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Foreword

As the world shifts from the belief that we are in climate crisis, to the realisation that we are in the midst of a climate emergency, so too are businesses and brands beginning to move towards greater action; there is an increasing commitment to do what it takes to secure a better, cleaner planet.

This trend, which is gathering speed, comes not a moment too soon. Scientists tell us that 2020 is a critical year for change - and sustainability needs to be high on the agenda for us all. Not simply because more and more stakeholders demand ethical, responsible behaviour, but because stepping up our efforts when it comes to the environment is also the only way to safeguard our personal – and commercial – futures.

For C&C, our sustainability programme has long featured highly in our business and is at the core of our operating strategy. For our beer and cider brands, we purchase our key raw materials locally. Tennents is produced 100% from Scottish malt. Only apples grown in Ireland are crushed at Clonmel to produce Magners cider. Local sourcing is key to reduce food miles and transport fuel emissions. We have reduced our water, energy use and emissions year-on-year. And we have lightweighted all our packaging to be greener, including glass, aluminium and PET. Across our distribution networks, there are a number of initiatives in progress, including the installation of solar panels on delivery trucks, ensuring all vehicles meet Euro 6 standard and trialling electric vehicles for city centre deliveries.

But we realised that we could – and should - do more in order to significantly reduce our impact and so, over the past few months, we've placed a major increased focus on sustainability. We announced our ambition to be carbon-neutral by 2025 – 25 years ahead of the UK target. In our Tennent's business, we've invested over £14m in innovation and green technology, including a carbon-capture plant and anaerobic digestion at our Wellpark brewery – not an easy feat when working with a live, operational site that's over 450 years old. We're on our way out of single-use plastics by 2021. And we've built partnerships; beyond collaborating with national and local government, we've designed workshops with climate change groups, helping our drinkers to understand the small things they can do in order create big change.





Every single touchpoint of our business is being interrogated to determine what we can do better. That's why I'm proud to introduce the inaugural C&C Group plc and Footprint Intelligence **Drinks Industry**Sustainability Index – Trends Report.

Making the right moves in sustainability isn't always easy – there are so many dynamics at play and endless layers of complexity, which makes clarity and measurement of progress crucial. With this report, we have teamed up with Footprint in order for us all to understand better the current position in the drinks industry when it comes to environmental progress.

When we embarked on this project our objectives were clear: build an accurate picture of sustainability in the sector and offer insights that would enable businesses up and down the supply and value chains to make more informed decisions.

This research is a comprehensive and concise analysis; it's both challenging and thought-provoking. It offers the beginnings of a roadmap, hopefully helping to guide our collective industry in tackling many of the issues we face. Because although doing the right thing when it comes to the environment may not always be straightforward, it is necessary. We do not have the luxury of time – we must all play our part and act swiftly and decisively.

For nature, for our communities, for the future of our planet, we hope that you will find this annual report an invaluable working document, providing intelligence and inspiration to your organisation and reinforcing your commitment to sustainability.

Stewart Gilliland, Executive Chairman, C&C Group PLC



Welcome

Welcome to the inaugural Footprint *Drinks Industry Sustainability Index - Trends Report 202*0. This, our first deep dive into the trends driving the industry and how the sector is responding to challenges around the climate crisis, offers readers actionable insights into innovations and best practice across the drinks trade.

Through a series of conversations with thought-leaders across the sector, underpinned by detailed research, we've built up an accurate picture of where we are, and more importantly, where we need to focus when it comes to the drinks industry's response to the sustainability challenges it faces. The advice, experience and best practice shared here has been distilled into action points that will help the wider industry move forward together faster for a more sustainable future.

We hope you find lots to consider, digest and share from our first **Drinks Sustainability Index - Trends Report 2020**, and we'd love to hear your thoughts and feedback via Twitter to @FootprintMedia.





Executive summary

Focusing on the industry's biggest challenges, the inaugural **Drinks Sustainability Index – Trends Report 2020** includes sections on strategy and culture, packaging, waste, water, energy and emissions, social impact, raw materials and clients and consumers.

Each section is then scored at the end in our **Drinks Barometer**. With an average score of 4.8 out of 10, it is clear that the whilst the industry has made some good inroads, with certain players at the vanguard of this transformation, the industry at large has a long way to go on its sustainability journey.

With every week bringing a new report highlighting the urgency of the climate crisis, and pressure mounting from policymakers, the public, the press and employees, the drinks industry must take strong action. This means setting science-based targets and embedding sustainability into business strategy. Employees must be engaged and harnessed to ensure their energy and efforts are directed at solving the continually evolving business challenges presented by the shift to a sustainable economy. Collaboration is key – within industry, amongst policy makers, supply chains and with other stakeholders, whilst supply chain impacts must be understood and mitigated.

With incoming legislation on the percentage of recycled material in packaging, a proposed bottle Deposit Return Scheme and Extended Producer Responsibility which will compel the producers of packaging to pay to deal with it, the industry has some testing times ahead and our insights will help companies get forward of the changes.

Manufacturing of drinks can produce a lot of waste, but more companies are finding innovative solutions to reduce their waste output whilst embracing a more circular approach, as well as working with their supply chain to reduce waste at every step from field to flask.

The industry is necessarily water intensive, but with some stark predictions on water scarcity in the coming years it needs to get more water efficient to ensure its own longevity. Many companies have been working on this issue for some time, but efforts have stepped up recently.

This ranges from working with producers to ensure efficient water use in growing, to investing in employee culture change to drive responsible water use.

Carbon footprint is one area where the industry could be lagging behind other sectors, but the constant media attention on the likes of Greta





Thunberg and Extinction Rebellion protests has created a new impetus and willingness to step up a gear. Sustainability teams are finding it easier to make their case for investment in carbon reduction. We outline some key actions companies can take to help mitigate the climate crisis.

Taking action for the climate and to protect the environment and biodiversity is critical for an industry that relies on successful crop yields. We examine some of the ways a responsible drinks business can act to protect its ingredients but also to find better solutions for all of the raw materials that create a best-selling product.

Being a responsible business does not only mean working to limit negative impact to ensure the brand continues to thrive, but the business itself can work to positively impact the people it touches. From ensuring secure livelihoods for its growers, to enabling the business to help disadvantaged groups around the world, social impact is something consumers expect from a responsible brand today. We outline some best practices that help a brand build real purpose.

And finally, outside the supply chain, brands and businesses have a responsibility to their clients and consumers. Today's purchasers are switched on to environmentally and socially conscious companies and they will act to support or condemn them according to how they're perceived. With the sugar tax and a shift in alcohol consumption habits, these are interesting times for the industry and we've shared some examples of companies reacting to the opportunities presented to them.



Strategy and culture





Leading insights - 2020 Action points

The drinks companies that are leading and who are having the most impact are those that have clearly identified sustainability strategies which have been developed through careful understanding of the science, their stakeholders, their supply chains, and the full range of their business impacts.

They have also taken this information and permeated it throughout their culture. They have translated it to employees to enable them to understand their role in not only helping the company to meet ambitious targets, but also to inspire them to feel empowered to see and do more, and to continually challenge those around them to do the same.

For the drinks industry, progress is underpinned by incorporating sustainability into strategy and culture; through setting challenging targets, and harnessing collaboration, ensuring employee engagement, building brand value and engaging the supply chain.



Collaboration is key: across industry and supply chains



In hospitality and foodservice, collaborating to find solutions has been commonplace for years, but the highly competitive drinks industry is only recently waking up to the opportunities afforded from working together. Being proactive about collaborating to solve sustainability challenges is rapidly becoming a business necessity.

"With sustainability, you can't work in a silo," says Peter Statham, Sustainability Manager, Carlsberg UK. "Working with others across the industry to share ideas and progress faster, that's really important." Some are taking this even further to share competitive information, such as Toast Ale which has made their bread-based recipe open source and regularly collaborates with others to catalyse a larger movement in the brewing industry. The recipe has been accessed over 80,000 times.

Certain organisations can facilitate the industry working together and sharing knowledge for greater impact. This has been seen particularly on plastics, packaging and waste.

Vanessa Wright, VP Global Sustainability, Pernod Ricard agrees. "It's about solving industry issues together and creating shared value. Packaging is a good example. Lots of organisations are part of <u>The Ellen MacArthur Foundation</u> and the New Plastics Economy, all working together to find solutions. There's a lot of learning in terms of innovation and practise we can benefit from in working together on.

"Collaboration is also a massive part of our relationship with our direct suppliers. We gathered them all together on the packaging side to say 'we need to find solutions together. We need you to work with us'. We've rewritten our supplier commitments – every single one of our tier one suppliers are asked to sign our commitments. And if they don't, we won't work with them."

Martin Doogan, Group Engineering Manager, C&C Group, agrees that suppliers must be brought on board to find solutions. "Even though we're investing millions in changing our can packaging from plastic to cardboard, we are aware that in a few years' time, there may be alternatives that are even better. So we are building this into our supplier selection process. We are building in a common understanding for future changes so we can continue to do the right thing as infrastructure and innovations develop."

AB InBev use a supplier portal called Eclipse which allows discussions around sustainability and carbon reduction throughout the tender process. Suppliers can input commitments to Eclipse so AB InBev can see which suppliers have similar commitments to help them learn from each other and benchmark

"We want to work with suppliers that have got a sustainability mindset. It's part of our tender process, part of our supplier engagement process."

David Gallacher, Divisional Director, Mitchells & Butlers



best practice in a non-competitive forum. According to Jacqueline Hochreiter, Sustainability Lead Europe, the system should help suppliers to improve on their own terms without increasing their cost base.

CASE STUDY

Clear views and KPIs

innocent Drinks' Hero Supplier Programme is a mechanism for interacting with and motivating their bottling and packaging partners around managing energy, water and waste. It provides a framework which partners use to collect and report their data, and it offers a clear view of how they're performing.



"We take our responsibility to do the right thing very seriously. Sustainability is a core part of our brand and we've leveraged our scale and influence, our passion for innovation and our network of contacts to ensure that we act decisively against climate change, without delay.

"We will continue to seek out ways to minimise our environmental impact across our entire business, from our transport fleet, to international deliveries.""

Martin Doogan, Group Engineering Manager, C&C Group

Set challenging targets which include the supply chain

Across the sustainability spectrum, companies must set themselves challenging targets and push hard to do more. The key is that targets must align with the science and the Sustainable Development Goals (SDGs) to ensure that efforts are actually robust enough to help meet the aims of the Paris Accord.

It is important to include the supply chain, for example to question how drink-related crops like barley or hops and the communities that grow them, and the supply chains that deliver them will be impacted by climate change. There is increasing recognition that these are real business risks: the continuity and availability of supply.

Boards must analyse how this will impact the business, using tools such as water footprinting and lifecycle analysis and the other resources outlined throughout this report, and ensure appropriate plans are in place.

This is the type of approach taken by Coca-Cola European Partners which has helped the drinks giant to make substantial advances in tackling issues such as plastics and waste. Its sustainability commitments were the result of a widescale materiality assessment in 2017. This involved stakeholders from across the spectrum including NGOs, policy makers, consumers and the supply chain. The company asked: what are the challenges the industry faces over the next 25 years and what can we do to address them? This enabled them to set clear targets and pathways to achieve them.



