



**IFRS<sup>®</sup>**  
Sustainability

March 2022

# Exposure Draft

IFRS<sup>®</sup> Sustainability Disclosure Standard

---

## **[Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements**

Volume B20—Agricultural Products

Comments to be received by 29 July 2022



This industry from Appendix B Industry-based disclosure requirements accompanies the Exposure Draft ED/2022/S2 *Climate-related Disclosures* (published March 2022; see separate booklet). It is published by the International Sustainability Standards Board (ISSB) for comment only. Comments need to be received by 29 July 2022 and should be submitted by email to [commentletters@ifrs.org](mailto:commentletters@ifrs.org) or online at <https://www.ifrs.org/projects/open-for-comment/>.

All comments will be on the public record and posted on our website at [www.ifrs.org](http://www.ifrs.org) unless the respondent requests confidentiality. Such requests will not normally be granted unless supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data. If you would like to request confidentiality, please contact us at [commentletters@ifrs.org](mailto:commentletters@ifrs.org) before submitting your letter.

**Disclaimer:** To the extent permitted by applicable law, the ISSB and the IFRS Foundation (Foundation) expressly disclaim all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.

© 2022 SASB, part of Value Reporting Foundation.

**All rights reserved.** Reproduction and use rights are strictly limited. Please contact the Foundation for further details at [permissions@ifrs.org](mailto:permissions@ifrs.org).

Copies of ISSB publications may be ordered from the Foundation by emailing [customerservices@ifrs.org](mailto:customerservices@ifrs.org) or visiting our shop at <https://shop.ifrs.org>.

The Foundation has trade marks registered around the world (Marks) including 'IAS<sup>®</sup>', 'IASB<sup>®</sup>', the IASB<sup>®</sup> logo, 'IFRIC<sup>®</sup>', 'IFRS<sup>®</sup>', the IFRS<sup>®</sup> logo, 'IFRS for SMEs<sup>®</sup>', the IFRS for SMEs<sup>®</sup> logo, 'International Accounting Standards<sup>®</sup>', 'International Financial Reporting Standards<sup>®</sup>', the 'Hexagon Device', 'NIIF<sup>®</sup>' and 'SIC<sup>®</sup>'. Further details of the Foundation's Marks are available from the Foundation on request.

The Foundation is a not-for-profit corporation under the General Corporation Law of the State of Delaware, USA and operates in England and Wales as an overseas company (Company number: FC023235) with its principal office in the Columbus Building, 7 Westferry Circus, Canary Wharf, London, E14 4HD.

## Introduction

---

*This volume is part of Appendix B of [draft] IFRS S2 Climate-related Disclosures and is an integral part of that [draft] Standard. It has the same authority as the other parts of that [draft] Standard.*

This volume sets out the requirements for identifying, measuring and disclosing information related to an entity's significant climate-related risks and opportunities that are associated with specific business models, economic activities and other common features that characterise participation in this industry.

The industry-based disclosure requirements are derived from SASB Standards (see paragraphs B10–B12 of [Draft] IFRS S2 *Climate-related Disclosures*). Amendments to the SASB Standards, described in paragraph B11, are marked up for ease of reference. New text is underlined and deleted text is struck through. The metric codes used in SASB Standards have also been included, where applicable, for ease of reference. For additional context regarding the industry-based disclosure requirements contained in this volume, including structure and terminology, application and illustrative examples, refer to Appendix B paragraphs B3–B17.

## Agricultural Products

### Industry Description

The Agricultural Products industry is engaged in processing, trading, and distributing vegetables and fruits, and producing and milling agricultural commodities such as grains, sugar, consumable oils, maize, soybeans, and animal feed. Agricultural products are sold directly to consumers and to businesses for use in consumer and industrial products. Companies in the industry typically purchase agricultural products from entities that grow such products (either directly or indirectly) to then conduct value-adding activities (e.g., processing, trading, distributing, and milling). Agricultural products companies are also involved in wholesale and distribution. Companies in the industry may source a substantial portion of agricultural commodities from third-party growers in various countries. Therefore, managing sustainability risks within the supply chain is critical to securing a reliable supply of raw materials and reducing the risk of price increases and volatility over the long term.

