
ISSB SASB Workshop: Food & Beverage Sector and Consumer Goods Sector

Presented By: Keertana Anandraj

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Agenda

1. Food & Beverage Sector

2. Consumer Goods Sector

3. Q&A

Food & Beverage Sector

Food & Beverage Sector Snapshot

Eight Industries



Food & Beverage Industries

- Agricultural Products
- Alcoholic Beverages
- Food Retailers & Distributors
- Meat, Poultry & Dairy
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants
- Tobacco

Food & Beverage Materiality Map

General Issue Category	Agricultural Products	Alcoholic Beverages	Food Retailers & Distributors	Meat, Poultry & Dairy	Non-Alcoholic Beverages	Processed Foods	Restaurants	Tobacco
GHG Emissions								
Energy Management								
Water & Wastewater Management								
Waste & Hazardous Materials Management								
Ecological Impacts								
Data Security								
Product Quality & Safety								
Customer Welfare								
Selling Practices & Product Labelling								
Labour Practices								
Employee Health & Safety								
Product Design & Lifecycle Management								
Supply Chain Management								
Materials Sourcing & Efficiency								

Common Disclosure Topics:

- Energy Management (Energy Management)
- Water & Wastewater Management (Water Management)
- Product Quality & Safety (Food Safety)

Topic: Food Safety

Channels of Financial Impact

- **Revenue & Market Share:** A company can be impacted by food safety issues through product recalls, foodborne illnesses, damaged brand reputation, and increased regulatory scrutiny.
- **Cost:** Any new regulations could increase compliance expenses.

Questions for Management

- What systems does the company have in place to ensure food safety in its manufacturing and/or production process?
- What is the company's exposure to food safety-related risks and how does it manage those risks?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
(1) Percentage of restaurants inspected by a food safety oversight body, (2) percentage receiving critical violations	Quantitative	Percentage (%)
(1) Number of recalls issued and (2) total amount of food product recalled	Quantitative	Number, Metric tons (t)
Number of confirmed foodborne disease outbreaks, percentage resulting in investigation	Quantitative	Number, Percentage (%)

Recent Recalls

Salmonella recall cost Cranswick £3 million

By [News Desk](#) on November 24, 2022

Cranswick has revealed that a Salmonella incident earlier this year cost the company more than £3 million (\$3.6 million).

In a half-year results statement, which covers up to Sept. 24, 2022, the food producer said adjusted group operating profit was 1.7 percent lower at £68.4 million (\$81.4 million).

This included a charge of £3.1 million (\$3.7 million) due to costs associated with the product recall in May after Salmonella was found at the Hull cooked poultry facility in England.

