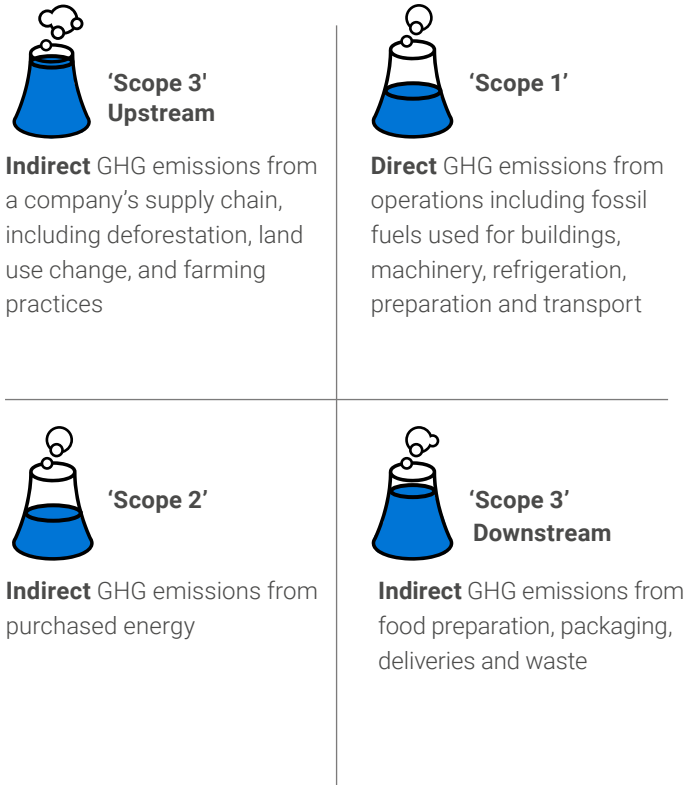



Net zero: food

To prevent dangerous climate change, greenhouse gas emissions must reach net zero. What does the **food sector** need to do?

25% of human-caused GHG emissions come from agriculture, forestry and other land use

Sources of emissions



 Source: IPCC (2018)

Challenges

- Increasing production without additional land
- Crop yield slowdown and soil loss
- Lack of supply chain transparency
- Behavioural change
- Food 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

Companies

Governments

Key levers	Key policies
Reducing animal protein consumption to enable smaller land, water and emissions footprint	Farming standards
Supply chain monitoring and traceability	Subsidy reform
Waste management (animal waste, water, packaging)	Mandatory supply chain certification and traceability
Regenerative agriculture	Waste reduction
Lower emission farming practices	Taxation (including carbon pricing)
	Consumer education
	Soil restoration
	No agricultural land expansion
	Local supply chains



Other environmental considerations

- Pesticides and food toxicity
- Largest driver of biodiversity loss, pollution from intensive farming
- Massive user of global freshwater

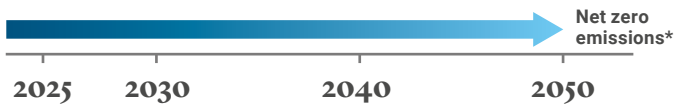
Social impacts and the just transition

- Farming is important source of livelihoods
- Food and nutrition insecurity remains pressing issue
- Tax impact on food affordability

Physical risk impacts

- Reductions in arable land, soil fertility, water availability and crop yields from extreme weather

Decarbonisation effort



Easier to achieve

- Regenerative / EU taxonomy-compliant farming
- Improving productivity on existing lands
- Investment in protein alternatives
- Natural refrigerants

Possible with effort

- Supply chain monitoring to end deforestation
- Dietary shifts
- Reduced packaging, food waste and food loss
- Reducing methane emissions from rice
- Reducing fertiliser use

*To be followed by reducing emissions of other GHGs such as methane to net zero

What is needed?



Company leadership

Investments in new products and tackling emissions across supply chain, with clear commitments to net zero



Research and innovation

Protein alternatives
Packaging and waste
Regenerative agricultural practices



Consumer behaviour

Consumers adopting plant-based alternatives

LGIM will vote and implement investment sanctions against companies falling short of our climate expectations.

How are we assessing companies' net zero pathways?

Net-zero Commitment	<ul style="list-style-type: none"> Does the company support the Paris Agreement target? Does the company have comprehensive target for net zero by 2050 or earlier, including emissions from value chain?
Strategy	<ul style="list-style-type: none"> Does the company have comprehensive zero-deforestation and regenerative agriculture policies? What percent of revenue/R&D derives from lower-impact products and technologies? Level of traceability of 'forest risk commodities' across supply chain Level of commodities purchased under no deforestation principles
Resilience	<ul style="list-style-type: none"> Exposure to physical risk? Product portfolio: how much revenue is derived from animal proteins, particularly beef?
Targets	<ul style="list-style-type: none"> Revenue targets for lower-impact products? Targets to expand sourcing from regenerative agriculture/the number of suppliers adhering to the EU green taxonomy?
Collaboration	<ul style="list-style-type: none"> Evidence of the company working collaboratively across its value chain to reduce emissions? Evidence of the company advocating for meaningful policy action on emissions?

For more information...

Please see: <https://www.lgimblog.com/categories/esg-and-long-term-themes/climate-impact-pledge>

Important information

Source: LGIM as at September 2020. 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

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