### Sustainability Disclosure Topics & Metrics

**Table 1. Sustainability Disclosure Topics & Metrics**

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO <sub>2</sub> -e	FB-AG-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	FB-AG-110a.2
	Fleet fuel consumed, percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-AG-110a.3
Energy Management	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-AG-130a.1
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m <sup>3</sup> ), Percentage (%)	FB-AG-140a.1
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	FB-AG-140a.2
	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	Quantitative	Number	FB-AG-140a.3

*continued...*

APPENDIX B OF [DRAFT] IFRS S2 CLIMATE-RELATED DISCLOSURES

...continued

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Ingredient Sourcing	Identification of principal crops and description of risks and opportunities presented by climate change	Discussion and Analysis	n/a	FB-AG-440a.1
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by cost	FB-AG-440a.2

**Table 2. Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Production by principal crop <sup>26</sup>	Quantitative	Metric tons (t)	FB-AG-000.A
Number of processing facilities <sup>27</sup>	Quantitative	Number	FB-AG-000.B
Total land area under active production	Quantitative	Hectares	FB-AG-000.C
Cost of agricultural products sourced externally <sup>28</sup>	Quantitative	Reporting currency	FB-AG-000.D

<sup>26</sup> Note to **FB-AG-000.A** – Principal crops are those crops that accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years.

<sup>27</sup> Note to **FB-AG-000.B** – Processing facilities include those facilities that are involved in the manufacturing, processing, packing, or holding of agricultural products and exclude administrative offices.

<sup>28</sup> Note to **FB-AG-000.C** – Agricultural products are defined as food, feed, and biofuel ingredients that are sourced for use in the entity's operations. The scope of agricultural products sourced externally excludes agricultural products grown on land that is owned or operated by the entity.

## Greenhouse Gas Emissions

### Topic Summary

Companies in the Agricultural Products industry generate direct greenhouse gas (GHG) emissions from the processing and transportation of goods via land and sea freight operations. Emissions regulations may increase the cost of capital, operational costs, and affect the operational efficiency of companies that do not have strategies in place to manage GHG emissions. Employing innovative technologies that use alternative fuels and energy inputs—including biomass waste generated from internal processes—and improving fuel efficiency are ways companies can limit exposure to volatile fuel pricing, supply disruptions, future regulatory costs, and other potential consequences of GHG emissions.

### Metrics

#### *FB-AG-110a.1. Gross global Scope 1 emissions*

- 1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>).
  - 1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalents (CO<sub>2</sub>-e), and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (2014).
  - 1.2 Gross emissions are GHGs emitted into the atmosphere before accounting for offsets, credits, or other similar mechanisms that have reduced or compensated for emissions.
- 2 Scope 1 emissions are defined and shall be calculated according to the methodology contained in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (GHG Protocol), Revised Edition, March 2004, published by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD).
  - 2.1 Acceptable calculation methodologies include those that conform to the GHG Protocol as the base reference, but provide additional guidance, such as industry- or region-specific guidance. Examples include, but are not limited to:
    - 2.1.1 *GHG Reporting Guidance for the Aerospace Industry* published by International Aerospace Environmental Group (IAEG)
    - 2.1.2 *Greenhouse Gas Inventory Guidance: Direct Emissions from Stationary Combustion Sources* published by the U.S. Environmental Protection Agency (EPA)
    - 2.1.3 India GHG Inventory Program
    - 2.1.4 ISO 14064-1

## APPENDIX B OF [DRAFT] IFRS S2 CLIMATE-RELATED DISCLOSURES

- 2.1.5 Petroleum Industry Guidelines for reporting GHG emissions, 2nd edition, 2011, published by IPIECA
- 2.1.6 Protocol for the quantification of greenhouse gas emissions from waste management activities published by Entreprises pour l'Environnement (EpE)
- 2.2 GHG emissions data shall be consolidated and disclosed according to the approach with which the entity consolidates its financial reporting data, which is generally aligned with the “financial control” approach defined by the GHG Protocol, and the approach published by the Climate Disclosure Standards Board (CDSB) described in REQ-07, “Organisational boundary,” of the *CDSB Framework for reporting environmental information, natural capital and associated business impacts* (April 2018).
- 3 The entity may discuss any change in its emissions from the previous reporting period, including whether the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.
- 4 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the entity may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.
- 5 The entity may discuss the calculation methodology for its emissions disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, or mass balance calculations.

