



Footprint Drinks Industry ESG Trends Report 2022

Executive summary

Welcome to the **Drinks Industry ESG Trends Report 2022**. It scans the horizon, identifying key trends and opportunities to help drinks industry leaders build their business, develop a proactive strategy, benchmark good practice and identify issues in need of greater attention.

The world has shifted on its axis since the inaugural drinks report was launched in February 2020. But despite, and perhaps because of, the upheavals of the pandemic, in 2022 sustainability is more of a strategic priority than ever before.

The inaugural 2020 report was broad in its coverage, documenting the drinks industry's considerable achievements to 2020. In 2022, amid a pandemic, the industry was a hive of sustainability action. Our research has uncovered a buzz of frenetic activity focused on strategy, packaging, carbon, consumers and caring for community and staff. Areas such as general waste, water and modern slavery are busily progressing in the background, but getting very little airtime, and so this report dives deep into the clamouring issues that have been keeping people awake to identify opportunities, challenges and the areas most in need of action.

The big difference this year is the voice of the consumers, who we surveyed extensively on all things to do with drinks, venues and sustainability to tease out what they cared about and whether it would make them buy differently. And the great news is that the clear answer is yes: they care about sustainability in all its forms. It's even a key differentiator when making a choice between two similar drinks products or venues.

The climate crisis is urgent, but taking action leads to opportunity, as this report demonstrates.



2022 action points



"Business needs to be a force for good. There have been some astonishing initiatives and a tidal shift in attitudes. For the leaders in the sector: it would seem a shame if leaders have not used the last year to accelerate sustainability ambition and the suite of initiatives to achieve it."

Sam Galsworthy, cofounder, Sipsmith

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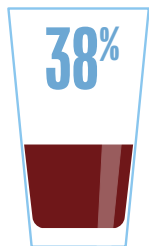
53% of consumers seek out information on their favourite drinks brands and venues regarding environmental and social responsibility.

1. Strategy and culture

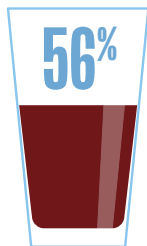
For many in the drinks industry, sustainability is now an integrated part of everyday business, and it's paid off by providing resilience during the pandemic. COVID-19 contributed to the mood of climate action urgency,

and many used the pandemic to strengthen their sustainability strategy and to set clear goals and action, making them more resilient going into the future. To drive further, faster action, the industry should harness the imagination of marketing to reframe the climate crisis as working towards a positive future. New business practices must be adopted to solve sustainability challenges, and whilst collaboration has increased, it's not happened deeply enough on industry-wide issues such as packaging and carbon that require joint, open, concerted and urgent effort. There are pockets of good practice but, in general, foodservice needs to massively accelerate

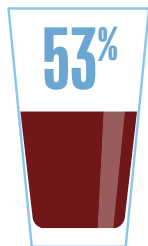
its activity, while supply chains need support to ensure all products are sustainable, not just premium ones. Concrete, collaborative action is needed. Green finance should be explored as a route to fund forward-thinking initiatives, whilst technology should be assessed to ensure sustainability benefits are exploited.



38% of consumers said environmental and social responsibility was more important to them compared to 12 months ago



56% consider a drink brand's green credentials when considering what drink to buy



53% seek out information on their favourite drink brands and venues regarding environmental and social responsibility



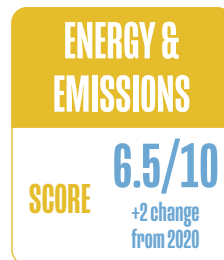
STRATEGY & CULTURE

SCORE **6/10**
+2 change from 2020

2. Energy and emissions



use their consumer influence to support venues and drinks brands that are committed to climate action



The combination of the pandemic, the increased climate emergency and COP26 has led to net zero and stretching carbon and science-based targets becoming the new norm. Knowing what your impacts are, and plotting a route to reducing them through mitigation and offsetting, are now business imperatives. Pub groups are far behind on this – but their impacts are too great to ignore. Targets must be set, and soon. Supply chain impacts must also be addressed: drinks brands and foodservice operators must exert their influence to ensure suppliers share accurate emissions data, whilst a partnership approach should be taken to reductions. Carbon labelling on menus is also on the horizon, so being prepared will likely reap benefits. And creative solutions, big and small, from investing in solar to electric charging of vehicles, will be needed to achieve success.