Pernod Ricard has taken a similarly science-based approach: "We set over 30 targets within our structured strategy with four pillars and eight key commitments," explains Vanessa Wright, VP Global Sustainability. "Each pillar is linked to two SDGs. As an example, we reoriented our waste this year with SDG 12 – Responsible Consumption." This is then communicated to staff in a way which allows them to understand what they need to do to help meet that target.s

Employees want action and agency



Employees really care about sustainability, especially concerning issues such as waste, so it's important that companies help them act to reduce it. This is something consistently noted by industry insiders, such as David Gallacher, Divisional Director, Mitchells & Butlers: "Across the board at the support centre and out in

the businesses, people are concerned about sustainability, and they are particularly concerned about waste."

And harnessing employees' energy can really magnify impacts. "Having created an informed overarching strategy," observes Vanessa Wright, VP Global Sustainability, Pernod Ricard, "we provide a framework of guidance and direction and then ask our affiliates globally to implement it with their employees. When we galvanise 19,000 colleagues behind a movement it creates a butterfly effect. We want to get everyone involved – it's their responsibility to achieve it and deeply embed it into our business strategy and live it every day."



achieved at Marston's through culture change



"Everybody talks to their friends about their job and the company they work for, and it's a source of pride if you can say 'well actually we are doing, x, y and z which is all about our environmental sustainability credentials'. We get a lot of pull from the team."

David Gallacher, Divisional Director, Mitchells & Butlers Marston's managed to hit its zero waste to landfill target two years early after taking the initiative to bring all supplier management in house and helping to drive staff culture change through a waste action plan. This plan helped to systematically change the management culture to encourage staff to tackle waste. Following the success of the plan, Marston's Brewery, based in Burton on Trent, has also embarked on its own culture change campaign specifically aimed at the brewery staff, to reduce water usage, energy and waste. Jonathan Davies, Waste and Recycling Co-ordinator at Marston's said, "From the staff culture change programme alone, we have seen a 10% reduction in water usage. Thanks to the successful campaign, we are looking to roll this out across our five other breweries, so everyone is working together with the same aim."



Empower employees to support sustainability goals

Making everyone responsible and accountable for achieving a company's sustainability strategy is key to making it happen, and ensuring everyone's ideas are heard is the way to truly embed sustainability.

And sometimes, the best ideas come from those working on the frontline. Insiders note that companies should be engaging the team in sustainability efforts and considering what their employees want them to be as a business. This manifests as an internal push from "employees saying that their companies have to do better."

Even when a company is doing a lot, the energy and enthusiasm from employees is still there to do more and push harder. "Our employees are always challenging and questioning," shares Vanessa Wright, Pernod Ricard. "They tell us, it's great to do a responsible day but can we do more? We want to do something each day."

Companies like innocent Drinks have addressed this by giving colleagues a role outside their job title which makes them a part of the company's overall mission and gives them an objective for positive impact. This helps innocent to recruit people who share the company's overarching mindset and helps ensures there will always be people pushing the business to achieve more. Sustainability is integrated into their role and their objectives.



CASE STUDY

Type A personality

At innocent, in addition to their core job role, every person has a specific sustainability role they commit to. They can be an **Ambassador** who creates opportunities to talk about what innocent do; a **Protector** whose role is to defend their sustainability commitments; an **Agitator** who is constantly challenging the company to do better; and the **Activator** who is driving it through the business.

Investors are driving a more sustainable industry



Sustainable finance is becoming a key element of financial markets activity and is impacting food and drink investments. Insiders report that the sustainability agenda is being driven from the top because "it's what investors are interested in now."

"Pressure should come from the companies' leadership responding to the scientific evidence published by the IPCC and shared so openly and readily... Companies should rise to the challenge of driving sustainability as their key priority."

Santiago Navarro, CEO, Garçon Wines According to Martin Doogan, Group Engineering Manager, C&C Group, the demand for companies to operate with greater transparency and social purpose has increased scrutiny from, and increased opportunity with, a host of stakeholders including customers, investors, employees, media and policymakers around environmental, social and governance (ESG) issues. "There are an increasing number of questions from stakeholders on issues around sustainability and other environmental, social and governance issues. Transparency is key. We've been measuring and reporting through the Carbon Disclosure Project for the last nine years and that has been very useful to enable us to answer a lot of the questions we are being asked."

Investment, and interest in businesses, is also being driven by the correlation between responsibility and profits. In the Dow Sustainability Index, those businesses that are the most sustainable are often also the best performing.

Investors are looking for lower environmentally / socially risky investments, green innovation and technology, and can provide key funds to support investment in eco products, R&D and operational investments.

Think sustainability across brand and be driven by peers



Forward thinking brands are not just offering one sustainable product, but ensuring the whole company and its supply chain is sustainable, building customer loyalty.

"There's a motivator around a sense of keeping up with the competition and recognising increasingly that sustainability is part of your brand credentials," observes Roz Davis, Head of



Sustainability & Nutrition, innocent. "If you don't move on your sustainability agenda, you can be seen by your consumers to be lagging behind. As some parts of the industry move on issues such as packaging, that forces the rest of them to move along with it."

There is also an increasing sense that the supply chain is becoming key to brand identity. "Your supply chain is your brand," advocates Killian Stokes, Co-founder, Moyee Coffee. "I think that needs to be appreciated by drinks companies. So every bit of your supply chain is important, your ingredients, your farmers, the land, your water, your manufacturing, shipping and sales – all these steps are part of your brand. You have to ask: 'can I really stand by all of them?" You can't outsource your problem. If it's in your supply chain, you have to own it. And you need to believe in sharing value throughout the chain."

Work to support the farmers in your supply chain



Supporting your growers by buying their product is not always enough to protect their livelihoods and the wellbeing of their families. It will take time, but the industry must look at shifting to economic models which improve their lives through infrastructure, education or health to have a lasting impact.

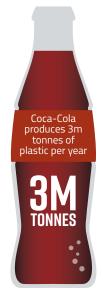
"One in three farmers on our planet cannot feed their own families," says Killian Stokes, Co-founder, Moyee Coffee. "The very foundations of how we enjoy and prosper in our economy is based on someone else's misery. In the age of satellites, mobile phones and broadband you have to stop and say: "We can do better than this." There seems to be more concern about the environment than workers' rights, but the two are intricately linked. We need to educate consumers and brands that if we want to prevent climate change, if we want to protect fragile environments like rainforests then we need to protect the people who live there, we need to ensure they have a livelihood that is sustainable."





Packaging





source reduce

2019 was a breakthrough year on sustainable packaging. Fuelled by consumer concern and pressure from NGOs and underpinned by new legislation in the UK, the sustainability of packaging has become a critical concern for the drinks industry. This has meant announcements on more sustainable packaging – from material swaps to more recycled content and vast reductions in secondary packaging – have been coming thick and fast from players across the drinks industry.

To give an indication of the scale of the issue, this year, as a signatory to the New Plastics Economy's Global Commitment, The Coca-Cola Company shared that it produces three million tonnes of plastic packaging per year. Multiply these figures across the entire alcohol and soft drinks industry, and plastic packaging adds up to a massive sustainability challenge. And that's just the plastic. Tetra Pak, cans, glass and cardboard also have impacts.

A fully sustainable packaging strategy should focus on four key areas: source reduction, optimising efficiency, recovery and recycling advocacy,

"It has been a breakthrough year for sustainable packaging in the drinks industry: there is so much work being done to reduce and improve primary and secondary packaging."

Nick Brown, Head of Sustainability,
Coca-Cola European Partners

and sustainable material selection and design, according to the Environmental Sustainability of the Alcohol Industry report.

Significant steps have already been taken to reduce packaging. For example, a FoodDrinkEurope report in 2012 shows that between 1990 and 2011 the weight of a 1.5 litre plastic water bottle was reduced by 40%, reaching the average weight of 25g. The average thickness of foil used for coffee was reduced by 30% over the previous 20 years. Packaging for 33cl cans was reduced by 55%, while lightweight glass technology produces bottles that are up to 60% lighter. However urgent action is still required to ensure packaging transforms further.

Leading insights - 2020 Action points

Openly address consumer concerns about plastic and packaging

80% of Britons would support a bottle return scheme



Persistent media focus has driven consumer attitudes towards packaging. Half of Britons (46%) feel guilty about the amount of plastic they use, and even more (82%) are actively trying to reduce the amount they throw away. 80% also reported they would be happy to use a bottle return scheme. Research shows consumers actively seek out brands with less plastic or more sustainable packaging and are prepared to

<u>pay more for them</u>. Companies should have clear and genuine reduction strategies in place and effective messaging on progress.

"We made an announcement about moving our Tennent's can packs out of plastic to cardboard," shares Martin Doogan, Group Engineering Manager, C&C Group. "We did a lot of benchmarking, best practice analysis and consumer research to find the most beneficial and environmentally positive solution. And the response across all stakeholders was extremely positive, with universal acknowledgement that we are trying to do the right thing."

Consumers often use social media to call companies out on poor practices around excess packaging, so companies need to be actively demonstrating their impacts. But the industry also needs to keep nudging and testing to ensure consumers are changing their own behaviours.

Work with expert agencies on incoming legislation



Public concern has also focused government attention and following a number of consultations <u>DEFRA has delivered the 'Resources & Waste Strategy'</u> (RWS) underpinned by legislation across England, Wales and Northern Ireland. But these measures need to make holistic sense.



One soft drinks sector spokesman told us: "There needs to be some joined up thinking to make sure that we're getting the best solution for the future. Government needs to be led by people like <u>Incpen</u> and <u>WRAP</u> and similar organisations that understand the challenges." So feed in to consultations and get behind working groups to help create workable solutions.

"The role of business in society is to come up with profitable solutions to the problems people, society and our planet face," suggests Killian Stokes, Co-founder, Moyee Coffee. "But government set the rules. They define the parameters; what business can and can't do. Business must figure out how to operate successfully within those confines. When government changes the rules, companies will either innovate and thrive or stagnate and die. I think this is where the power of entrepreneurship comes in: in its ability to be flexible, creative, innovative. To come up with sustainable solutions that can succeed."

Lobby parliament for consistent recycling infrastructure



The Government is consulting on measures to increase uniformity in the materials collected for recycling by local authorities. Across the supply chain, huge progress is being made to reduce packaging and increase the use of recyclables and compostables. But there is industry frustration that government edicts are not reinforced by

consistency in recycling facilities across the country that would support the efforts being made.

Operators' efforts to recycle effectively are hampered by the lack of consistency among local authorities across the country, observes Kate Nicholls, CEO, UK Hospitality. Investment in recovery and recycling infrastructure is urgently needed, with common direction at a national level. Collective pressure is required to lobby for nationwide recycling facilities.

Engage in Extended Producer Responsibility (EPR)

Packaging without minimum 30% recycled content likely to be taxed



The <u>UK Government's strategy aims to optimise its EPR legislation</u>, whereby the costs of managing packaging waste are met by the businesses initially creating the packaging. EPR measures have been in place since 1997, but currently only meet 10% of the net costs. Following a consultation in 2019, there is a scheduled amendment to the Environment





Bill that proposes a tax on packaging which does not meet a set minimum threshold (30%) of recycled content, which would take effect from April 2022. They aim to consult on the proposed changes in 2020, offering companies the opportunity to have their say.

Voice views on the proposed Deposit Return Scheme (DRS)



The Deposit Return Scheme in Scotland will signal a major change to how soft drinks are manufactured, distributed and sold, as well as what consumers are being asked to do, according to industry insiders such as Nick Brown, Head of Sustainability at Coca-Cola European Partners. However, with the DRS for England, Wales and NI still being worked out,

policy makers and industry must come together to propose a scheme that will function well across the UK.