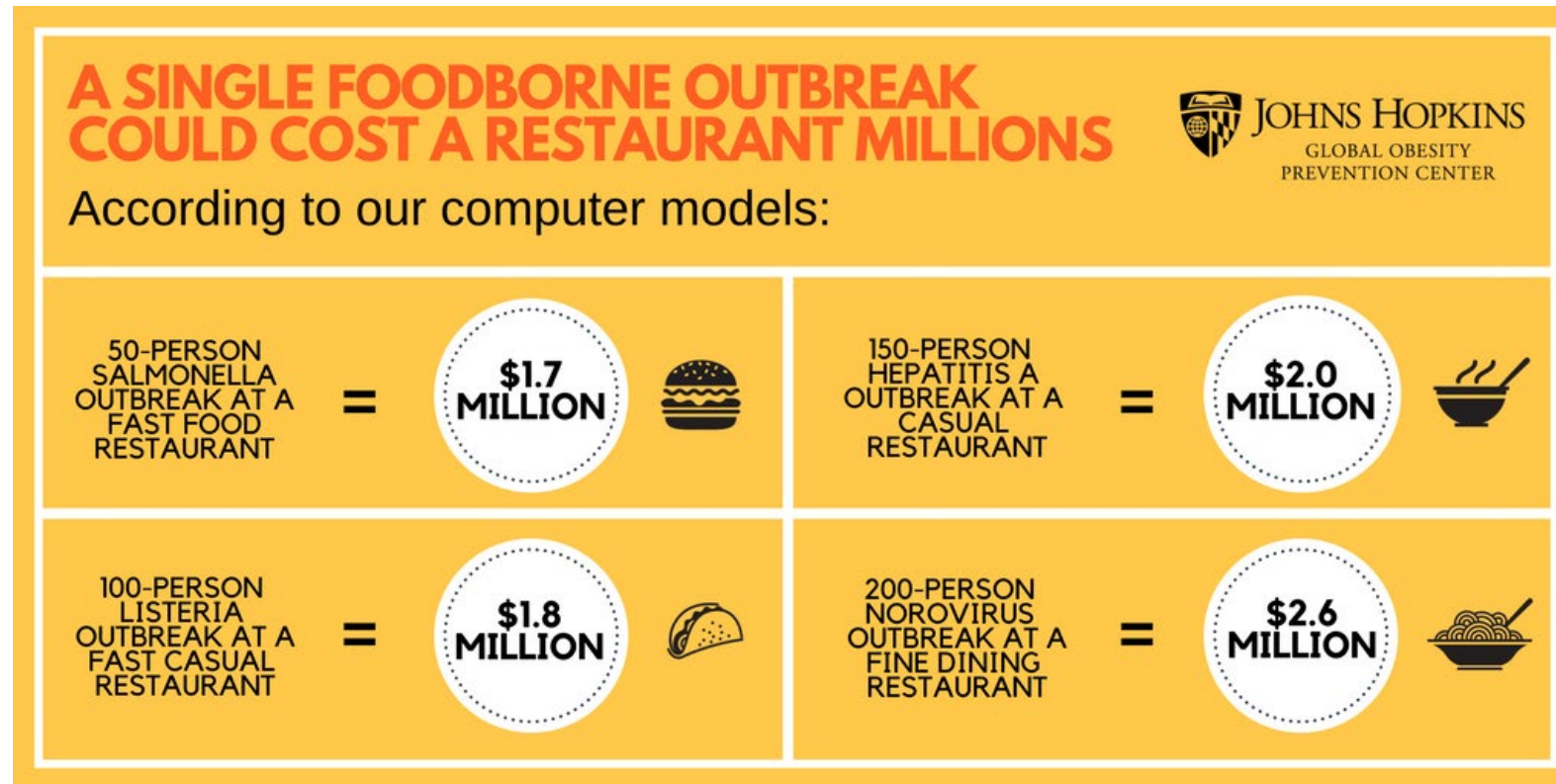
Source: Various News Articles

Jif recall may cost Smucker \$125M

Published June 8, 2022

- The Jif peanut butter recall may cost J.M. Smucker \$125 million in product recovery, manufacturing downtime and consumer refunds, the company estimated in its most recent quarterly earnings report.
- The company predicts the recall will subtract about 2% from total sales and eat up about 90 cents in earnings per share. In the most recent quarter, the recall erased 1% of the company's increase in net sales — which was still up 6%, compared to the year ago period — and caused a 7% decrease in gross profit. This was down 9% compared to a year ago.
- After salmonella infections were linked to Jif peanut butter produced at the company's Lexington, Kentucky, facility, Smucker issued a voluntary recall of 49 SKUs on May 20. Since then, several other companies that may have used the affected peanut butter as an ingredient have recalled their products.

The Cost of an Outbreak



Topic: Energy Management

Channels of Financial Impact

- **Cost:** Sustainability factors and incentives for energy efficiency and renewable energy are contributing to a rise in the cost of conventional energy sources. As a result, improved energy efficiency may result in financially material cost savings.
- **Extraordinary Expenses/Contingent Liabilities:** Additional associated costs may stem from reliance on specific forms of energy that are facing significant regulation.