### *FB-AG-110a.2. Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets*

- 1 The entity shall discuss its long-term and short-term strategy or plan to manage its Scope 1 greenhouse gas (GHG) emissions.
  - 1.1 Scope 1 emissions are defined according to *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (GHG Protocol), Revised Edition, March 2004, published by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD).
  - 1.2 The scope of GHG emissions includes the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>).
- 2 The entity shall discuss its emission reduction target(s) and analyze its performance against the target(s), including the following, where relevant:
  - 2.1 The scope of the emission reduction target (e.g., the percentage of total emissions to which the target is applicable);
  - 2.2 Whether the target is absolute- or intensity-based, and the metric denominator, if it is an intensity-based target;

- 2.3 The percentage reduction against the base year, with the base year representing the first year against which emissions are evaluated toward the achievement of the target;
  - 2.4 The timelines for the reduction activity, including the start year, the target year, and the base year;
  - 2.5 The mechanism(s) for achieving the target; and
  - 2.6 Any circumstances in which the target or base year emissions have been, or may be, recalculated retrospectively or the target or base year has been reset.
- 3 The entity shall discuss the activities and investments required to achieve the plans and/or targets, and any risks or limiting factors that might affect achievement of the plans and/or targets.
  - 4 The entity shall discuss the scope of its strategies, plans, and/or reduction targets, such as how they relate to different business units, geographies, or emissions sources.
  - 5 The entity shall discuss whether its strategies, plans, and/or reduction targets are related to, or associated with, emissions limiting and/or emissions reporting-based programs or regulations (e.g., the EU Emissions Trading Scheme, Quebec Cap-and-Trade System, California Cap-and-Trade Program), including regional, national, international, or sectoral programs.
  - 6 Disclosure of strategies, plans, and/or reduction targets shall be limited to activities that were ongoing (active) or reached completion during the reporting period.

*FB-AG-110a.3. Fleet fuel consumed, percentage renewable*

- 1 The entity shall disclose the total amount of fuel consumed by its fleet vehicles as an aggregate figure, in gigajoules (GJ).
  - 1.1 The calculation methodology for fuel consumed shall be based on actual fuel consumed as opposed to design parameters.
  - 1.2 Acceptable calculation methodologies for fuel consumed include, but are not limited to, methodologies based on:
    - 1.2.1 Adding fuel purchases made during the reporting period to beginning inventory at the start of the reporting period, less any fuel inventory at the end of the reporting period
    - 1.2.2 Tracking fuel consumed by vehicles
    - 1.2.3 Tracking fuel expenses
- 2 The entity shall disclose the percentage of the total amount of fuel consumed by its fleet vehicles that is renewable fuel.
  - 2.1 Renewable fuel is generally defined by the U.S. Renewable Fuel Standard (U.S. 40 CFR 80.1401), as fuel that meets all of the following requirements:
    - 2.1.1 Produced from renewable biomass;

APPENDIX B OF [DRAFT] IFRS S2 CLIMATE-RELATED DISCLOSURES

- 2.1.2 Used to replace or reduce the quantity of fossil fuel present in a transportation fuel, heating oil, or jet fuel; and
- 2.1.3 ~~Achieved net Has lifecycle~~ greenhouse gas (GHG) emissions reduction on a life cycle basis that are at least 20 percent less than baseline lifecycle GHG emissions, unless the fuel is exempt from this requirement pursuant to U.S. 40 CFR 80.1403.
- 2.2 The entity shall disclose the standard or regulation used to determine if a fuel is renewable.