3. Client and consumer insights



49%
consider green credentials when choosing a drinks venue



40%
prefer drinks with eco-credentials



50%
care more about the health attributes of drinks than they did 12 months ago



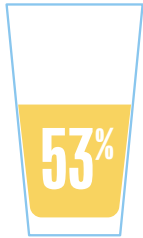
Stakeholders expect companies to take action. Customers are asking their drinks suppliers challenging questions and expecting them to meet or exceed the commitments of competitors. Consumers are actively seeking out eco-information, particularly through company websites and social media. Drinks brands are meeting this expectation, but On-Trade is missing the opportunity to engage consumers via these key communication channels. More information should also be added on packs and in venues: certification can help as logos allow a huge volume of information to be transmitted in a very small space. Tech such as preordering, delivery and on-table apps, along with QR codes, can also be incredible channels for reaching the consumer.

Health continues to be a major trend. In our poll, 50% of consumers reported caring more about whether a drink is healthy than they did 12 months ago, and 56% say they are eating less meat in 2021. The

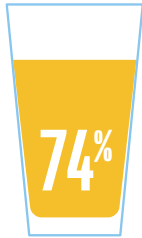
pressure to provide low sugar options will continue, rewarding those who have already made investments in reformulation and marketing. Low and no alcohol options have improved dramatically and are being embraced by consumers, with sales spiking. Responsible consumption efforts are also being ramped up.



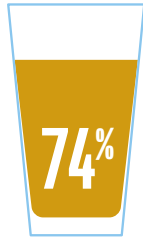
4. Packaging



53%
of consumers
check packaging
labels for eco
credentials



74%
check packaging
for disposal
information when
throwing drinks
away



74%
carry reusable cups
and bottles for
drinks on the go

Packaging legislation is progressing apace, and the industry has responded by working hard, both independently and collaboratively, making massive strides to reduce and improve the use of single-use plastic. More partnerships with competitors, suppliers, governments, NGOs and waste contractors are needed to get the right solutions for lasting success. Consumers are engaged: although they may be confused over correct disposal, they're keen to reuse and recycle and are

looking for guidance. Many drinks brands have made far-reaching commitments, and several have met them early. Innovations such as card holders for multipacks and paper bottles are transforming the packaging landscape. However, the rise of in-home delivery could offset carbon footprint gains, so the public must be able to responsibly

deal with packaging entering the home, most likely through kerbside recycling. Circular solutions, such as the refill systems trialled by supermarkets, or drive-through brewery refills, should also be revitalised and explored. Lastly, tighter definitions are needed to ensure sustainable packaging is genuinely that.



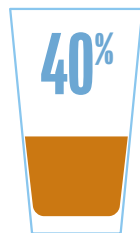
5. Waste



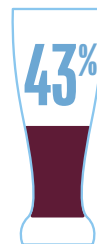
72%
of consumers said
they would like
to hear from pubs
about the work
they're doing
to tackle green
issues such as
plastics and food
waste



84%
of consumers
would like to
choose whether
to have garnishes
with drinks and
food



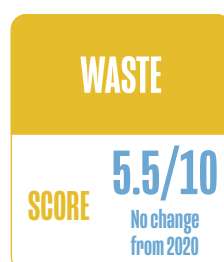
40%
of consumers
would choose a
venue because it is
tackling food waste



43%
prefer soft drinks
brands that tackle
food waste

Lessons must be learnt from pandemic-related lockdowns to create contingency plans that provide resilience for the future. Partnerships and approaches should also be assessed to see whether any learning can improve practices during normal operations. Food waste reporting is not yet standard, and the

industry should join WRAP's waste-focused Courtauld 2025 commitment to drive reporting, transparency and, most importantly, action. Creative solutions, which find ways to divert waste to other uses, make engaging stories to inspire staff and customers alike.



6. Social impact and employees



93%
of consumers
said they would
choose a pub that
had supported the
community in the
pandemic

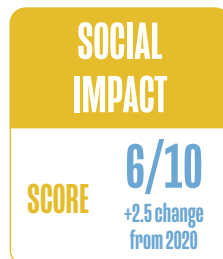
From producing hand sanitiser to delivering care packages or brightening spirits with online pub quizzes, the industry pivoted to help communities and a nation in need. The bonus is that stakeholders from consumers to customers and employees appreciated their efforts, building brand loyalty, and a determination to support those businesses in the future.