Questions for Management

- How is the company managing operational energy consumption and related price and supply risks?
- What strategies are in place to increase operational energy efficiency and manage the company's energy mix?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)

Food Retailers Consume More Energy Than Non-Food Retailers

A study based on [US Environmental Protection Agency data](#) found food retailers averaged 552 kWh annually per square meter of floor space, with 48 percent for refrigeration. Non-food retailers, the [same research\[1\]](#) showed, averaged 173 kWh/m, with nothing for refrigeration.

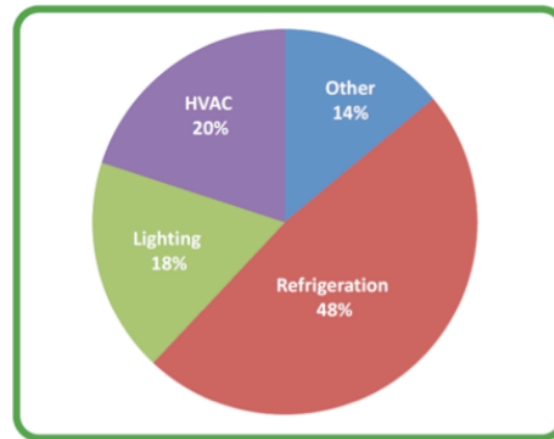


Figure 1-Average food retailer load profile based on Schneider Electric audits [\[1\]](#)

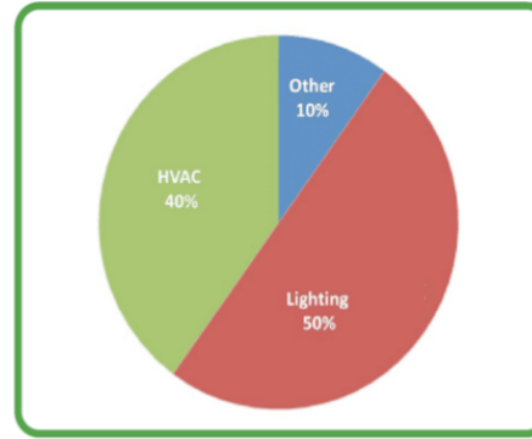


Figure 2-Average non-food retailer load profile based on Schneider Electric audits [\[1\]](#)

Topic: Water Management

Channels of Financial Impact

- **Cost:** Water scarcity can result in higher supply costs and risks of shortages for companies reliant on stable water supplies.
- **Revenue:** Substantial increases in water costs or inadequate supplies could result in higher operating costs and reduced crop yields, which could lower potential revenues.

