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IFRS[®] Sustainability Disclosure Standard

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

Volume B24—Non-Alcoholic Beverages

Comments to be received by 29 July 2022

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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.

Non-Alcoholic Beverages

Industry Description

The Non-Alcoholic Beverages industry produces a broad range of beverage products, including various carbonated soft drinks, syrup concentrates, juices, energy and sport drinks, teas, coffee, and water products. The industry is dominated by large, international companies. Companies partake in syrup manufacturing, marketing, bottling operations, and distribution, with larger companies typically being more vertically integrated into operations that bottle, sell, and distribute the finished products.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

| TOPIC | METRIC | CATEGORY | UNIT OF MEASURE | CODE |
|---|--|-------------------------|---|--------------|
| Fleet Fuel Management | Fleet fuel consumed, percentage renewable | Quantitative | Gigajoules (GJ), Percentage (%) | FB-NB-110a.1 |
| Energy Management | (1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable | Quantitative | Gigajoules (GJ), Percentage (%) | FB-NB-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 ³), Percentage (%) | FB-NB-140a.1 |
| | Description of water management risks and discussion of strategies and practices to mitigate those risks | Discussion and Analysis | n/a | FB-NB-140a.2 |
| Environmental & Social Impacts of Ingredient Supply Chain | Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances | Quantitative | Rate | FB-NB-430a.1 |
| Ingredient Sourcing | Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress | Quantitative | Percentage (%) by cost | FB-NB-440a.1 |
| | List of priority beverage ingredients and description of sourcing risks due to environmental and social considerations | Discussion and Analysis | n/a | FB-NB-440a.2 |

Table 2. Activity Metrics

| ACTIVITY METRIC | CATEGORY | UNIT OF MEASURE | CODE |
|---------------------------------|--------------|-------------------------------|-------------|
| Volume of products sold | Quantitative | Millions of hectoliters (Mhl) | FB-NB-000.A |
| Number of production facilities | Quantitative | Number | FB-NB-000.B |
| Total fleet road miles traveled | Quantitative | Miles | FB-NB-000.C |

Fleet Fuel Management

Topic Summary

Non-alcoholic beverages companies generate direct Scope 1 greenhouse gas (GHG) emissions from large vehicle fleets for distribution and from manufacturing facilities. Specifically, refrigeration used in manufacturing facilities and in transport vehicles contributes to a large portion of overall emissions for the industry. Efficiencies gained in fuel use can reduce costs, mitigate exposure to fossil fuel price volatility, and limit emissions from production, storage, and transportation of products. Short-term capital expenditures in fuel efficient fleets and more energy-efficient technologies may be outweighed by long-term operational savings and mitigation of regulatory risk.

Metrics

FB-NB-110a.1. 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;
 - 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.
- 5 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, the U.S. Department of Energy, or the U.S. Energy Information Agency.
- 6 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).

Energy Management

Topic Summary

Companies in the Non-Alcoholic Beverages industry use significant energy to operate manufacturing facilities, distribution centers, and warehouses. Companies in the industry generally purchase electricity from the grid. Energy generation contributes to environmental impacts, including climate change and pollution, which have the potential to indirectly, yet materially, impact the operations of non-alcoholic beverages companies. Companies can reduce energy consumption and associated greenhouse gas (GHG) emissions from their operations by implementing more efficient technologies and processes. Decisions regarding the use of alternative fuels, renewable energy, and on-site generation of electricity versus purchasing from the grid, can play an important role in influencing both the costs and reliability of the energy supply.

Metrics

FB-NB-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 organization and energy produced by the organization 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.
 - 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

Water management relates to a company's direct water usage, the exposure of its operations to water-stressed regions, and its management of wastewater. Companies in the Non-Alcoholic Beverages industry use a large amount of water in their operations, as water is a key input to finished products. Given non-alcoholic beverage companies' heavy reliance on large volumes of clean water and the fact that water stress is increasing in different regions globally, companies may be exposed to supply disruptions that could significantly impact operations and add to costs. Companies operating in water-stressed regions that fail to address local water concerns may face further risk of losing their social license to operate. Additionally, proper wastewater treatment is an important element of managing water issues in operations, because bottling plants release large quantities of effluents. Improving water management through increased efficiency, recycling, and proper disposal, particularly in regions with baseline water stress, can lead to lower operating costs, reduced risks, and higher intangible asset value.

Metrics

FB-NB-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.
- 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-NB-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:

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- 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.
- 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.
- 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.

Environmental & Social Impacts of Ingredient Supply Chain

Topic Summary

Companies in the Non-Alcoholic Beverages industry manage global supply chains to source a wide range of ingredient inputs. How companies screen, monitor, and engage with suppliers on environmental and social topics affects the ability of companies to secure supply and manage price fluctuations. Supply chain interruption can cause loss of revenue and negatively impact market share if companies are not able to find alternatives for key suppliers or have to source ingredients at higher cost. Supply chain management issues related to labor practices, environmental responsibility, ethics, or corruption may also result in regulatory fines and/or increased long-term operational costs for companies. The consumer-facing nature of the industry increases the reputational risks associated with supplier actions. Managing a company's exposure to environmental and social risks can lead to improved supply chain resiliency and enhanced reputation, which provide value to shareholders. Companies can engage with key suppliers to manage environmental and social risks to improve supply chain resiliency, mitigate reputational risks, and potentially increase consumer demand or capture new market opportunities.