The impact of the pandemic on young people also highlighted the role the industry needs to play in providing employment support and opportunities for them. The Black Lives Matter movement highlighted the importance of businesses taking a fresh look at themselves, and to introduce key listening and learning practices to support diversity within their organisations, when recruiting and in their customer base. Gender diversity must be supported – with issues of women's equality being heavily impacted by the pandemic.

Strong sustainability credentials, that are authentic and well-communicated, are also a powerful recruitment and retainment tool. Integrating sustainability into every job role, and sustainability-related KPIs into senior management targets and remuneration, is also hugely impactful when it comes to embedding a strong sustainability culture of concrete action within an organisation.

Looking after employees' mental health has also become an urgent

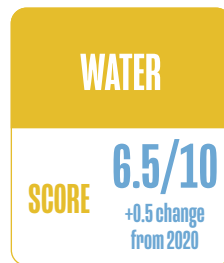
priority. The pandemic has taken a toll on mental health and, as it continues to evolve, support will still be needed as people navigate the changing 'normal'. Support systems put in place should be assessed and elements that are working should be maintained and even embedded and adapted for the long-term.



7. Water

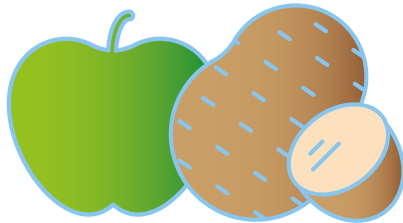


More than 1 in 6 consumers said responsible water use was important to them when choosing drinks



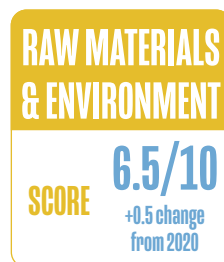
The drinks industry has woken up to water with the biggest brewers and producers – including Heineken, Carlsberg, Pernod Ricard, Diageo, AB InBev, Coca-Cola and PepsiCo – leading the way with water-related innovations, commitments and supply chain responsibility. There is also significant support of the UN's Sustainable Development Goal 6 (Clean Water and Sanitation), good industry collaboration and NGO partnerships on finding solutions, and the pooling of knowledge, such as in the Beverage Industry Environmental Roundtable (BIER) water use guide. However, in 2021, our research found that despite a large and important body of work being undertaken on water, the industry is more overtly communicating on areas such as net zero, packaging and consumer trends.

8. Raw materials and the environment



With the food chain responsible for a third of global greenhouse gas emissions, reducing impacts is a necessity for meeting climate targets. Strong supply chain relationships, where impact data is shared and projects to reduce emissions can be undertaken as partnerships, are therefore vital. This aspect is growing in importance as operators and other customers increasingly request detailed supply chain data.

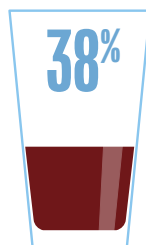
Action on biodiversity is also urgent, and likely to soon become a huge topic for the industry. Many are looking to regenerative agriculture to achieve biodiversity goals, but a return to traditional, low intervention agriculture should be balanced with technical fixes such as drones, gene-editing and vertical farming to keep up with demand. To find solutions that work, drinks brands are pouring support into test and learn projects, so interventions can be scientifically assessed, before learning is shared and widely adopted.



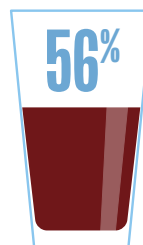
1 Strategy and culture



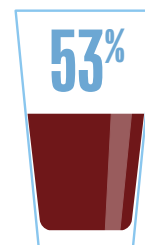
1.1 Accelerate sustainability efforts or fall behind



of consumers said environmental and social responsibility was more important to them compared to 12 months ago



consider a drink brand's green credentials when choosing what drink to buy



seek out information on their favourite drink brands and venues regarding environmental and social responsibility



Drinks industry insiders agree that COVID-19 has accelerated the urgency to act, noting that sustainability is even more deeply embedded into their organisations in 2022 than it had been in 2019. Senior leadership remains laser-focused on sustainability as a priority, while COP26 has focused industry minds.