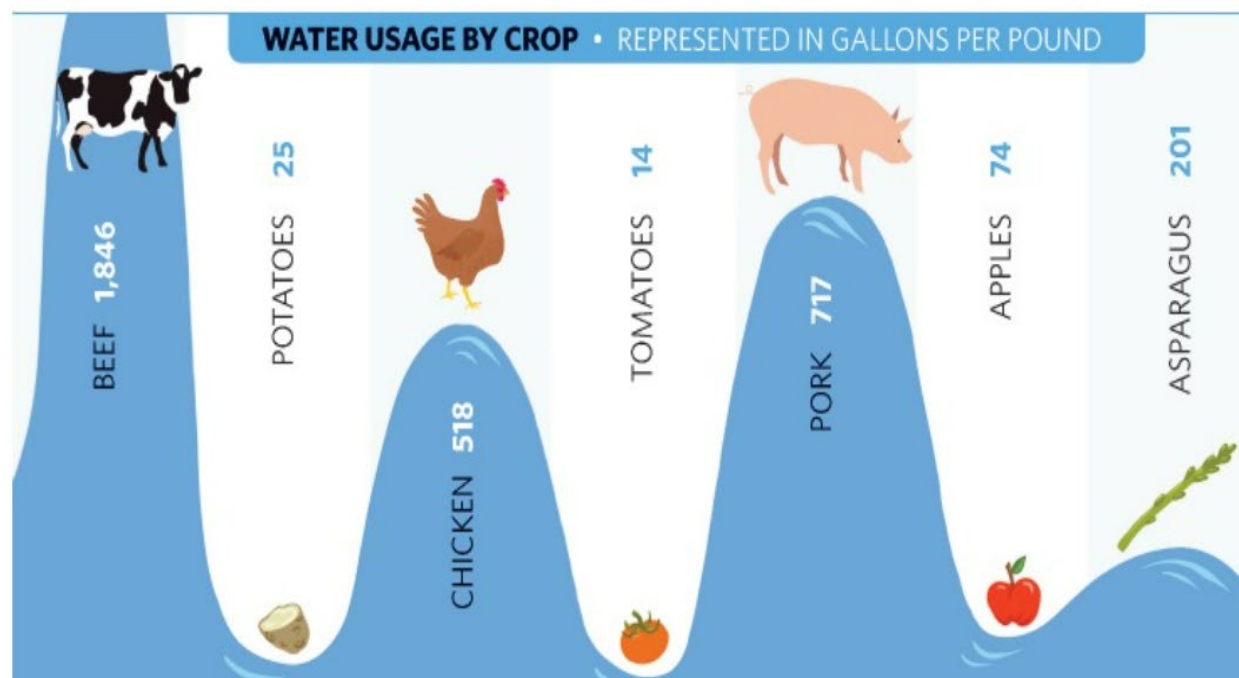
Questions for Management

- What strategies does the company employ to minimize potential water supply disruptions or cost increases, particularly in water stressed regions?
- How is the company increasing water efficiency and managing water use? What are the major risks associated with the company's water use?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic metres, Percentage (%)
Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a

Water Usage by Crop



Corporate Use – Food & Beverage Sector



168 organizations since 2021

Asia Oceania	32
Europe	29
Latin America & the Caribbean	26
Middle East & Africa	0
North America	81

To access full list of reporters, please visit: <https://www.sasb.org/company-use/sasb-reporters/>

* **Note:** Excludes Mexico, which is part of Latin America & the Caribbean.

Consumer Goods Sector

Consumer Goods Sector Snapshot

Seven Industries



Consumer Goods Industries

- Apparel, Accessories & Footwear
 - Appliance Manufacturing
 - Building Products & Furnishings
 - E-commerce
 - Household & Personal Products
 - Multiline and Specialty Retailers & Distributors
 - Toys & Sporting Goods
-

Consumer Goods Materiality Map

General Issue Category (GIC)	Apparel, Accessories & Footwear	Appliance Manufacturing	Building Products & Furnishings	E-commerce	Household & Personal Products	Multiline and Specialty Retailers & Distributors	Toys & Sporting Goods
Customer Privacy							
Data Security							
Employee Engagement, Diversity & Inclusion							
Energy Management							
Labour Practices							
Materials Sourcing & Efficiency							
Product Design & Lifecycle Management							
Product Quality & Safety							
Supply Chain Management							
Water & Wastewater Management							

Common Disclosure Topics:

- Product Design & Lifecycle Management (Product Lifecycle Environmental Impacts)
- Product Quality & Safety (Management of Chemicals in Products)
- Supply Chain Management (Environmental Impacts in the Supply Chain)

Topic: Product Lifecycle Environmental Impact

Channels of Financial Impact

- **Regulatory Cost:** Rising regulatory pressure and incentives to have manufacturers financially responsible for product recycling and recovery.
- **Revenue:** Manufacturers can differentiate themselves from competitors and capture a larger share of the growing market for sustainable products.
- **Profitability:** Through product innovation and design that facilitates end-of-life product recovery and the use of less-impactful materials, companies can also realise cost savings.