The proposed DRS for England, Wales and Northern Ireland will force brands to pay for consumers to return cans plus glass and plastic bottles. The proposal suggests either an 'all-in' scheme which would cover all containers, or one that focuses on the smaller containers used in grab and go scenarios.

Confusingly, industry lobbying groups back opposing schemes, with the British Soft Drinks Association (BSDA) and the British Retail Consortium (BRC), which represents UK supermarkets, supporting different approaches.

The BRC said, "We need a targeted Deposit Return Scheme, working across the UK, that complements kerbside recovery. The best way is by focusing on cans and plastic bottles consumed outside the home, to decrease the chances of them littering our streets or ending up in the ocean. Targeting on-the-go consumption avoids undermining existing household collection schemes, taking away a key source of revenues for local councils."

Meanwhile the BSDA said it supports the introduction of a nationwide DRS for all beverage containers. The Government will consult on the scope and model of the scheme in 2020 so companies should make their views known



Highlight the challenges of sustainable packaging solutions



There is concern in the industry that some of these proposals do not sufficiently recognise the challenges around switching to more sustainable packaging solutions. The Achieving Zero Waste Exports report welcomed government recognition that the UK can no longer rely on shipping plastic waste abroad. It describes the RWS as "an

ambitious blueprint" and sets out 18 recommendations to "build on the direction of travel set by the strategy, seeking to stretch its ambition for plastic waste".

Although many companies are keen to embrace the circular economy, the availability of alternative solutions does not meet current demand. "Hospitality is a sector where packaging is necessary as it keeps food and drinks safe, protected, with a longer shelf life," notes Kate Nicholls, CEO, UK Hospitality. "I think there is a big challenge where the government is moving towards taxing and changing the way packaging is costed and regulated. It could have a big impact on suppliers and producers at the front line of taxes on packaging and facing bigger costs."

Manufacturers and operators agree. Jonathan Davies, Waste and Recycling Co-ordinator at Marston's said, "I'm hearing some scary numbers now around DRS and EPR and I think we need legislation change to drive improvements in recycling and the circular economy. It will force everyone to do and think differently, improve recycling rates and change to more environmentally friendly material."

"Not all plastics are created equal. A large part of the problem is that we have a diverse range of polymers (commonly referred to as plastics) — and some great materials like PET, which are energy efficient to produce, and easy to recycle — grouped together with more problematic materials like polystyrene."

Santiago Navarro, CEO, Garçon Wines

Work with NGOs which challenge the company to do better



Companies can hold themselves to account and demonstrate their transparency by signing up with various NGOs which have sprung up in recent years to work on the global plastics issue. The New Plastics Economy's Global Commitment to end plastic waste, backed by NGO the Ellen MacArthur Foundation and UN Environment, is one which

launched in 2018. Among the 250 corporate signatories are The Coca-Cola Co, PepsiCo, Danone, Nestle, Coca-Cola FEMSA, Swire Beverages and Unilever.



Under the Global Commitment, companies pledge to:

- take action to eliminate problematic or unnecessary plastic packaging by 2025
- take action to move from single-use towards reuse models where relevant by 2025
- make 100% of their plastic packaging reusable, recyclable or compostable by 2025, and
- set an ambitious 2025 target for use of recycled content in all their plastic packaging

There is an intention to publish companies' progress towards realising their commitments on an annual basis. The <u>UK Plastics Pact is WRAP's roadmap for 2025</u> which helps companies reduce their problem plastics. Companies can sign up to help meet the four targets and report their progress each year. Tennent's is the first brewer to have signed up.

These mechanisms have helped the industry become more transparent, as this statement from a Coca-Cola spokesperson demonstrates: "Since the launch of Coke's World Without Waste, we have begun to speak more openly about our packaging footprint. This will continue to be the case, because we believe that transparency is paramount."

The Alliance to End Plastic Waste (AEPW) is an industry coalition that aims to bring together organisations along the plastics value chain, including oil and chemical producers and consumer goods companies. Backed by the World Business Council for Sustainable Development, the AEPW plans to invest US\$1.5 bn over the next five years to "help end plastic waste in the environment", developing and bringing to scale "solutions that will minimise and manage plastic waste" and "helping to enable a circular economy."

Innovate and use eco-design tools



"It's really important to keep the overall, more complex environmental picture in mind when making decisions," observes Nick Brown, Head of Sustainability, Coca-Cola European Partners. "There have been some kneejerk reactions, that if they grow and scale, we could be seeing a new issue in the future. This is why we do the best lifecycle

analysis possible when changing materials, so we can choose the best material possible with the information we have available so we can avoid unintended consequences."



<u>Eco-design tools</u> can help to assess environmental performance by taking into account the entire lifecycle of packaging, using a comprehensive set of environmental indicators such as climate change, land use, ecosystem quality and water consumption. Companies should also increase efforts to reduce the need for secondary and tertiary packaging and to distribute in bulk where possible, as well as seeking to re-use packaging.



Carlsberg snap pack cut plastic by 50% in UK

A holistic approach, such as that being taken by Carlsberg, is needed. "Packaging is around 40% of our footprint," says Peter Statham,
Sustainability Manager. "One of the worrying trends in the industry is that plastic is just being switched out for lots of other materials. To cut the carbon footprint we need to look beyond switching materials, innovating to design them out completely. That's what we aim to do with Snap Pack. We've cut the plastic rings from our packs, replacing them with an innovative glue technology. Globally, it helps to cut plastic use by up to 75%. Once it's rolled out across all of our portfolio, we expect it to save around 1,200 tonnes of plastic or 60 million plastic bags."



CASE STUDY

As part of its commitment to eliminate plastic waste from sporting events, Lucozade Ribena Suntory has teamed up with sustainable packaging start-up Notpla to produce an innovative packaging solution. The drinks capsules called Oohos, are made entirely from seaweed extract, a material called Notpla™ and offer a way to deliver drinks under 100ml in a plastic-free form. They are not only completely edible but also naturally biodegrade in four to six weeks just as quickly as a piece of fruit.

New Government funding secured by Lucozade Ribena Suntory and Notpla™ will focus on perfecting the technology behind Oohos with the aim of creating a machine that could mean Oohos become more widely available in gyms and coffee shops.

CASE STUDY

The wine industry is particularly affected by the climate crisis. Garçon Wines' eco, flat wine bottles are made of 100% recycled PET, pre-existing material not single-use plastic, and are 40% spatially smaller and 87% lighter than round, glass bottles of the same 750ml volume. The bottles slash logistics costs and greenhouse gas emissions across the supply chain and create a value for plastic that's already in circulation. The benefits of the bottle's novel shape are amplified when packing into cases and this enables up to two and a half times more wine to fit on a pallet. One such example is their 10 flat bottle case in which eight bottles stand vertically and two bottles lie horizontally in the neck space of the eight vertical bottles. This eliminates almost all airspace in the case, allowing ten flat bottles to fit in a space that would otherwise hold just four glass bottles of the same volume.

Retailers will keep challenging suppliers on packaging



Retailers are pushing back on suppliers and this pressure can be a massive conduit to change. Jonathan Davies, Waste and Recycling Co-ordinator at Marston's said: "Luckily we have the capability to be able to fulfil these changes, so it was great to hear retailers wanted to move forward with a sustainable approach to packaging as much as we do. With

everyone's motivation the process to move away from single-use plastic to cardboard was pushed to the top of our agenda."

To keep driving change, retailers must continue challenging their supply chain. But with stakeholders across the spectrum putting pressure on the retailers themselves, retailers will remain demanding.





Push to increase the availability of rPET



Drinks companies share concerns that the supply of recycled plastic (rPET) is insufficient to meet the targets they are now setting themselves for the use of recycled content in packaging. The prospect of a tax from 2022 on packaging containing less than 30% recycled content (see **Engage in Extended Producer Responsibility**) makes the supply issue

even more critical. Therefore the <u>Policy Connect report</u> recommends a variable threshold for different packaging formats, depending on the availability of recycled material. These target percentages could be revised upwards as recycling improves.

But there are other options worth considering, including compostables and plant PET. innocent has combined 50% rPET and 15% plant PET in their core smoothie bottles to create a 65% renewable bottle. But they're working towards a 100% renewable plastic bottle which contains no virgin plastic for 2022.

Coca-Cola also plans to more than double its reprocessing of PET plastic in the UK. Currently, its PET bottles are made of around 14% recycled content. The company is increasing its use of PlantBottles, a fully recyclable PET bottle made with 25% recycled PET and up to 22.5% plant-based materials. And where Coca-Cola goes, the industry is likely to follow

"Cans make up 90% of our packaged volume: we believe it improves drinker experience as well as sustainability credentials."

Iain Robertson, Content Creator and Social Media Manager, Brewgooder

Consider switching from glass to cans

CH&Co saved 1.3m plastic bottles by switching to cans



According to the <u>BHA UKH Food Service Management</u> <u>Market Report</u> 2019, 60% of the food and drink sector is reducing their single-use plastics because it's a key driver for consumers currently. But are cans a good alternative?

Although more traditionally used by the brewing side of the industry, wine companies are considering cans as a

more sustainable alternative. Cans are easier to chill, simpler to stack, pack, and transport. They are lighter than glass and compact to recycle, resulting in a smaller carbon footprint.

Aluminium is indefinitely recyclable and the value of recycled aluminium is comparable with virgin materials and less energy intensive to use. So if consumers recycle more, the impact of aluminium becomes lower than glass. Bottles also need greater protection in transit - the outer packaging is either thick cardboard or plastic wrap to keep the bottles tight, whereas cans need only lightweight cardboard packaging.



CASE STUDY

Can it

CH&Co switched their entire range of adult drinks from plastic and glass to cans - including wine - and 80% of their children's range to cans or Tetra Pak, saving 1.3 million plastic bottles in 12 months.

Work with retailers on zero plastic store trials

Waitrose trials of a plastic-free store in Oxford where customers bring their own containers to refill seem to have proven successful and will be trialled in other areas. This is an opportunity for the industry to test consumer response to plastic-free shopping to see whether it could be part of the solution.

Toast Ale are part of the Waitrose Unpacked trial. "Steel kegs are collected after use, washed and returned to the brewery to be reused," explain Louisa Ziane, Chief Operating Officer, Toast Ale. "There's no packaging waste, making it the most eco-friendly way to drink beer."





Waste



In brewing, spent grain globally creates an estimated 42 million tonnes of waste every year, accounting for 85% of the industry's overall waste.

In wine making, 12 million tons of pomace, or grape marc is left each year once the fruit has been squeezed, and juice production also leaves manufacturers with waste that needs to be dealt with.

It is thought only around 50% of glass containers are recycled, and bars, restaurants and pubs account for 200,000 tonnes of glass going to landfill.

For many years the industry has been processing some of this waste in sustainable ways, and some, such as C&C Group, have already achieved significant milestones such as sending zero-waste to landfill. But across the industry, a shift to more circular thinking has brought innovation to the fore.



Waste is also an opportunity. The by-products of the drinks industry can be used as animal feed, fertilisers, in cosmetics, lubricants and pharmaceuticals. FoodDrinkEurope says: "The industry is exploring and investing in innovative outlets such as bio-plastics and biofuels. These actions improve resource efficiency, help reduce agricultural pressures on the environment and generate higher added value from a unit of agricultural raw material making the food and drink industry a key driver in the transition towards a biobased, low-carbon economy."