Many, such as Chase Distillery, Sipsmith, Fever Tree and EI Group, used the pandemic as an opportunity to review the business and reflect; taking stock, setting policies, strategies and long-term sustainability targets, as well as setting out roadmaps to achieve them.

“Sustainability,” notes Paul Harbottle, speaking of his time as COO at ROUND, and previously at EI Group, “is now integrated into the daily life of the business more. In the early days, it was more task-oriented, but now there is ownership of key processes and objectives in the business... people have the head room and empowerment to act on it.”

“People are thinking holistically,” agrees James Chase, Director, Chase Distillery. “Whatever we’re working on in the business – from logistics to packaging, labelling, optimised delivery routes, storage facilities, solar panels and electric cars – sustainability is being considered as part of our everyday process.”

This cultural shift is increasing the pressure for those businesses who have yet to fully integrate sustainability into their culture to do so as soon as they are able.

Doing a sustainability stock take

Instead of furloughing all staff, Sipsmith redeployed around 25 team members to work on sustainability issues. The result? The gin distiller now has an environmental management system in place, an ethical procurement policy, an environmental travel policy and an updated recruitment policy. The company also looked at Sipsmith’s impacts in relation to the United Nation’ Sustainable Development Goals, to inspire staff and to help everyone see how they could make an impact in their work life.



1.2 Reframe sustainability into powerful positives



Everywhere you look there are visible signs that the planet is in peril. But, as Julian Hunt, Vice President, Public Affairs and Communications, GB, Coca-Cola European Partners observes, “Global warming has a branding challenge – we need to harness people’s real desire to make a difference. And business arguably has a louder voice and more influence in this debate than politicians. This voice must be used to its full effect to get people engaged in

playing their part.”

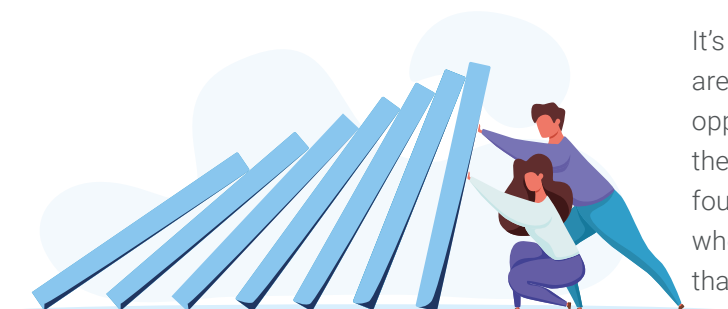
The important role of business in enabling action is highlighted by the 2021 Edelman Trust Barometer. It found that business, in a majority of regions, is now the only trusted institution, and the only institution viewed as both trusted *and* ethical². The Barometer also highlighted how the climate crisis has risen in importance to the world’s citizens: 61% of people surveyed said addressing climate change was more important than it had been last year.

“The most important thing is the way we frame sustainability,” says Sam Galsworthy, cofounder, Sipsmith. “It needs to be presented as an opportunity and addressed with optimism. We’ve got to sell the sustainability sizzle, not the sausage.”

Businesses must use their reach and marketing/branding to change consumer attitudes and behaviours to galvanise action for meeting climate targets. And the Sustainable Development Goals can help.

“The SDGs are like a purchase order of sustainability – the green economy holds so much value,” says Galsworthy. Hunt agrees: “From the boardroom and reporting to marketing and communications, sustainability messages must be included in all communications to engage people at all levels.”

1.3 Benefit from business resilience



It’s a common trope that sustainable businesses are more resilient, but the pandemic provided the opportunity to put this maxim to the test. While there wasn’t complete consensus, our research found that, in general, those who work at companies where sustainability is strongly embedded agree that it helped the business cope with the pandemic.

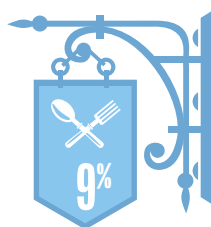
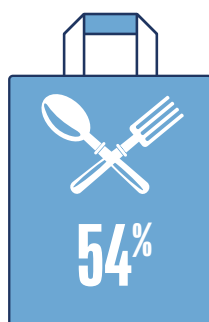
“The culture hardwired into the business helped us to adapt,” observes Julian Hunt, Vice President, Public Affairs and Communications, GB, Coca-Cola European Partners. “It creates a more sustainable business that is more resilient because you are always thinking about long-term risks and planning accordingly.”