Questions for Management

- How does the company manage and account for the lifecycle environmental impacts of its products?
- How does the company manage recovery and recycling of end-of-life materials?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
Description of efforts to manage product lifecycle impacts and meet demand for sustainable products	Qualitative	N/A
(1) Weight of end-of-life material recovered, (2) Percentage of recovered materials recycled	Quantitative	Metric tons (t), Percentage (%) by weight

Product Lifecycle Certification and Financial Benefits

Companies and customers use certifications like Cradle-to-Cradle, LEED, BREEAM, and BIFMA Level, to assess and improve a product's lifecycle impact. Below are companies that showcased financial benefits by certifying to Cradle-to-Cradle.



Shaw Industries, a carpet manufacturer, started a Cradle-to-Cradle business model in 2007 and achieved a 48% increase in water efficiency and improved energy efficiency. Moreover, Shaw saved US\$2.5 million in 2012.



Desso, a flooring company, also uses the Cradle-to-Cradle approach. The company innovates around circular economy principles, developed take-back programs and products. When eight out of the ten biggest carpet manufacturers recorded considerable losses in 2009, Desso gained a competitive edge by developing more sustainable products.

Cradle-to-Cradle certification: measure the environmental and social sustainability of company's invention in five categories: material health, material reutilization, renewable energy & carbon management, water stewardship, and social fairness. This helps to design and develop products without waste.

Mohawk Industries Saved Raw Material Cost with Sustainable Product Design

Product Circularity



Sustainable Product Design

As the first step in the product life cycle, sustainable product design sets the stage for reducing our flooring's environmental impact during all stages of the cycle. Through circular design, we reduce the material required in manufacturing. For example, in 2021, advanced technologies that reduced the thickness of ceramic tiles while retaining their durability enabled the Global Ceramic segment to save 23,698 tons of raw material or 2.6 percent of total consumption.

Topic: Management of Chemicals in Products

Channels of Financial Impact

- **Legal and Reputational Costs:** The presence of harmful chemicals in products can lead to recalls, litigation, and reputational damage
- **Revenue:** Companies that account for the use of hazardous and potentially hazardous chemicals in their products will be better positioned to maintain market share

Questions for Management

- What are the company's processes to maintain compliance with restricted substances regulations?
- How does the company manage risks and/or hazards associated with chemicals in its finished products?
- How does the company monitor and manage potential risks and/or hazards associated with chemicals in its finished products?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
Discussion of processes to maintain compliance with restricted substances regulations	Qualitative	N/A
Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Qualitative	N/A

Recent Recalls and Potential Litigations

Brands face legal threat over chemical in socks

06 December 2021

More than 60 apparel companies could be sued under California Prop 65 chemical regulations after high levels of the endocrine disruptor bisphenol A (BPA) was found in women's and children's branded socks.

The first stages of litigation have already commenced under this stringent US law against textile companies and licensees that make socks for brands such as Adidas, Asics, Champion, Gap, Hanes, New Balance, Reebok, Target and Walmart.

Health Canada recalls toxic Shein kids' jacket following CBC investigation

December 9, 2021

Jacket contains nearly 20 times amount of allowable lead in children's products in Canada

Substances we don't want in our clothes

A new EU-wide restriction, which applies from November 2020, limits the use of 33 substances classified as carcinogenic, mutagenic or toxic for reproduction (CMR). These substances may be used in production processes or to give specific properties to the product, such as to make cloth shrink-proof or crease-resistant. The restriction applies to both EU-made and imported clothing, textiles such as bed linen and upholstery, and footwear.

Topic: Environmental Impacts in the Supply Chain

Channels of Financial Impact

- **Revenue & Market Share:** Companies that are proactive will benefit from positive brand association with customer, enabling them to capture market share and increase revenues.
- **Regulatory Cost:** Companies are facing pressure to work with suppliers to develop programs to improve efficiencies and limit pollution. These practices will likely result in lower risks of fines, production stoppages, and litigation related to environmental impacts.