~~The scope of renewable fuel includes fuel that qualifies for Renewable Identification Numbers (RINs) under the U.S. Renewable Fuel Standard.~~
- 2.3 ~~The percentage shall be calculated as the amount of renewable fuel consumed by the entity's fleet vehicles (in GJ) divided by the total amount of fuel consumed by the entity's fleet vehicles (in GJ).~~
- 3 The scope of disclosure includes fuel consumed by vehicles owned or operated by the entity.
- 4 The scope of disclosure excludes fuel consumed in the transportation of the entity's products by third parties.

## Energy Management

### Topic Summary

Processing and milling agricultural products requires substantial energy input. While some agricultural products companies generate energy on-site through the direct combustion of fossil fuels and/or biomass, most energy is procured from the electrical grid. Energy consumption contributes to environmental impacts, including climate change and pollution. Energy management affects current and future costs of operation. Climate regulation and other sustainability factors could result in higher and/or more volatile electricity and fuel prices, increasing operating costs for agricultural products companies. Therefore, energy efficiency gained through process improvements can lower operating costs. The tradeoff between on-site versus grid-sourced electricity as well as the use of alternative energy can play important roles in influencing both the long-term cost and reliability of a company's energy supply and the extent of regulatory impact from direct versus indirect emissions.

### Metrics

*FB-AG-130a.1. (1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable*

- 1 The entity shall disclose (1) the total amount of energy it consumed (excluding fleet vehicles) as an aggregate figure, in gigajoules (GJ).
  - 1.1 The scope of energy consumption excludes fuel consumed by fleet vehicles, but includes energy from all other sources, including energy purchased from sources external to the entity and energy produced by the entity itself (self-generated). For example, purchased electricity, and heating, cooling, and steam energy are all included within the scope of energy consumption.
  - 1.2 The scope of energy consumption includes only energy directly consumed by the entity during the reporting period.
  - 1.3 In calculating energy consumption from fuels and biofuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- 2 The entity shall disclose (2) the percentage of energy it consumed (excluding fleet vehicles) that was supplied from grid electricity.
  - 2.1 The percentage shall be calculated as purchased grid electricity consumption divided by total energy consumption.
- 3 The entity shall disclose (3) the percentage of energy it consumed (excluding fleet vehicles) that is renewable energy.
  - 3.1 Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, such as geothermal, wind, solar, hydro, and biomass.

APPENDIX B OF [DRAFT] IFRS S2 CLIMATE-RELATED DISCLOSURES

- 3.2 The percentage shall be calculated as renewable energy consumption divided by total energy consumption.
- 3.3 The scope of renewable energy includes renewable fuel the entity consumed, renewable energy the entity directly produced, and renewable energy the entity purchased, if purchased through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs) or Guarantees of Origin (GOs), a Green-e Energy Certified utility or supplier program, or other green power products that explicitly include RECs or GOs, or for which Green-e Energy Certified RECs are paired with grid electricity.
  - 3.3.1 For any renewable electricity generated on-site, any RECs and GOs must be retained (i.e., not sold) and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
  - 3.3.2 For renewable PPAs and green power products, the agreement must explicitly include and convey that RECs and GOs be retained or replaced and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
  - 3.3.3 The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy.
- 3.4 For the purposes of this disclosure, the scope of renewable energy from ~~hydro and biomass sources is limited to the following:~~
  - 3.4.1 ~~Energy from hydro sources is limited to those that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard;~~
  - 3.4.2 ~~Energy from biomass sources is limited to~~ materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered eligible sources of supply according to the *Green-e Framework for Renewable Energy Certification, Version 1.0 (2017)* or Green-e regional standards, and/or materials that are eligible for an applicable state renewable portfolio standard.
- 4 The entity shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kilowatt hours (kWh) to GJ (for energy data including electricity from solar or wind energy).

## Water Management

### Topic Summary

The Agricultural Products industry relies on water for processing activities, and companies in the industry also typically generate wastewater, or effluent. The availability of water, due to physical availability and/or regulatory access, directly impacts the industry's ability to efficiently operate processing facilities. Companies in the industry are increasingly exposed to water-related risks and regulations, which may increase capital expenditure costs, operating costs, remediation costs, and/or potential fines. Companies can manage water-related risks and opportunities and mitigate long-term costs through capital investments and assessment of facility locations relative to water scarcity risks, improvements to operational efficiency, and work with regulators and communities on issues related to water access and effluent. Risks related to crop production that are driven by water availability and access are addressed in a separate supply chain-oriented topic, Ingredient Sourcing.