Leading insights - 2020 Action points

Waste can be energy

Vineyard waste can produce enough energy to power the vineyard



Paying to deal with waste is a poor use of finances when there are so many better ways of tackling it – some of which even make money. Companies at the forefront are finding creative solutions to preventing waste or are putting it to better use.

FoodDrinkEurope points out that the energy embedded in biodegradable residues can be recovered in a combustion

process. Spent grain offers significant energy potential and cost savings for breweries. Coffee chaff from coffee roasting or spent coffee grounds from soluble coffee manufacturing are other examples that can be burned as renewable fuel to provide steam for other production stages.

Research by Cantine Settesoli, a major vineyard holdings group, showed that by using waste trimmings and grape marcs as biofuel, a vineyard can not only produce enough energy to power its whole system for less money than it costs to purchase the required energy, they can also produce enough to sell back to the grid and make a substantial profit.

Waste as animal feed can help feed people

85m tonnes of by-products go to animal feed



Animal feed is another established way to tackle waste. According to FoodDrinkEurope, approximately 85 million tonnes of by-products like sugar beet pulp, maize gluten, brewers' grains, oil from soybeans, rapeseeds, sunflower seeds and other oilseeds and whey are used annually for animal feed.

It is estimated that one-third of the food produced globally goes to waste, according to the <u>FOA</u>. The UN estimates that if farmers around the world fed their livestock on food waste and on agricultural by-product, enough grain would be released to feed an additional three billion people.



CASE STUDY

Fuel for the Future

Sharp's Brewery in the UK installed an anaerobic digestion plant in 2011 to convert liquid effluent waste into methane which is used to generate electricity for the national grid. California-based <u>Parallel Products</u> is working on turning unsellable wine into fuel through distillation and fermentation.

Waste can create brand stories

Bombay Sapphire have turned waste botanicals into menus



Creative solutions to preventing waste or putting it to better use can also become strong brand stories.

Toast Ale's brand reflects its positive sustainability story. The company, a Certified B Corp, operates with a specific remit: to produce world class craft beer that consumers love; to reduce bread waste directly by upcycling it to make beer; to raise

awareness of the problems of, and solutions to, food waste, and maximise profits, which all go to charities fixing the food system.

"Finding a use for spent products and eliminating waste is something that I think the industry is very good at. At Carlsberg UK, all of our spent grain goes to farmers for cattle feed and all of our used yeast actually goes into yeast extract."

Peter Statham, Sustainability Manager, Carlsberg UK At Laverstoke, which used to be a paper mill, Bombay Sapphire has turned some of its waste botanicals into paper which is used for the menus in their on-site café. "It's great messaging for the brand," says Sam Carter, Senior Ambassador, "It's inspiring stories for the consumer and the trade to then take and replicate."

A neighbouring organic farmer takes other waste botanicals and converts them to compost which is sold on. Other on-site waste like coffee grounds and herbs from infusions is composted and used on beds around the site. The initiatives are part of the company's zero waste to landfill policy which also includes no pesticides and using the potash waste from the furnace as fertiliser.

Waste partners can help find effective solutions



A waste audit, or inviting tenders on a new waste contract can drive waste operators to work with the industry to find better solutions. And waste contractors can be very proactive in their approach, with operators noting an increased willingness to collaborate and address challenges. "Biffa have partnered with us to look at how we reduce the amount of general waste



that we produce," shares David Gallacher, Divisional Director, Mitchells & Butlers. "They're helping us to to reduce the amount of general waste we are producing through better segregation of our food waste. This in turn is increasing the amount of waste we are recycling as a whole."

It is also important to ensure waste is addressed across all sites, including at HQ, as areas away from production can sometimes be overlooked.





Using your loaf: turning waste into new products

- Over 50 brewers around the world now brew with surplus bread.
 <u>Toast Ale</u> take the heel end of loaves from sandwich makers and use it to replace a third of the barley that would otherwise be used. This reduces the demand for virgin barley and the land, energy and water that would have been used to grow that barley.
- San Diego-based distillery <u>Misadventure & Co</u> produces a vodka made from excess unsold baked goods from a local food bank.
- William Grant & Sons' Discarded is a vermouth made from cascara the fruit of the coffee berry. This was previously thrown out as a waste product of coffee production.
- <u>Black Cow Vodka</u> is made in West Dorset from leftover whey from grass-fed cow's milk from the local cheese-making process.
- The Garden Cider Company in Surrey uses apples from peoples'
 gardens that would otherwise have been wasted. The business
 now relies on garden fruit donations from over 4,000 households
 who receive an allocation of free cider based on the weight of their
 donation.
- Grappa can be made by distilling the pomace that remains after the pressing of the grapes. One imaginative distiller noted how much wine and beer was spat out at tastings during Sydney's Rootstock wine festival. The organisers collected 500 litres of spat out wine, beer, and whisky. This was mixed, then distilled (when boiling kills any unwanted bacterium) to make a grappa aptly named <u>Kissing a Stranger</u>.



Adopt a circular approach for by-products and wastes

From flavourings to firebricks, there are multiple uses for by-products



This can help you identify potential uses for by-products. For example, processing the seeds, skins and lees generated by the wine industry can support value-added products including cream of tartar, grape wine spirits, grape seed oil and grape skin by-products. In cosmetics, grapeseed oil has moisturising, astringent and antiseptic properties, so it is quite often used

in sunscreens, creams and massage oils.

When it comes to berry by-products, one European research <u>project</u> is looking at incorporating processed berry pomace in cereal-based foods to take advantage of the nutritional benefits that come from its fibre, the content of bioactive substances and how to create products rich in phytochemicals.

Another <u>study</u> of the fruit / juice sector in South Africa identified a wide range of potential uses from waste:

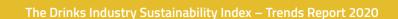
- As a source of flavour or aroma compounds, antioxidants, natural colourants and dietary nutrients.
- As a source of starch, pectin and cellulose that can be used in baking or for the generation of bio-ethanol, depending on the fruit.
- As a source of fibre and pulp for the production of composite materials, textiles and paper.
- For the removal of heavy metals and dyes from wastewater.
- For processing into bricks used in boilers or domestic fireplaces.
- As a growth substrate for the cultivation of edible mushrooms, fungi, microalgae and bacteria. These organisms can produce value-added products during growth such as enzymes used in the production of biofuel, compost or fine chemicals.
- As a source of organic acids typically used in food, natural biocontrol agents such as natural pesticides, and bioplastics for the manufacture of bio-degradable containers.

These varied uses of just one drinks-related waste product shows the range of ways waste can be put to good use. The key is to find the most sustainable use for each waste and by-product to keep providing value.

"From using cereal waste to create amazing beer flavours to reusing waste water in production, there are so many opportunities to push the boundaries of sustainability and integrate it into brewing business models which is very exciting."

lain Robertson, Content Creator and Social Media Manager, Brewgooder





Audit stock and invest in inventory management



Waste can include the product on the shelf, in the bar or canteen, and the industry needs systems to prevent stock going out of date. For example, to help reduce any waste created within the pubs, Marston's audited its stock, forecasting, storage, inventory management, inspection of use-by dates and stock rotation across all sites. Pubs also have access to specialist

software to help with forecasting, analysis of sales and help to manage stock levels and are encouraged to take responsibility for keeping these updated to ensure they are operating in the most sustainable way possible.

It's also important to be fastidious about inventory, and careful about production processes and volumes, according to winemaker <u>Andrew</u>. <u>Meggitt</u>. "All aspects of your inventory, from glass to yeast, should be carefully monitored for unnecessary waste. Adding too many yeast or nitrogen compounds, for instance, is a wasteful practice I see quite frequently."

There is increased pressure to re-distribute

The public expect surplus food to be redistributed



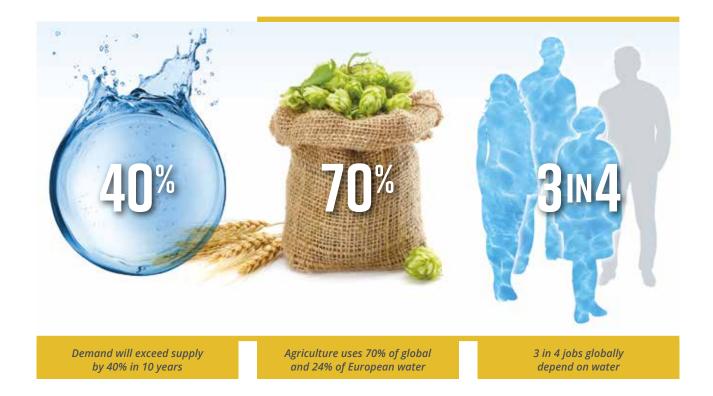
The rise in the number of partners who will help redistribute surplus products or items going out of date means that there is less tolerance for products going to waste. Apps like OLIO or Too Good To Go help companies reach new audiences with surplus products and FareShare will collect items nearing their Best Before date and redistribute to charities.

Using a variety of local food redistribution charities, innocent look on course to meet their 2020 target of having no finished good waste going to landfill, showing what can be possible, even in a highly perishable beverage category.





Water



Water is both a global and a local issue. Population growth and climate change are putting increasing pressure on the world's limited water supplies, and <u>UN Environment</u> predicts that in ten years, demand for water will exceed supply by 40%, and freshwater withdrawals are expected to exceed natural renewal by over 60%.

Agriculture is the leading user of fresh water worldwide, accounting for 70% of global and 24% of European water consumption. Poor irrigation techniques, combined with water loss through evaporation, overuse of groundwater and pollution all threaten the availability of fresh water.

Three out of every four jobs globally depend on water in some way, including small-scale farming which produces 80% of the world's food.

Olcay Unver, vice chair of UN-Water, and advisor for the United Nations Food and Agriculture Organization (FAO), says food demand will rise by 50% but "we don't have 50% more water to allocate to agriculture."

That means meaningful water-focused initiatives have to be implemented locally in the context of water scarcity at that location. Beverage companies taking water from a country with high annual rainfall may have



only limited impact on the local water intensity. Instead they need to look down their supply chain and take action where ingredients are coming from water stressed areas.

Leading insights - 2020 Action points

Water is a strategic priority



When global water scarcity is an issue, wasting water is unacceptable, so the industry needs to find ways to prevent it. An industry insider said, "We need to change our approach in order to futureproof the industry. Companies face a stake and shareholder pull as the sector has a lot of very visible water use and we are noticing the impacts of water stress. The

availability of resource, scarcity of water and changing climate are driving differences in harvests. And weather patterns over the last two years also impact crops that are required by the manufacturers."

This means reducing and being smart about water use – both operationally and in the supply chain, is a top priority.

And the industry is squaring up to the challenge with bold statements about addressing the problem. Take Carlsberg's firm stance. "We were founded with the purpose of brewing for a better today and tomorrow," says Peter Statham, Sustainability Manager. "Our sustainability strategy aims to tackle the global challenges facing the planet. That includes water scarcity. That's why we're aiming for zero water waste from our breweries by 2030."

CASE STUDY

Cool spirits

Adnams in Suffolk operate in a water scarce region of the UK where average annual rainfall is the same as Jerusalem. They added a heat exchanger to capture waste heat and help recycle water within the system. They say: "Using water to cool spirits is the most water intense distillery process. Removing the demand on fresh water here has reduced our average spirit production ratio from 48:1 (litres of water per litre of finished product) to 24:1.