Pernod Ricard UK also noted how its strong sustainability culture created an environment where people automatically considered what they could do to help, from producing hand sanitiser or donating pure alcohol for its production.

Others, such as Budweiser Brewing Group and Adnams, noted how decisions made several years ago – driven by environmental concerns and a desire for shorter, more local supply chains – to source raw materials, such as barley, from the UK had paid off with shorter supply chains (and smaller travel-related carbon footprints), avoiding pandemic and Brexit-related logistical complications for imports. The geographical closeness also made it easier to form solid partnerships pre-pandemic, so that challenges could be tackled collaboratively.

Covid has demonstrated the importance of close, trusting relationships with suppliers, which are based on shared values. “You can talk to people about what you believe in,” says James Franklin, Associate Director and Head of Merchant Sales, Corney & Barrow. “But at the end of the day, it’s what you actually do. Our relationships have become stronger – because we’ve been able to demonstrate our business values in action.”

1.4 Think agility and innovation



54% supported their local pub during lockdown by buying takeaways, and 9% did this often

The pandemic forced businesses to shift and pivot to respond to constantly evolving and dramatic new dynamics, turning business models, technology and working practices on their head. On-trade specialists Corney & Barrow demonstrated its adaptability by evolving its models and introducing new systems, building new revenue streams and customer loyalty in the process.

Hospitality outlets did the same, with pubs and hotels selling food (and drinks when permitted)

direct to the consumer in forms such as home delivery and meal kits. Venues such as coffee shops and pubs overcame the challenges of social distancing by reducing customer numbers and opened their doors as and when restrictions eased. Doing so maintained and grew



customer loyalty and provided a vital slice of relief to the lockdown-fatigued public, despite it being an unprofitable time for many businesses.

54% of the consumers we surveyed said they had tried to support their local pub through buying takeaway drinks and food during the pandemic. This indicates that efforts to maintain relationships with customers will be rewarded with increased loyalty in the future.



1.5 Harness green finance

MPs and the Environment Committee have been leading calls for the environment, and net zero, to be at the heart of economic recovery. They want the Bank of England to require companies seeking bailouts to disclose their climate-related risk, and for corporate investments to align with the Paris Agreement. Recovery support and loans may well be subject to climate action, so risks must be quantified and addressed.

In 2020, the Government also launched a fund to help UK distilleries “go green and cut emissions” by switching to low carbon fuels such as hydrogen, biomass and repurposed waste⁴. The support will help cut emissions by half a million tonnes a year, said the Department for Business, Energy and Industrial Strategy.

Increasing numbers of corporate investors are becoming signatories of Climate Action 100+. This is a growing global initiative led by leading asset owners to encourage the world’s largest corporate greenhouse gas emitters to take necessary action on climate change. Its central goals are to improve governance of climate change, reduce emissions and strengthen climate-related disclosure, primarily through proactive engagement. Businesses who aren’t able to show strong positive climate action may therefore lose out.

There are also massive opportunities for innovation in green finance. Tesco has found a way to raise funds and accelerate action, showcasing the power of innovative, strategic thinking. After establishing a £2.5bn revolving credit facility, with interest linked to the achievement of three ambitious environmental targets, Tesco has broken the mould by launching a €750m sustainability-linked bond⁵. The bond is linked to reducing Tesco’s scope 1 and 2 GHG emissions by 60 per cent by 2025 against the company’s 2015 baseline. Investors loved the proposition – with demand in excess of €5bn, highlighting a clear appetite for green finance.



1.6 Commit to concrete, collaborative action



“The level of collaboration and innovation we saw in response to the pandemic is what we need to tackle the climate crisis.”

Peter Statham, Sustainability Manager, Carlsberg Marston's Brewing Company

The pandemic created the impetus for higher levels of collaboration than ever before, but insiders agree that the industry needs to get better on delivering concrete, collaborative action to achieve climate and SDG targets. And there are plenty of forums to facilitate this including the British Beer and Pub Association sustainability working group, Footprint's Responsible Business Recovery Forum, BIER, The Plastics Pact and Courtauld 2025.

“We all have to step up, and the industry needs to invest more money in having clear climate goals,” says Vance Fairman-Smith, Supply Chain Director,

Greene King. “As a sector, in certain areas, we're quite good at it. But moving forward on waste, utilities, water – we've got so much to do, and the answer is collaboration with supply chain and competitors. The solutions need investment and wider leadership – and for us to make a step change we have to use the best resources and work together.”