### Metrics

*FB-AG-140a.1. (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress*

- 1 The entity shall disclose the amount of water, in thousands of cubic meters, that was withdrawn from all sources.
  - 1.1 Water sources include surface water (including water from wetlands, rivers, lakes, and oceans), groundwater, rainwater collected directly and stored by the entity, and water and wastewater obtained from municipal water supplies, water utilities, or other entities.
- 2 The entity may disclose portions of its supply by source if, for example, significant portions of withdrawals are from non-freshwater sources.
  - 2.1 Fresh water may be defined according to the local laws and regulations where the entity operates. Where there is no legal definition, fresh water shall be considered to be water that has less than 1,000 parts per million of dissolved solids ~~per the U.S. Geological Survey~~.
  - 2.2 Water obtained from a water utility in compliance with ~~U.S. National Primary Drinking Water Regulations~~ jurisdictional drinking water regulations can be assumed to meet the definition of fresh water.
- 3 The entity shall disclose the amount of water, in thousands of cubic meters, that was consumed in its operations.
  - 3.1 Water consumption is defined as:
    - 3.1.1 Water that evaporates during withdrawal, usage, and discharge;
    - 3.1.2 Water that is directly or indirectly incorporated into the entity's product or service;
    - 3.1.3 Water that does not otherwise return to the same catchment area from which it was withdrawn, such as water returned to another catchment area or the sea.

APPENDIX B OF [DRAFT] IFRS S2 CLIMATE-RELATED DISCLOSURES

- 4 The entity shall analyze all of its operations for water risks and identify activities that withdraw and consume water in locations with High (40–80 percent) or Extremely High (>80 percent) Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.
- 5 The entity shall disclose its water withdrawn in locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn.
- 6 The entity shall disclose its water consumed in locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed.

*FB-AG-140a.2. Description of water management risks and discussion of strategies and practices to mitigate those risks*

- 1 The entity shall describe its water management risks associated with water withdrawals, water consumption, and discharge of water and/or wastewater.
  - 1.1 Risks associated with water withdrawals and water consumption include risks to the availability of adequate, clean water resources, including, but not limited to:
    - 1.1.1 Environmental constraints—such as operating in water-stressed regions, drought, concerns of aquatic impingement or entrainment, interannual or seasonal variability, and risks due to the impact of climate change
    - 1.1.2 Regulatory and financial constraints—such as volatility in water costs, stakeholder perceptions and concerns related to water withdrawals (e.g., those from local communities, non-governmental organizations, and regulatory agencies), direct competition with and impact from the actions of other users (e.g., commercial and municipal users), restrictions to withdrawals due to regulations, and constraints on the entity's ability to obtain and retain water rights or permits
  - 1.2 Risks associated with the discharge of water and/or wastewater, include, but are not limited to, the ability to obtain rights or permits related to discharges, compliance with regulations related to discharges, restrictions to discharges, the ability to maintain control over the temperature of water discharges, liabilities and/or reputational risks, and increased operating costs due to regulation, stakeholder perceptions and concerns related to water discharges (e.g., those from local communities, non-governmental organizations, and regulatory agencies).
- 2 The entity may describe water management risks in the context of:
  - 2.1 How risks may vary by withdrawal source, including surface water (including water from wetlands, rivers, lakes, and oceans), groundwater, rainwater collected directly and stored by the entity, and water and wastewater obtained from municipal water supplies, water utilities, or other entities; and
  - 2.2 How risks may vary by discharge destinations, including surface water, groundwater, or wastewater utilities.