"At a product level, we see the greatest reduction on gin production, where the ratio has reduced from 60:1 to just 30:1. This is a giant leap in reducing our use of natural resources and improving our business resilience, especially as 75% of our distillery production is gin. In 2018 alone, this project saved over 3.5m litres."



Set clear, challenging targets and use established reporting

350 litres of water used for every litre of beer



Reducing water is a win for the bottom line whilst improving a brand's reputation and relations with local communities. There are several water disclosure projects which support reporting on water use, and help investors assess the risks and opportunities companies face in relation to water. They also enable companies to measure and manage water use in

their supply chains. These include:

- UN CEO Water Mandate
- Carbon Disclosure Project (CDP) Water Disclosure
- Global Reporting Initiative (GRI)

According to Peter Statham, Sustainability Manager at Carlsberg, their ambitious targets around water efficiency and investing to cut waste as much as possible has allowed them to achieve a market leading 2.9 hectolitres of water per litre of beer produced at their UK brewery. This is compared to a UK industry average of around 3.5. Their ambitious target is to reduce this to 1.7 hectolitres by 2030.

Others who have taken action also noted the benefits. "Our sustainability efforts are starting to have a positive business impact," shared Vanessa Wright, VP Global Sustainability, Pernod Ricard. "We are committed to reducing water consumption by 20% by 2020. At our Indian operations, we've achieved even higher than that – around 36%. We have a huge number of projects where we put water back and in India we are water positive. All of these elements help tremendously with local communities."

Certification is setting new standards

Certification driving standards



The Alliance for Water Stewardship (AWS) is a platform to develop a global water stewardship programme. It identifies and rewards companies for their efforts to measure, manage and engage with others in responsible water stewardship, especially in water-scarce areas of developing countries. AWS has a voluntary certification programme for water managers

and users that allows them to demonstrate compliance with, or support for, water stewardship by adopting new International Water Stewardship Standards.

Other membership organisations working collaboratively on water stewardship include BIER – the Beverage Industry Environmental Roundtable and the European Federation of Bottled Waters (EFBW). The support and platforms to enable responsible water use are there, making addressing water an industry imperative.





Water must be viewed in a global context





If water scarcity is not an issue locally, it can be hard to visualise the global context and how water will impact the viability of the product in the future when essential crops could be affected. Sustainability teams must work with executive teams to build a strategy that understands these impacts and incorporate reductions in water footprint.

"When we set the strategy," says Peter Statham, Sustainability Manager, Carlsberg, "there was a realisation that if we don't act now, we're not going to have the grain and we're definitely not going to have the water we need to brew. In the UK, predictions are that we have 25 years before demand for water outstrips supply. In other markets this will be even faster."

This can also raise challenging ethical questions around whether production should continue in a certain area. "We collaborated with a brewery in Cape Town, South Africa," explains Louisa Ziane, Toast Ale. "During the droughts in 2018, as we were nearing Day Zero [when authorities would be forced to switch off the domestic water supply], we faced a very real challenge: it would not be ethically responsible for us to continue brewing - a water-intensive process - if people did not have water to drink. We decided we would bottle and freely distribute water if the problem continued."

Use water footprint tools to address supply chain risks

Water footprinting helps identify hotspots



Water footprinting aims to estimate the total water use in a business operation at both direct (factory and processing) and indirect (supply-chain) levels. And it differentiates by blue (water withdrawn), green (soil moisture) and grey water (polluted water that returns into the water systems).

Recent <u>research</u> concluded that "water footprint assessment is a helpful tool for the quantification of water use throughout the supply chain, providing valuable insights of the largest components and locations of water consumption, and the potential effects on local watersheds, and future water availability to serve the needs of communities, nature, companies, producers and suppliers."

Drinks companies must work with suppliers on analysing their water footprints to identify hot spots and to help them identify ways to improve, and reward them when they meet those targets. This is the approach taken by AB InBev. "Raw material suppliers are very process driven," observes Jacqueline Hochreiter. "They know more water efficient





processes will save money in the long term, so we're helping them to understand what those actions are and reinforcing that they tend to be good business decisions."

innocent's approach is to support the Farm Sustainability Assessment (FSA) SAI platform, which includes thousands of innocent farmers around the globe. This includes reviewing how they manage water on the farm with an understanding of the local context. "Take Spain," explains Roz Davis, Head of Sustainability & Nutrition, innocent. "Strawberries are an incredibly important part of the local economy, but they grow them next to the Donana National Park which is an ecologically sensitive wetland. We triggered a broad industry collaborative project called Ferdonana which has been running for five years, working with other strawberry buyers in the region and with farmers, around how they can change the irrigation management and scheduling to reduce the amount of water that they're using, to ultimately reduce the extraction load on the wetland."

Find ways to re-use wastewater and manage greywater





Research into the environmental sustainability of alcohol concludes that water contamination and water waste can cause significant harm. It gives the example of tequila, which is highly water intensive; on average, for every gallon of tequila produced, there are 18 gallons of liquid waste. This can be extremely harmful to the environment because the liquid

waste is so acidic it befouls soil and water, making soil unfit for farming and water toxic. The report highlights the need for action like vineyard management including water reclamation, preventing run-off from terraces, enhancing the protection of local water sources from pesticides and other chemicals, whilst also reducing water bills.

One tequila producer working hard to tackle these impacts is Patrón. Patrón's tequila production produces thousands of gallons of stillage during distillation so Patrón has developed a pioneering, state-of-the-art, reverse osmosis technology to recycle 70% of the stillage into clean water which is used to cool the condensers during distillation and to water the agave fields.

The remaining 30% of the by-product is combined with used agave fibres to create compost. The distillery then composts 100% of its leftover agave fibres from distillation. This compost creates more than 5,500 tons of natural fertiliser a year for Hacienda Patrón's vegetable garden which provides food for the 1,200 staff. Any extra compost goes to neighbouring farmers for free.



Tennent's installed an anaerobic digestion water treatment plant at their Wellpark home. This enables on-site treatment of wastewater generated as a by-product of brewing, improving the quality of wastewater whilst also generating bio-gas, which is used to help heat the brewery.

CASE STUDY

Making a splash

The water Carlsberg uses to rinse its bottles now goes into a tunnel pasteuriser to be reused, saving about 45,000 hectolitres of water - enough to fill 18 Olympic sized swimming pools.

CASE STUDY

Wetland wonder

Glengoyne Distillery has created a set of 12 individual wetland cells containing more than 14,000 types of plants which allow them to filter and cleanse the effluent from the spirit stills and dispose of it environmentally. Once the effluent has undergone anaerobic fermentation, the clean water is returned to the distillery river, free from harmful chemicals. The wetlands also increase biodiversity, attracting a number of species to the site, including moorhens, songbirds and dragonflies.

Tackle food waste's contribution to water footprint

Food waste has a massive water footprint



Sometimes overlooked, food waste of any kind throughout the supply chain is a huge contributor to lost water in the food and drink industry, whether it is wasted raw materials, wasted stock, or wasted product with the consumer. FoodDrink

Europe's Environmental Sustainability Vision Towards 2030 includes advice, guidance and case studies aimed at reducing

the industry's water footprint.

Investment is needed in older facilities

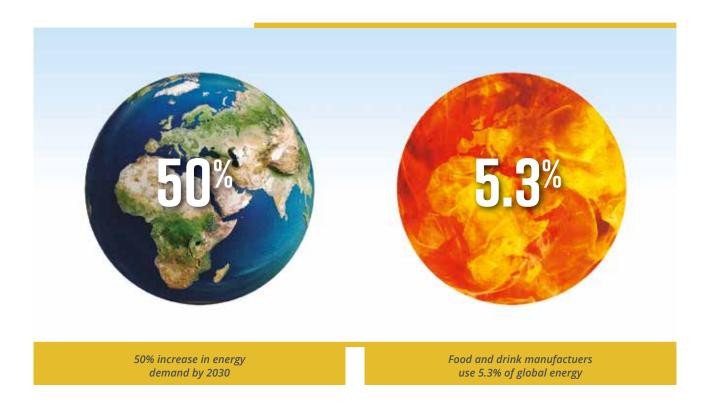
Old factories may need upgrading



Companies should look at the age of their facilities and equipment and consider investing in new, more water efficient plants. According to one industry insider for a major soft drinks brand, upgrading facilities can be an expensive barrier. "In a newer production facility, efficiency is built in but old sites and distilleries are not always great. New bottling sites are

state-of-the-art but it's challenging to adapt older production sites."

Energy and emissions



The drinks industry can be very energy intensive. The processing of fruits or grains and complex distilling processes require a good deal of energy, such as for the heating and cooling of stills etc. Further, transportation of raw materials and finished goods, plus packaging and wastage all increase the carbon footprint of the industry.

Research suggests alcohol manufacturers in the United States release the annual equivalent quantity of greenhouse gas emissions as 1.9 million US households. But bio waste (which is plentiful in the industry) is ideal for turning into biofuel, effectively offsetting CO2 emissions from traditional energy sources. Companies should adopt electric vehicles for deliveries.

By 2030, global demand for energy is expected to increase by 50%. Food and drink manufacturers account for 5.3% of industrial final energy use globally. Broadly the sector believes energy efficiency is an important driver for remaining industrially competitive and improving environmental sustainability.

Smarter brewing, fermenting, juicing, roasting and distilling has witnessed new technological solutions which improve energy management at plant,



but efforts still need to be increased if the industry wants to play its part in limiting global warming through control of carbon emissions to the 1.5°C cap set in the Paris Climate Agreement.

When the industry is wholly reliant on the widescale production of grains and fruits, global climate change and extreme weather events represent a real threat to the sector, therefore efforts to mitigate the risk make good business sense.

Leading insights – 2020 Action points

Set Science-Based Targets for CO2 reduction

Zero-carbon targets are being embraced



Growth and increased market share is the goal for most businesses. For this reason, historically organisations set CO2 intensity targets against their carbon footprint baseline. If they continue to grow however, their footprint will increase, even if their increased energy efficiency shows a decrease in carbon intensity against the baseline. But this is no longer enough. It

is time for companies to set an absolute target for CO2 which continues to bring their emissions down, even when growth is factored in. This is why net-zero carbon and <u>Science-Based Targets</u> are becoming increasingly common, according to industry insiders such as Jonathan Davies, Waste & Recycling Co-ordinator, Marston's and Peter Statham, Sustainability Manager, Carlsberg. "Our aim is zero carbon footprint," explains Statham, "and within that we've set Science-Based Targets to the 1.5 degrees level globally."

The company has aligned its strategy with the SDGs. Targets end at 2030, with interim targets at 2022. This ranges across the value chain with a target of zero carbon emissions from its breweries by 2030, and reducing the "beer-in-hand footprint, which is the whole value chain from the farm to the fridge," by 30% reduction by 2030.

Reducing carbon footprint helps tackle other issues such as waste

ROI can be quicker than you think



Simple changes at every level of the business can make a big difference. Carlsberg converted to LED lighting and saved 130,000 kilowatt hours of electricity. Marston's saw a ROI on a switch to LEDs within nine months of implementing across the pub estate.

Roz Davis, Head of Sustainability & Nutrition at innocent believes it is important for a business to know itself and understand its communities, its supply chains, and identify the key topics where it can have the greatest positive impact. But if the business is not able to do this level of





analysis, the priority should be climate change and carbon footprint. This is because doing so will create touchpoints with other key challenges like waste and packaging.

