution of each action towards meeting its targets?<sup>4</sup>
- Does the company have a regenerative agriculture programme in place?
- Is the company disclosing the level of traceability of 'forest risk commodities' across its supply chain?
- What is the percentage of commodities purchased in line with no-deforestation principles?
- What is the percentage of food that is diverted/rejected/wasted vs recovered/repurposed?
- Is executive remuneration aligned with the company's short- and/or medium-term emissions targets, as set out in the net-zero transition plan?
- Does the company's net zero strategy and the use of any offsetting consider the potential impacts and dependencies on biodiversity – for example, in relation to land-use change?



## Resilience

- Has the company analysed the physical climate risks to its supply chain and evidenced measures to manage them?
- Product portfolio: How much revenue is derived from animal protein, particularly beef?



## Targets

- Does the company have targets to grow revenue from low-carbon/alternative protein products?
- Does the company have targets to reduce or eliminate food loss or waste?
- Does the company have targets to reduce non-CO2 emissions, such as methane and nitrous oxide, and to phase out hydrofluorocarbons (HFCs) from refrigeration along the supply chain?



## Collaboration

- How is the company working collaboratively across its value chain to reduce emissions? (e.g. with customers, suppliers, strategic R&D partnerships, sector initiatives etc).
- Is the company advocating meaningful policy action, including from regulators, to meet global net-zero targets (e.g. with carbon pricing)?



## Red lines

- Does the company have comprehensive zero-deforestation and no-land-conversion procurement policies?
- Does the company disclose its climate-related lobbying activities, including trade association memberships, and explain the action it will take if these are not aligned with a 1.5°C scenario?

\*The applicability of the expectations varies depending on companies' business models

1. IPCC (2018)

2. Aiming to cover all segments of the business, as articulated within the GHG protocol guidance.

3. Short-term refers to 2022 - 2025, medium-term 2026-2035 and long-term 2036-2050.

4. E.g., investing in innovation and product development of plant-based and alternative proteins, introduction of technologies to reduce food waste.

## Further areas for company consideration

### Biodiversity expectations

**Why?** The climate and nature crises are inextricably linked.<sup>5</sup> Net zero requires both emission avoidance and sequestration. Functioning natural systems are essential to this but increasingly vulnerable due to climate change.

**LGIM’s expectations:** An assessment of the impacts and dependencies on nature and biodiversity, and appropriate mitigation actions.

**Sector-specific considerations:** The global food system is the primary driver of biodiversity loss. Impacts could result from habitat clearance for farmland, soil degradation, monoculture environments, overexploitation of species, and widespread pollution.



### Company levers

- Reducing animal protein production and promoting plant-based alternatives to reduce land, water and emissions footprint
- Regenerative agriculture
- Lower emission farming practices
- Supply chain monitoring and traceability
- Waste management (animal waste, water, packaging)
- Natural refrigerants
- Consumer education



#### Challenges

Increasing production without additional land  
 Crop yield slowdown and soil loss, while reducing fertiliser use  
 Methane emissions  
 Lack of supply chain transparency  
 Dietary shifts  
 Food and packaging waste and food loss



#### Opportunities

Growing market for alternative proteins and healthy food options  
 Cost savings from low-carbon equipment  
 Reducing public health risks  
 Improved productivity

### Government policies

- Farming standards
- Subsidy reform
- Soil restoration
- No deforestation
- Mandatory supply chain certification and traceability
- Local supply chain
- Waste reduction
- Taxation (including carbon pricing)

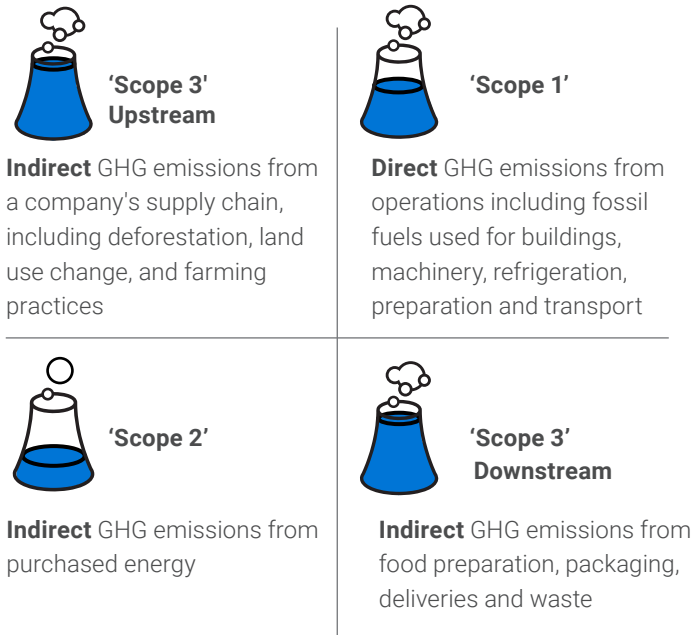


#### What is needed?

Company leadership	Research and innovation	Consumer behaviour
Investments in new products and tackling emissions across supply chain, with clear commitments to net zero	Protein alternatives Packaging and waste Regenerative agricultural practices	Consumers adopting plant-based alternatives

5. UN IPCC-IPEBS, [Biodiversity and Climate Change workshop report \(2021\)](#)

## Sources of emissions



Sources: IPCC (2018)

## 'Just Transition' considerations

The potential implications for employees, the supply chain, customers and communities from the transition to a lower-carbon business model

Alternatives to fertilisers/plastics may raise costs of food and other key commodities

## Physical risk impacts

Disruption to global food supply

Weather-caused accidents (leaks, fires, explosions)

Water scarcity



## For more information and to see how companies are rated

[Climate Impact Pledge 2022 - Net zero: going beyond ambition \(lgim.com\)](https://www.lgim.com/Climate-impact-pledge-2022-net-zero-going-beyond-ambition)

[LGIM Climate Impact Pledge score](#)

[LGIM Climate Impact Pledge](#)

### Important information

**Source: LGIM as at August 2022. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested. The above information does not constitute a recommendation to buy or sell any security.**