EXPOSURE DRAFT—MARCH 2022

- 3 The entity may discuss the potential impacts that water management risks may have on its operations and the timeline over which such risks are expected to manifest.
  - 3.1 Impacts may include, but are not limited to, those associated with costs, revenues, liabilities, continuity of operations, and reputation.
- 4 The entity shall discuss its short-term and long-term strategies or plan to mitigate water management risks, including, but not limited to:
  - 4.1 The scope of its strategy, plans, goals and/or targets, such as how they relate to different business units, geographies, or water-consuming operational processes.
  - 4.2 Any water management goals and/or targets it has prioritized, and an analysis of performance against those goals and/or targets.
    - 4.2.1 Goals and targets may include, but are not limited to, those associated with reducing water withdrawals, reducing water consumption, reducing water discharges, reducing aquatic impingements, improving the quality of water discharges, and regulatory compliance.
  - 4.3 The activities and investments required to achieve the plans, goals and/or targets, and any risks or limiting factors that might affect achievement of the plans and/or targets.
  - 4.4 Disclosure of strategies, plans, goals, and/or targets shall be limited to activities that were ongoing (active) or reached completion during the reporting period.
- 5 For water management targets, the entity shall additionally disclose:
  - 5.1 Whether the target is absolute or intensity-based, and the metric denominator if it is an intensity-based target.
  - 5.2 The timelines for the water management plans, including the start year, the target year, and the base year.
  - 5.3 The mechanism(s) for achieving the target, including:
    - 5.3.1 Efficiency efforts, such as the use of water recycling and/or closed-loop systems;
    - 5.3.2 Product innovations such as redesigning products or services to require less water;
    - 5.3.3 Process and equipment innovations, such as those that enable the reduction of aquatic impingements or entrainments;
    - 5.3.4 Use of tools and technologies (e.g., the World Wildlife Fund Water Risk Filter, The Global Water Tool, and Water Footprint Network Footprint Assessment Tool) to analyze water use, risk, and opportunities; and
    - 5.3.5 Collaborations or programs in place with the community or other organizations.

APPENDIX B OF [DRAFT] IFRS S2 CLIMATE-RELATED DISCLOSURES

- 5.4 The percentage reduction or improvement from the base year, where the base year is the first year against which water management targets are evaluated toward the achievement of the target.
- 6 The entity shall discuss whether its water management practices result in any additional lifecycle impacts or tradeoffs in its organization, including tradeoffs in land use, energy production, and greenhouse gas (GHG) emissions, and why the entity chose these practices despite lifecycle tradeoffs.

*FB-AG-140a.3. Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations*

- 1 The entity shall disclose the total number of instances of non-compliance, including violations of technology-based standards and exceedances of quantity and/or quality-based standards.
- 2 The scope of disclosure includes incidents governed by national, state, and local statutory permits and regulations, including, but not limited to, the discharge of a hazardous substance, violation of pretreatment requirements, or total maximum daily load (TMDL) exceedances.
- 3 The scope of disclosure shall only include incidents of non-compliance that resulted in a formal enforcement action(s).
  - 3.1 Formal enforcement actions are defined as statutorily recognized actions that address a violation or threatened violation of water quantity and/or quality laws, regulations, policies, or orders, and can result in administrative penalty orders, administrative orders, and judicial actions, among others. ~~For example, the U.S. Environmental Protection Agency (EPA) provides guidance on the scope of formal enforcement actions in Informal and Formal Actions, Summary Guidance and Portrayal on EPA Websites.~~
- 4 Violations shall be disclosed, regardless of their measurement methodology or frequency. These include violations for:
  - 4.1 Continuous discharges, limitations, standards, and prohibitions that are generally expressed as maximum daily, weekly average, and monthly averages
  - 4.2 Non-continuous discharges and limitations that are generally expressed in terms of frequency, total mass, maximum rate of discharge, and mass or concentration of specified pollutants

## Ingredient Sourcing

### Topic Summary

Agricultural products companies source a wide variety of commodities and ingredients from farmers and/or intermediary distributors. The industry's ability to reliably source ingredients at desired price points fluctuates with crop yield, which may be affected by climate change, water scarcity, land management, and other resource scarcity considerations. Companies that source more productive and less resource-intensive crops, or those that work closely with suppliers to increase their adaptability to climate change and other resource scarcity risks, will be better protected from volatility in crop prices and from disruptions in crop supplies. Additionally, companies may improve their brand reputation and develop new market opportunities. Failure to effectively manage sourcing risks can lead to higher costs of capital, reduced margins, and constrained revenue growth.