Technology can bring down carbon footprint

Saved by Carslberg through improved building management and ventilation



Technology can help with smoothing out human error or inconsistencies and relieve pressure and reliance on site staff. For example, building management systems can enable head office to have controls which ensure lights are switched off when sites are closed and that site temperatures are managed to prevent thermostats being turned up and forgotten.

Carlsberg's building management system and improved ventilation saves 600,000 kilowatt hours and has enabled the company to be certified to ISO 50,001. Even upgrading the software on the pasteuriser saved almost 300,000 kilowatt hours of heat energy.

Meanwhile, combined Heat & Power (CHP) systems capture heat as a by-product and channel it to other purposes, making more efficient use of energy. CHP can reduce carbon emissions by up to 30%.

Renewable energy can be a game changer

Energy supplied by panels at Wye Valley Brewery



Beverages tend to be an energy intensive process, especially with brewing. "You're always heating and cooling all the way through the process," notes Patrick Morrissey, Group Operations Director, C&C Group. "Renewable forms of energy are a solution, but the trick is trying to find the right solution for each brewery."

For an industry where there is plentiful space on top of warehouses, breweries and the like, industry observers note that solar systems such as PV can offer a sustainable solution. For example, Wye Valley Brewery covered their premises in PV and invested in a PV field which will help them produce almost 60% of their required energy.

Ambitious targets, such as Pernod Ricard's target to reduce carbon by 50%, require investments of hundreds of millions, and patience as returns take time to materialise, notes Vanessa Wright, VP Global Sustainability, Pernod Ricard. This is why Pernod Ricard has focussed on elements it is able to control, such as renewable energy in production sites, and there have been big successes. The business in Australia is expected to soon achieve 100% renewable energy and the company has achieved around 74% renewable energy at production sites to date.



Meanwhile Tennent's have set themselves a target that all of their energy will come from renewable sources by 2025, and a carbon capture facility will help them move towards zero carbon.

Renewable systems can also be pleasingly circular. For example, Bombay Sapphire has solar panels, water turbines and a heat recovery system. The excess heat in the stills after the distillation process is completed isn't lost, but is captured and circulated to heat the glasshouses.

CASE STUDY

Energised thinking

The US-based New Belgium Brewing Company has a clear strategy for reducing its carbon <u>footprint</u>. First, it focusses on energy conservation, investing in efficient equipment, harvesting waste energy through heat exchangers and energy storage tanks, and designing with conservation in mind.

Demand management is the next highest priority. Smart grid technology enables managers to shut off non-essential power loads during peak demand to relieve power pressures and to cut back on energy costs.

Third is on-site power generation which accounts for 18% of the brewery's electricity needs and is accomplished through biogas - generated from microbes and waste water - and solar photovoltaic energy.

Persuade executive teams to support schemes with longer paybacks





Although low-hanging fruit like LEDs can pay for themselves very quickly, some CO2 reduction programmes can have a longer ROI timeframe. The 2012 FoodDrink Europe report points out: "Food and drink manufacturers often face a number of investment barriers when implementing sustainable energy and carbon management plans. These

include long pay-back periods in a sector used to short investment cycles, the availability of investment funds and limited commercial competitiveness in emerging technologies. Investment uncertainty and energy price volatility are also significant barriers." Organisations should be future-facing and consider longer term benefits.

This is also crucial to maintaining leadership, as Jonathan Davies, Waste & Recycling Co-ordinator, Marston's observes: "We have started to see a ROI following a number of changes including; switching to LED, implementing fresh air cellar cooling and voltage optimisation whilst also changing heating controls, investment in boilers and insulation. Areas such as on-



site generation and battery storage, have longer ROIs but in order for us to continue to be seen as leaders, we need to be quite innovative and the payback is not going to be as good as it has been. Where possible, we continue to strive to find alternative options and if any technology or features come along that will be beneficial for the goals we would like to achieve, we will discuss this with the board and make the business case."

Report targets and progress to stay on track



Reporting is fast becoming the norm and it is a key priority to ensure maintained focus whilst supporting transparency – a key stakeholder concern. Some in the industry work with CDP (the Carbon Disclosure Project), others are members of RE100, a group committed to 100% renewable energy. It aims to tie strategies and organisations together in a bid to

progress the industry faster towards zero carbon.

CASE STUDY

Energy efficiency in action

Efficiencies at C&C Group manufacturing sites have enabled energy consumption per hectolitre to fall by 13% (electricity) and 6% (gas) in 2018. This was achieved through improvement in efficiencies, higher line utilisation and more efficient operation of assets, like refrigeration and lighting systems.

Explore the opportunities around electric vehicle charging

Cars can provide power



Partnering solar PV with vehicle charging where cars can offer versatile battery storage, provides a simple future-facing solution to on-site generation that shows particular potential for pub groups. Marston's have partnered with Engenie to install rapid electric vehicle chargers in 200 pub sites over two years.

Jonathan adds: "We envisage our pubs being 'smart' in the future. When the cost of electricity goes up in peak periods, can we draw instead from the car batteries that are plugged into our site? Putting these chargers in is future proofing our sites and electricc vehicle ownership is only going to go one way so we want to make sure we're in there first, getting that grid capacity where it's available."



Social impact



"Business has a responsibility to step up and play a really key role in tackling these big, global complex challenges that we're facing, not only in our own business but also to inspire wider change."

Roz Davis, Head of Sustainability and Nutrition, innocent True sustainability means being socially, as well as environmentally responsible. The drinks industry offers a variety of both expertise and systems that ideally place it to impact global or local communities.

Social impact can start with a company's own employees; both ensuring staff prosper and progress in an optimal working environment, but also helping them to make a difference to the world around them through volunteer programmes.

Companies can reach out to support their own immediate neighbourhoods, or, with a supply chain that stretches throughout the developing world, can drive impactful change for some of the world's most challenged communities. Companies should consider how they can best use their resources to create maximum impact in a way that most makes sense for their organisation and stakeholders.





Leading insights - 2020 Action points

Social impact initiatives must support a brand's broader aims and business

Issues must be relevant to your brand



Social impact should not be an add-on that looks good in the CSR report, it should be relevant and make sense within the wider brand strategy. For example, one issue for the drinks industry is the portability of the product, creating a littering risk with a big brand negative. To try and tackle this, Red Bull sponsors Keep Britain Tidy and Keep Scotland Beautiful

and actively works with partners to ensure their presence at festivals and events doesn't add to any litter or landfill. They also partner with AluPro and Every Can Counts trying to educate consumers on recycling, encouraging people to think differently.

Another relevant issue that certain parts of the drinks industry can be well-placed to tackle is community. Across the UK, many communities are struggling, and some are facing endemic challenges, something that pub brands are well-placed to tackle. Pubs are often at the heart of a neighbourhood and therefore offer a perfect opportunity to create meaningful programmes that impact local people – and build brand loyalty.

"A big pillar for us is community," Says David Gallacher, Divisional Director, Mitchells & Butlers. "We have pubs in local communities the breadth of Great Britain so we're working with local charities and support groups to be a key part of the communities that we're in, for example by redistributing food through FareShare."

Tennent's has linked with the 2050 Climate Group to engage people throughout Scotland in the issue of climate change. The Group will work with Tennent's to run a series of workshops in pubs, inviting people to join 'a pint and a plan' sessions. These collaborative meet-ups are designed to turn talk into advocacy and action.

Action days focus attention on positive efforts



Employees today want to work for an organisation that makes a difference, and they want a chance to help others as well. Volunteer days as part of their annual leave allowance is one way, but to build a sense of community in a brand that might have offices spread across the world, a global day can support local communities whilst connecting staff via a shared activity

and commitment.



Remember mental health

Mental health must not be forgotten



One hot topic bubbling away under the surface of the drinks industry is staff mental health. "We need to prioritise mental health, and proliferate mental health training and addiction training, and there are charities working specifically on this issue," advocates James Calder, Chief Executive, SIBA. "It's a major issue, partly because elements of the industry such as

brewing can be so male dominated. If you've got addiction, or depression, and you're working long days in a brewery, the culture isn't to speak up. We need to change that."

Younger employees must be empowered

Empower young people



Younger employees arguably have a greater vested interest in creating a future where they can live healthily, safely and equally, so they should have a clear voice at the table. Imaginative drinks companies are finding ways to engage their creative youth stakeholders whilst building brand value.

AB InBev uses technology to create insights through data, and innovations through their employees via a raft of initiatives, for example Hack the World – an open innovation programme. Innovation teams around the world create events throughout the year, including SharkTanks to tap into the creativity of their employees, Accelerators to boost the growth of local start-ups, Demo Days to engage with inventors of more mature tech solutions and Hackathons to attract new talent. All of these can turn up innovative solutions to challenges the company faces. If an employee is part of the team which designs a solution that deserves further exploration, they are given six months to a year away from their role to conduct research and testing.

Oliver Drury, Head of Corporate Affairs, Adnams says, "We believe in giving our customers choice and innovating is in our DNA. We make permanents, seasonals and collaborations which allow us to explore our curiosity and develop new and exciting drinks.

At Adnams we have more than 2,700 years of experience and everyone whatever their age is encouraged to share their thoughts and opinions with what we do."

Create opportunities for the disadvantaged



There are many people who face social exclusion or barriers to employment. There is talent there crying out for an opportunity that the drinks industry could value and develop.

<u>Change Please</u> is a charity providing full barista training and the London Living Wage for the homeless community,



changing lives and taking people off the streets. <u>Tap Social</u> is a craft brewer creating opportunities for people leaving the prison environment. Meanwhile, Coca-Cola European Partners has worked with over 120 young people in eight UK cities to overcome barriers to employment.

Support smaller local businesses, start-ups and entrepreneurs

Start ups can find solutions



The entrepreneurial ability to be flexible and creative can see start-ups particularly well-placed to innovate in finding solutions for sustainability challenges, and this is something the big players are well aware of and are increasingly supporting.

For example, MillerCoors runs the Miller Lite Tap the Future programme, working with entrepreneurs on their financial literacy, offering business advice and opportunities to win funding through a business plan competition. In 2015 they received over 4,300 applications to the competition, selecting 30 semi-finalists. Six gained a "live pitch" opportunity along with \$20,000, and the winner received an additional \$200,000 towards his business.

Use local expertise to tackle issues in other regions

Share expertise with other regions



When a local issue has been successfully tackled, we can forget it still exists in other parts of the world. For example, although drink driving campaigns in the UK have seen a massive downturn in the offense, elsewhere in the world it is still a huge problem. Pernod Ricard is working to tackle drink-driving in young people around the world. Their "Safe"

Roads 4 Youth" project operates in three emerging countries: South Africa, Argentina and Vietnam. The number of traffic-related deaths has fallen by 28% and 32% in two pilot regions in Vietnam over the past three years where a sustained community awareness campaign with local leaders has reached nearly 350,000 people.

Foundations can drive positive change

People helped by Brewgooder water campaign



Social impact programmes can help companies target support at small numbers of people at grassroots level, but more meaningful change often comes from delivering a powerful campaign that can garner wider public support, or push for fundamental change. Programmes should be embraced as part of overall strategy to maximise their impact. For example

Toast Ale feeds all its profits to their Feedback charity which campaigns on systemic food waste issues within the food and drink industry.