Metrics

FB-NB-430a.1. Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances

- 1 The entity shall disclose its supplier facilities' (1) non-conformance rate with external social and environmental audit standard(s) or internally developed supplier code(s) of conduct for (a) major non-conformances, and separately, (b) minor non-conformances.
 - 1.1 A major non-conformance is defined as the highest severity of non-conformance and require escalation by auditors. Major non-conformances confirm the presence of underage child workers (below the legal age for work or apprenticeship), forced labor, health and safety issues that can cause immediate danger to life or serious injury, and/or environmental practices that can cause serious and immediate harm to the community. Major non-conformance includes material breach or systemic breaking of code requirement or law. Major non-conformances may also be referred to as critical or priority non-conformances.
 - 1.2 A minor non-conformance is defined as a non-conformance that by itself is not indicative of a systemic problem with the management system. Minor non-conformances are typically isolated or random incidents and represent a low risk to workers and/or the environment.
 - 1.3 The entity shall calculate the non-conformance rates as the total number of non-conformances (in each respective category) identified among its supplier facilities divided by the number of supplier facilities audited.
- 2 The entity shall disclose the (2) corrective action rates associated with its supplier facilities' (a) major non-conformances, and separately, (b) minor non-conformances.

- 2.1 A corrective action is defined as the completion of an action (generally identified in a corrective action plan) within 90 days for major non-conformances, and 60 days for minor non-conformances, that has been designed to eliminate the cause of a detected non-conformance, including the implementation of practices or systems to eliminate any non-conformance and ensure there will be no reoccurrence of the non-conformance, as well as verification that the action has taken place.
 - 2.2 The entity shall calculate the corrective action rates as the number of corrective actions that address non-conformances (in each respective category) divided by the total number of non-conformances (in each respective category) that have been identified.
- 3 The entity shall disclose the standards and/or code(s) of conduct to which it has measured social and environmental responsibility audit compliance.
 - 3.1 For internally developed supplier code(s) of conduct, the entity shall disclose the public location where such code(s) can be viewed.

Ingredient Sourcing

Topic Summary

Companies in the Non-Alcoholic Beverages industry source a wide range of ingredients from suppliers worldwide. The industry's ability to source ingredients and at certain price points fluctuates with supply availability, which may be affected by climate change, water scarcity, land management, and other resource scarcity considerations. This exposure can lead to price volatility which may affect company profitability. Ultimately, climate change, water scarcity, and land-use restrictions present risks to a company's long-term ability to source key materials and ingredients. Companies that source ingredients which are more productive and less resource-intensive, or work closely with suppliers to increase their adaptability to climate change and other resource scarcity risks will be better protected from price volatility and/or supply disruptions.

Metrics

FB-NB-440a.1. Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress

- 1 The entity shall disclose the percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress.
- 2 The percentage shall be calculated as the cost of beverage ingredients 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 beverage ingredients divided by the total cost of agricultural products purchased from Tier 1 suppliers.
 - 2.1 Tier 1 suppliers are defined as suppliers that transact directly with the entity for agricultural products.
 - 2.2 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 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.

FB-NB-440a.2. List of priority beverage ingredients and description of sourcing risks due to environmental and social considerations

- 1 The entity shall identify the highest priority beverage ingredients to its business.
 - 1.1 Priority beverage ingredients are defined as ingredients (excluding water) that constitute the largest beverage ingredient expense and/or those ingredients that have otherwise been identified by the entity as essential to its products or as having significant environmental or social risks.
 - 1.2 The scope of disclosure includes priority beverage ingredients sourced by the entity, including, but not limited to, those sourced directly from contract growers and from producer supply agreements.

- 2 The entity shall discuss its strategic approach to managing the environmental and social risks that arise from its highest priority beverage ingredients.
 - 2.1 Environmental risks include, but are not limited to, effects of drought and climate change on ingredient prices, reputational damage due to deforestation, and other risks resulting from the environmental impacts associated with the entity's supply chain.
 - 2.2 Social risks include, but are not limited to, effects of workers' rights on productivity, reputational damage due to human rights issues, and other risks resulting from the social impacts associated with the entity's supply chain.
- 3 The entity may identify which beverage ingredients present risks to its operations, the risks that are represented, and the strategies the entity uses to mitigate such risks.
 - 3.1 For environmental risks, relevant strategies to discuss may include, but are not limited to, the diversification of suppliers, supplier training programs on environmental best management practices, expenditures on research and development for alternative and substitute crops, and audits or certifications of suppliers' environmental practices.
 - 3.2 For social risks, relevant strategies to discuss include, but are not limited to, supplier training programs on agrochemical application, engagement with suppliers on labor and human rights issues, and maintenance of a supply chain code of conduct.