### Metrics

#### *FB-AG-440a.1. Identification of principal crops and description of risks and opportunities presented by climate change*

- 1 The entity shall identify any principal crops that are a priority to the entity's business.
  - 1.1 Principal crops are those crops that accounted for 10 percent or more of consolidated revenue in any of the last three reporting periods, as disclosed in FB-AG-000.A.
- 2 The scope of disclosure shall include crops that are cultivated directly by the entity, grown on a contract basis, or sourced as a commodity.
  - 2.1 Crops cultivated directly by the entity include those grown on farms owned and/or operated by the entity.
  - 2.2 Crops grown on a contract basis include those for which the entity has directly contracted the conditions of crop production and the quality of crops with the farmer, consistent with the Food and Agriculture Organization of the United Nations (FAO) "Contract Farming Resource Center."
  - 2.3 Crops sourced as a commodity include those bought through the spot market, to-arrive bids, grain elevators, or other measures by which the entity is not able to control the production process.
- 3 The entity shall describe the risks and/or opportunities that are presented to its principal crops by climate change scenarios, including, where relevant:
  - 3.1 Identification of the risks presented by climate change, including, but not limited to, availability of water, shifts in crop regions, pest migration, and extreme weather events
  - 3.2 Discussion of the scenarios used to determine the risks and opportunities presented by climate change

APPENDIX B OF [DRAFT] IFRS S2 CLIMATE-RELATED DISCLOSURES

- 3.3 Discussion of how such scenarios will manifest (e.g., effects directly on the entity or effects on the entity's supply chain) and the potential implications that these would have on its priority crops
- 3.4 The timeline over which such risks and opportunities are expected to manifest
- 4 The entity may discuss the methods or models used to develop these scenarios, including the use of global gridded crop models or scientific research provided by governmental and non-governmental organizations (e.g., Intergovernmental Panel on Climate Change Climate Scenario Process).
- 5 The entity shall discuss efforts to assess and monitor the impacts of climate change and the related strategies to alleviate and/or adapt to any risks and/or utilize any opportunities (e.g., FAO "Climate-Smart Agriculture" approach).
  - 5.1 Alleviation strategies include, but are not limited to, use of crop insurance, investments in hedging instruments, and supply chain diversification.
  - 5.2 Adaptation strategies include, but are not limited to, improving ecosystem management and biodiversity, development of tolerant crop varieties, and optimizing timing of planting and harvesting.

*FB-AG-440a.2. Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress*

- 1 The entity shall disclose the percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress.
  - 1.1 Agricultural products are defined as raw materials such as food, feed, and biofuel ingredients that are sourced for use in the entity's operations.
- 2 The percentage shall be calculated as the cost of agricultural products purchased from Tier 1 suppliers that withdraw and consume water in regions with High or Extremely High Baseline Water Stress for the production of the agricultural products divided by the total cost of agricultural products purchased from Tier 1 suppliers.
  - 2.1 The entity shall identify Tier 1 suppliers that withdraw and consume water in locations with High (40–80%) or Extremely High (>80%) Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.
- 3 The scope of disclosure is agricultural products purchased from Tier 1 suppliers, including those grown on a contract basis or sourced as a commodity.
  - 3.1 Tier 1 suppliers are defined as suppliers that transact directly with the entity for agricultural products.
  - 3.2 Agricultural products grown on a contract basis include those for which the entity has directly contracted the conditions of crop production and the quality of crops with the farmer, consistent with the Food and Agriculture Organization of the United Nations (FAO) "Contract Farming Resource Center."

EXPOSURE DRAFT—MARCH 2022

- 3.3 Agricultural products sourced as a commodity include those bought through the spot market, to-arrive bids, grain elevators, or other measures by which the entity is not able to control the production process.
- 4 If the entity is unable to identify or collect data pertaining to all Tier 1 suppliers, the entity shall disclose the percentage of agricultural products for which the source region and water risks are unknown