CASE STUDY

Energy efficiency in action

Craft beer company <u>Brewgooder</u> has a mission to bring water and life to one million people. All profit from their lager goes to fund clean drinking water projects across Malawi, Africa. To date they have helped bring clean water to over 60,000 people across Malawi. Brewgooder is a certified B-Corp, plastic free, and a Living Wage employer.

The company launched a social media campaign on <u>World Water Day</u> that brought together over 50 breweries from around the world including Brooklyn, BrewDog, Yeastie Boys, Northern Monk and more, to help raise awareness of the 800m people in the world that have to regularly drink from unsafe sources.

Investigate becoming a B-Corp

Use tools to help identify areas for action



The B-Corp tool is free and useful for any company looking for areas where they can improve their sustainability performance, whether they want to join the movement or not. Those who have joined though, typically report that they find the experience rewarding and worthwhile.

<u>Certified B-Corporations</u> balance purpose and profit, and work together as a global movement of people using business as a force for good. They are required to meet the highest standards of verified social and environmental performance, public transparency, and legal accountability.

Certified companies note the benefits of being part of a community of businesses that share a common ultimate mission for a better world. Insiders admit the process of certification can also be valuable in stretching a business's sustainability remit, for example, from: "let's make sure that our environmental impact is as strong as possible", to also asking: "are we are a responsible employer? Are we looking after our people and making sure that our business is sustainable?"





Raw materials and environmental impact



EU crops bought by food and drink manufacturers

More than any other sector, the food and drink industry has a strong investment in maintaining a healthy environment, which it relies on to provide the high quality raw materials that go to make its products. Ensuring the sustainability of the raw materials throughout the supply chain is essential to protect the longevity of the sector – and the human race.

Around 70% of the EU's agricultural output is bought by Europe's food and drink manufacturers, therefore it's imperative that biodiversity is maintained and sustainable farming is encouraged. The sector is particularly vulnerable to the impact of climate change on the availability of agricultural raw materials, and with UN predictions that the global population will reach more than eight billion in just ten years, requiring 50% more food production, the pressure on natural resources is immense.

Whilst available arable land per capita has decreased dramatically since the 1960s, simultaneously the demand for that land has intensified with a growth in timber, paper, biofuel and animal feed. Meanwhile further pressure is added with increased frequency of extreme weather events including floods and drought.



The FoodDrink Europe report lists the following essential actions needed to ensure sustainable agriculture:

- Responsible cultivation practices that preserve soil fertility and prevent soil erosion, pollution, salinisation and loss of arable land and biodiversity
- Responsible and limited water use
- Energy efficiency and the reduction of greenhouse gases (GHGs) and other emissions
- Prevention of waste wherever possible and recycling and recovery as much as possible where prevention is not feasible
- Improvement of working and living conditions of farmers, farm dependent employees and their families and opportunities to improve their skills over time
- Animal welfare
- Respect for national, EU and international regulations
- Respect for freedom of association
- Sustainable sourcing should also be market driven
- Responsive to consumer demand

The drinks industry has continued to make advances in how it responsibly sources its raw materials, but innovations and new initiatives must keep coming and be shared for the benefit of the wider value chain.

Leading insights – 2020 Action points

Ensure sustainable methods of production in the supply chain

Work with supply chain



It's important to work in partnership and collaboration with local producers to develop skills and expertise which help reduce waste and carbon footprint and help protect soils and ensure crop longevity, which is particularly important in developing economies. innocent like to get their 'boots on the ground' along their supply chain in every area they

are supplied from to really learn and understand the specific regional challenges faced by the growers, and to work with them and offer resources to help them thrive. Making this investment can represent a cost positive further down the business.

"We have over 50,000 farmers we directly procure from," says Jacqueline Hochreiter, AB InBev. "We give direct services to those farmers to ensure they have the skills to grow better. They have two agronomist visits per



year and access to satellite weather updates, and to funds to protect them and help make them more productive and increase their livelihoods. We have such a scale that it often makes sense to procure directly from farmers. In France we built a relationship with the malters that gives us an opportunity to secure our raw materials in a way that is better for us and for the farmers. We're very proud to have been rated 'A' for supply chain by the CDP on the basis of reducing emissions with suppliers - we make it a contractual obligation."

Enable suppliers' expertise and solutions

Help suppliers share expertise



Suppliers are critical external subject matter experts and key enablers to design creative solutions within their networks.

Farmers may have expertise that's handed down the generations to tackle particular challenges, and that knowledge could work well in other regions. The role of the brand can be the enabler to connect these diverse producers and help them

to share their expertise and inspire them to keep improving.

"We're not interested in keeping this expertise a secret or a competitive advantage," says Jacqueline Hochreiter, AB InBev, "but in sharing it for the betterment of the world. In various markets at supplier conventions themed around sustainability we help them to meet and inspire each other and share best practice."

CASE STUDY

AB InBev's annual <u>Bud Farmers Day</u> brings growers and agricultural partners together to learn and discuss key issues from global barley markets to new types of grain. This helps to build strong, long-term relationships that ensure a sustainable, local supply chain. It helped Britishbrewed Budweiser go from sourcing 0% to almost 100% of its barley from British sources in 5 years.

Streamline producer assessment programmes

Keep audit processes aligned



Many farm assessment platforms have sprung up over the years, but where producers work with multiple brands, they may also have to deal with many time-consuming separate assessments to complete. Taking the onus off the producer allows them time to focus on their crops, and this can be achieved by supporting the use of just one assessment

tool. innocent realised some of their producers were supplying multiple

brands, each with their own audit process, so they stopped using their own and now use the <u>Farm Sustainability Assessment SAI Platform</u>.

Query all your materials, not just the ingredients

Consider every item



Although drink ingredients are a priority, every item involved in the product should be assessed in the quest for greater sustainability from inks to cleaning products. As an example, Carlsberg realised there was an issue with the green ink on its labels which made it hard to recycle any branded paper or cardboard. This led to the development of a 'cradle to cradle'

certified ink which is fully recyclable and is made using renewable energy.

Strive to continually improve



Although many in the industry already work hard to ensure their raw materials are sustainable and low in air or road miles, there should never be a time when someone says, 'we've always done it like this'. There needs to be a constant search for improvement, where failures are embraced as opportunities to learn from mistakes.

"We will make a lot of mistakes along the way, but we just accept them and aim to be transparent. It's part of the journey to success." Vanessa Wright, VP Global Sustainability, Pernod Ricard

Develop an industry-wide standard



Rather than waiting for government legislation, some thought leaders suggest that the sector works with representative bodies like <u>UK Hospitality</u> and the <u>Food & Drink Federation</u> to set up and publish its own code of conduct that encourages colleagues and customers to hold the drinks industry to account on sourcing and other sustainability issues.

Sustainable raw materials are a marketing opportunity

Sustainability sells



With consumers increasingly wanting to know that their favourite brands are ethical and eco-friendly, promoting the sustainable provenance of your key ingredients represents a big marketing win. Brands are progressively taking a more strident political stance and initiatives that demonstrate a more purpose-driven existence where some profits are

turned to support climate-change mitigation, or that can even galvanise customers behind a movement, are an opportunity.





CASE STUDY

The Nine Lives cocktail bar in London has launched a menu that uses tonics and sodas infused with waste ingredients from local markets and Nine Lives' own back garden, spent ingredients from the bar and from local like-minded companies. Menu covers are entirely made out of ocean plastics, using the equivalent of 60 carrier bags per menu.

Commit to the following sustainable sourcing tools and action-plans

- The <u>British Soft Drinks Association has a sustainability roadmap</u> which recommends working with a range of programmes.
- <u>Juice CSR Platform</u>: A business-driven sustainability initiative for the fruit juice industry to embed corporate social responsibility in their business operations and core strategy.
- Forest Stewardship Council (FSC): An international NGO committed to promoting responsible management of the world's forests. Much of the carton industry is committed to FSC.
- Sustainable Agriculture Initiative (SAI): The leading food and drink industry initiative supporting the development of sustainable agriculture worldwide.
- Bonsucro (Better Sugar Cane Initiative): An independent certification programme for the sugar cane industry.
- WRAP's Raw Material Risk and Opportunity Screening Tool.
 A high-level support tool which helps food and drink businesses identify, understand and address the potential risks associated with their supply chains.



Clients and consumers



70% of industry insiders recognise meat-free/plant based trend

Being a responsible business does not just mean protecting the planet, but also caring for its people. For the drinks industry, familiar with negative PR around high sugar content and alcohol, wellbeing and responsible drinking has been a priority for many years.

Changes in the understanding of nutrition and a shift of attention around obesity from fats to sugars has seen the implementation of the sugar tax, and soft drinks reformulating to bring their sugar content down.

Years of poor publicity around drink driving deaths and a culture of binge drinking led alcohol brands to push their responsible drinking message. But just as younger consumers enjoy a more measured lifestyle, adopting flexitarian eating with less meat, so they have a more sensible approach to drinking; frequently enjoying evenings out without alcohol, and trends towards low and no-alcohol drinks are gathering pace.

The industry is nothing if not adaptable when it comes to embracing trends, so adjusting to the needs of clients and consumers around flavours, content and sustainability will hardly present a challenge. Nevertheless, industry thought leaders shared their insights as to the direction the market is heading.





Leading insights - 2020 Action points

The plant-based explosion is impacting on drinks

Consumers increasingly want animal-free products



Plant-based is a trend which has been dominating news, media, trade shows and menus. The UK Hospitality Food Service Management Market Report 2019 found that the meat-free/plant-based/vegan key trend is now recognised by 70 per cent of industry insiders, up from 10 per cent two years ago.

The trend has heralded a release of new products from jack-fruit based southern-fried-chicken to an increasing range of ever meatier plant-based burgers and sausage rolls. However, the trend is also impacting drinks categories, with more and more consumers looking for animal-free products - such as vegetarian and vegan wines – to replace those product categories that use an animal-based ingredient, such as egg whites or fish ice.

Use SDG 3 to tackle consumer health and wellbeing



Sustainable Development Goal 3 addresses global good health and wellbeing, and as many companies are now aligning their sustainability actions with the SDGs, this is an opportunity for the drinks industry which has been concerned with consumer wellbeing for many years to demonstrate their expertise.

Target 3.5 aims to strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol, and 3.6 aims by 2020 to halve the number of global deaths and injuries from road traffic accidents. Many drinks organisations like C&C Group have been working with governmental bodies, Drinkaware, Best Bar None and police forces to promote the responsible consumption of alcohol, and on initiatives to improve the safety and enjoyment of the night-time economy. Carlsberg operates a zero accidents culture, as well as championing zero irresponsible drinking.

Mostly achieved through strong messaging, positive marketing and training of bar operators, several markets have seen a notable downturn in drink driving, whilst trends on less responsible alcohol consumption are declining. Companies can bring their expertise to other markets and share knowledge on responsible driving and drinking.





CASE STUDY

It's like gin, but not as we know it

The Driver's Tipple is fully distilled but without the high levels of alcohol. This new premium non-alcoholic drink uses botanicals to create the flavours of a traditional London Dry Gin, and aims to cater to designated drivers, pregnant women, professionals and consumers who want a sophisticated, sugar-free drink without alcohol.

Modern slavery is everyone's issue to act on

Slavery is everyone's problem



Forced labour is an issue that many industries have struggled to accept is a problem for them, but virtually every company will have modern slavery somewhere in its supply chain.