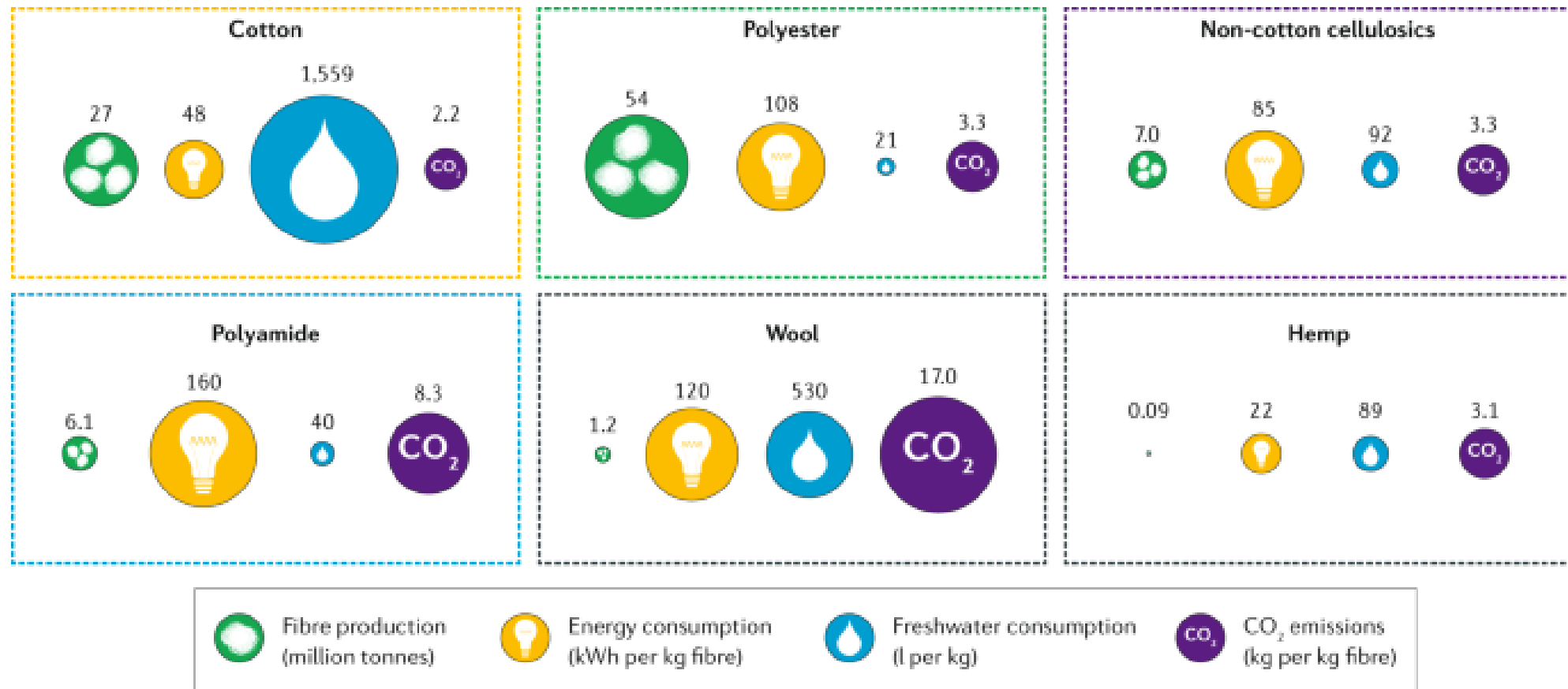
Questions for Management

- What environmental issues in the supply chain is the company making the most progress on? Which are most challenging to address?
- What risks are associated with discharging chemicals at supplier facilities, and what is the company doing to mitigate these risks?
- What actions is the company taking to increase transparency into environmental impacts in its supply chain? What is the company's progress?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreement	Quantitative	Percentage (%)
Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	Quantitative	Percentage (%)

Effects of Apparel Production



Corporate Use – Consumer Goods Sector



193 organizations since 2021

Asia Oceania	31
Europe	33
Latin America & the Caribbean	17
Middle East & Africa	1
North America	111

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* **Note:** Excludes Mexico, which is part of Latin America & the Caribbean.

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