Agriculture and food processing are a particular risk for instances of forced labour. Therefore it is incumbent on brands to investigate their supply chains and do their utmost

to ensure their suppliers are not encouraging or allowing it to happen.

The <u>Modern Slavery Act</u> compels most companies to display a Modern Slavery statement on the homepage of their websites and to detail their actions to combat it. This can include ensuring that workers have freedom of movement (including their right to hold their own documents and passport), and that they are not charged any fees to secure work.

Consumers are looking for good companies not good products

Consumers want good companies



Savvy consumers are looking increasingly at the entire organisation when they make their purchasing choices, not individual products, therefore transparency of reporting is vital to win their confidence. A report by Just Drinks notes: "Consumer purchasing decisions are increasingly being based on brands' environmental or social record. Withholding

significant information or misreporting on these matters could be said to be every bit as reprehensible as misleading advertising."

Industry insiders agree. "We've seen a really strong and growing consumer trend around eco conscious consumers moving away from buying good products and moving much more towards buying products from good businesses," says Roz Davis, Head of Sustainability & Nutrition at innocent. "People are really wanting to put their money into businesses they can identify with."



"Low alcohol cocktails are part of a general movement towards 'conscious drinking' as a whole. This is definitely a consumer shift rather than just a trend, and in recent years, more and more people are opting for quality over quantity... This is also part of the growing trend for refreshing, long highball serves over spirit forward serves."

Matthew Sykes, Senior Director -International Marketing, Bacardi James Calder, Chief Executive of SIBA – the Society of Independent Brewers – agrees. "Consumers want beer but also products that are sustainable and make them feel good about what their money is supporting. Brewers who manage to get the message out about their sustainable practices, like Adnams, will benefit from that eco-spend."

Companies like Marston's, which in the past might not have championed their sustainability credentials, are now vocalising their success and environmental achievements, such as their zero waste to landfill, to proudly showcase their responsible approach to waste and sustainable sourcing.

However, communicating a brand's eco-credentials to the end consumer can be a challenge. This is where foodservice operators can play a major role, notes Lucas Daglish, Group Food and Beverage Policy Manager, Whitbread Group Plc. "Take Molson Coors – they've been doing a lot of work around sustainability. So we're saying to them, we can help you communicate those efforts to the customer, either online or through point of sale items like table talkers: we can help."

The trend to low alcohol provides an opportunity

Growth in non-alcoholic drink sales



Far from signalling a decline in the industry, a trend for low and no alcohol products represents an opportunity. Non-alcoholic drink sales grew by more than 18% in 2018. But whilst growing, there is a sense that product is not keeping pace with customer demand.

"Alongside the proliferation of flexitarian, vegetarian and vegan offerings on the menu, we've seen a similar interest in low and no alcohol offers," observes Lucas Daglish, Group Food and Beverage Policy Manager, Whitbread Group Plc. "This is particularly around packaged beers and an increase in the range of soft drinks and premium mixers and the like. The drivers include people's – especially young people's - wish to consume less alcohol – and the change to driving laws in Scotland which have dramatically reduced the alcohol limits for drivers."

"We're looking at the customer call now for low and no alcohol solutions," agrees David Gallacher, Divisional Director, Mitchells & Butlers. "We see much more demand from our guests, and they want something more interesting than soda and lime. So how can drinks manufacturers innovate to a position where there's a really compelling, exciting range of relatively healthy low-and-no alcohol alternatives?"



CASE STUDY

Ensuring alcohol-free options

Carlsberg made the commitment to offer a wider set of alcohol-free choices that consumers can turn to on different drinking occasions. By 2030, the company wants to see an improvement on responsible drinking in each of its markets. This means it will offer 100% distribution of alcohol-free brews by 2022 to expand consumer choice, responsible drinking messaging and forge partnerships to encourage responsible consumption.

Brands can encourage diversity and inclusion



Challenging brands' traditional audiences can win them new market share as well as promoting positive messages. It is a move that's likely to appeal to younger customers. For example, Absolut vodka launched an LGBT bottle in 1981 putting them ahead of the crowd on social inclusion and diversity messaging.

Use packaging and promotions to nudge consumer behaviour





There is a gap between what consumers say they want when it comes to sustainable behaviours, and what they actually do. Since there is only so much the industry can achieve itself to be environmentally responsible, they need to engage customers to play their part as well, so recycling messages are particularly important to build a movement amongst consumers.

Get smart with marketing to promote greener actions

Find ways to sell greener choices



For some branches of the drinks sector, convincing consumers to make greener choices is a particularly difficult task. Wine drinkers especially prefer their product in glass bottles. They believe that other materials make the drink inferior, even when that's shown not to be the case. According to <u>Just Drinks report</u>, "persuading wine consumers to switch

from the 75cl glass bottle to formats such as bag-in-box is an extremely daunting challenge." However it is a necessary one, but one that will not be achieved through traditional marketing messages.

At the launch of a <u>World Resources Institute</u> (WRI) report into food security and sustainable production, WRI associate Richard Waite said, "It's



"We dedicate a large part of the back label to clear information on how and where to recycle the bottle. We believe this to be more important than tasting notes or other nice-to-knows."

Santiago Navarro, CEO, Garçon Wines not enough just to drive more information and education to consumers... we need a broader and more sophisticated set of tools and we need this to be from marketing science and behavioural science."

For the consumer, messaging instead needs to focus on reduced cost, convenience or another benefit. For example, the marketing of wine in cans has focused on lifestyle messaging for younger drinkers around handy pack sizes, fun and being great for picnics.

A switch is possible as per the example cited by Just Drinks, of Scandinavian markets where regulation has driven the rise of bag-in-box wines which provide a 55% reduction in GHG emissions per litre compared with a 75cl glass bottle. In Sweden, glass bottles represent just 35% of wine sold, but 84% of packaging-related CO2 emissions.

"Our motto is 'to change the world you have to throw a better party than those destroying it', says Louisa Ziane, Chief Operating Officer, Toast Ale. "That means making positive action for the planet simpler and more fun than continuing with business as usual. If you offer a beautiful alternative, people will embrace it. Doing your bit really can start with a cheeky pint."

Incentivise green behaviour

Make it worthwhile



Consumers can be further encouraged to recycle or switch to eco-friendly products if there's an additional win. Bottle return deposit schemes put cash back in the customer's pocket, but charitable programmes that support biodiversity protection or bring water or social enrichment to disadvantaged communities around the world subsidised through purchase, can encourage

consumers to adjust their shopping and environmental behaviours.

Consider a more responsible approach to advertising

Advertise carefully



Traditionally, alcoholic drinks promotion has often gone hand-in-hand with sporting events, both in sponsorship and in TV advertising around significant games or tournaments with large audiences. But some are starting to question how this holds up against their position on reducing drink-driving and responsible consumption.

A report from the Children's Parliament asked for the marketing of alcoholic drinks to be restricted, including at sporting events and on holiday. A study by members of the Children's Parliament in Scotland found that young people have a high awareness of alcohol brands due to being frequently exposed to alcohol marketing, as well as visibility in shops and at home, making them feel "unsafe and ignored". The children



felt that adverts could be harmful to children as they promote alcohol to be something "desirable, exciting and cool", which might encourage adults to drink more whilst also making it appealing to children to drink in the future.

Responsible brands should consider where and how they promote their products that aligns with their messaging on 'enjoy responsibly'.





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Drinks Barometer



Needs more work. The industry is picking up the pace of change, reacting to pressure from employees and investors, but companies are only just starting to separate their external impacts from their bottom line and seeing their brands as part of a global picture of climate crisis. Being a purposeful business will resonate with consumers and presents an opportunity. It is the right thing to do and it is expected from all sides.



A hot topic and one that the industry has embraced hard. Incoming legislation could prove challenging and needs industry engagement. Good progress has been made but the industry need to set themselves challenging targets for recycled content. Critically drinks companies – and their consumers – are mired in tradition. It is time to use effective marketing to move away from glass bottles and virgin plastics to less impactful containers.



Another hot topic issue which the industry is tackling but incoming legislation on bottle returns and EPR could be disruptive so it will pay to get ahead of the challenge. Time to think more creatively about waste and to find more circular uses for it from fabrics to plastics, as well as preventing waste from occurring in the first place.



An issue where the industry has been creating effective solutions for some years, but it is time to take it up a gear and set challenging targets because water scarcity is a threat to the industry. Finding creative ways to capture and re-use water is essential, and the industry needs to look down the supply chain to be water efficient in the growing and processing of raw materials.











Definitely an area where the industry could do better. It is time to decarbonise, work towards science-based targets, embrace renewable energy and look at technological solutions to make the sector more energy efficient. One area where science is moving fast is batteries and other ways to manage power. Costs are higher but can show return on investment in the longer term. Time to walk the talk.

Lagging behind other industries. Yes, drink/drive programmes have proven effective but the sector is a big employer along its global supply chain with the power to support programmes that achieve incredible impacts in terms of supporting education, youth employment, health programmes, underprivileged communities and innovators.

Could do better on sustainable sourcing. Should be more proactive in terms of investigating its supply chain and working with farmers. Collaboration is key in terms of developing shared programmes that support growers and producers, but also removes duplication of effort.

Consumers are a lever that can be turned to create a more sustainable industry, with the growth of interest in purpose-driven companies. The industry has a responsibility to work for population health and wellbeing and can apply its branding to drive greener behaviour. Clients are looking for product that meets the needs of younger consumers who are moving away from alcohol and enjoy quality brands with stories.





about footprint Intelligence

The ever-shifting sustainability debate makes it vital for businesses to have accurate intelligence to make informed decisions. Footprint Intelligence is Footprint Media Group's research and analysis division, helping companies develop successful strategies in the context of responsible business practices.

Footprint Intelligence aims to drive, promote and share best practice by helping industry resolve pressing sustainability issues. It asks tough questions and finds answers. It uses research and industry insight to bring businesses together to identify solutions, opportunities, trends and challenges.

about C&C Group

AC&C Group plc is a leading, vertically integrated premium drinks company which manufactures, markets and distributes branded beer, cider, wine, spirits, and soft drinks across the UK and Ireland. C&C Group brands include: Bulmers the leading Irish cider brand; Tennent's, the leading Scottish beer brand; Magners the premium international cider brand; a range of super-premium and craft ciders and beers such as: Heverlee, Menabrea, Orchard Pig and Five lamps; as well as Tipperary Water; and Finches soft drinks. C&C Group also owns and manufactures Woodchuck, a leading craft cider brand in the United States and manufactures and distributes a number of 3rd party international beer brands in the UK and Ireland.

C&C Group is the leading drinks distributor to the UK and Ireland hospitality sectors. Operating under the Matthew Clark, Bibendum, Tennent's and C&C Gleeson brands, the C&C Group supplies over 35,000 pubs, bars, restaurants and hotels.

C&C Group is headquartered in Dublin with manufacturing operations in Co. Tipperary, Ireland; Glasgow, Scotland; and Vermont, USA. C&C Group plc is listed on the London Stock Exchange.

about this research

Footprint Intelligence was commissioned by C&C Group to create a Sustainability Drinks Index and Trends Report. The research for this project comprised of a mix of in depth, semi-structured interviews with foodservice experts, desk-based research, involvement in industry events and forums, as well as comment and insights gathered from other opinion leaders linked to industry. Footprint Intelligence is indebted to the industry experts who generously gave their time and insights as part of the research process.

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