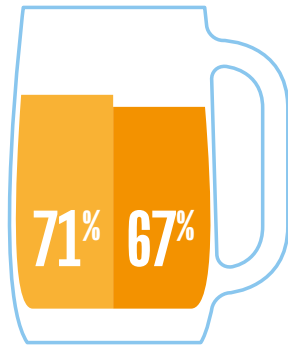
Creative solutions should also be found outside of the industry. For the past six years the Chivas Venture has given away \$1 million in no-strings funding and expert coaching to support entrepreneurs who are solving the world's biggest social and environmental issues. From turning plastic waste into affordable housing and cow manure into sustainable fashion, to tackling diabetes with agricultural waste, or lifting people out of homelessness through coffee, these start-ups have been redefining “business as usual” into “business as a force for good”. Collectively they have already enriched the lives of more than 3.3 million people in over 65 countries, across six continents⁶.

“We are very happy to share what we've learned with others – sustainability shouldn't be used as a USP.”

Oliver Drury, Communications Director, Adnams Plc



1.7 Up engagement with foodservice



have used social media to find out general information about their favourite pubs, bars, restaurants and other venues

have used social media to find out more about their favourite pub, bar or venue's eco credentials

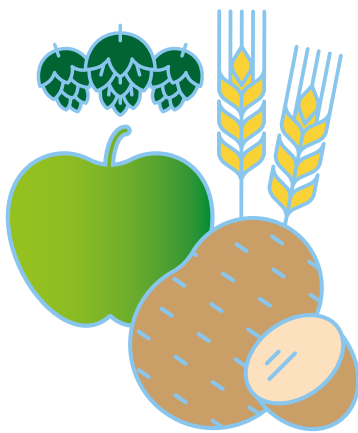
Foodservice might be making great strides in many areas, but aside from straws, stirrers, plastic and disposable cups, in general, drinks are a major blind spot. During our research, foodservice industry insiders admitted that whilst they work hard on provenance and supply chain impacts for their food ingredients, drinks are less of a focus – both internally and in their customer and client communications.

Due diligence in this area was, in some cases, limited to “trusting the drinks brands to be doing the right things”, but there was concern that products that tend to come from a varied range of suppliers, such as wine, could be a weak spot. This was of particular note on issues such as modern slavery where there are

inherent risks because of the industry's reliance on seasonal labour.

This presents the drinks industry with two opportunities. The first is to engage foodservice more deeply in understanding each drinks brand's sustainability credentials, to persuade buyers to choose one product over another. The second is to get foodservice excited in sharing sustainability success stories with their consumers – through menus, on-site promotions and social media – to bump up this whole area of engagement.

1.8 Support the supply chain



During the pandemic, many in the drinks industry worked hard to ensure the financial survival of their supply chain. Fever Tree, for example, made early payments to suppliers to help with their cashflow; continued ordering ingredients and products to allow suppliers greater forward planning; worked closely with bottling and canning partners to react to challenges; and acted quickly to secure contingency stock of key raw materials.

Going forward, this view must be broadened so that supply chain economics are also viewed with a climate justice lens. “Sustainability should not be gentrified,” advocates Oliver Drury, Communications Director, Adnams Plc. “We need to tackle

climate justice, not just climate change. We don't want a system where eco products cost so much more. This means we have to make big decisions on funding to enable suppliers to make decisions on value rather than cost. We need to find ways to fund investments or infrastructure changes to make sustainable practices the norm.”



1.9 Harness technology



Since the onset of Covid, technological transformation has occurred at a dizzying pace as pre-ordering apps, online delivery, paperless ordering and no-touch technology have exploded. Online sales have ramped up, whilst the widespread adoption of video-conferencing has enabled teams to continue communicating with each other. It has also increased routes to clients and consumers with a huge increase in virtual tours, tastings, masterclasses and other key engagement tools.

“Businesses have had to close and reassess, and do things in a different way,” says Emma McClarkin, Chief Executive, British Beer and Pub Association. “A lot of businesses have innovated. They have taken things on digitally; looked at efficiencies.

The question is: how can we extend that recovery? And work more efficiently with sustainability at the forefront of people’s minds?”

Tech is also continuing to transform behind the scenes; for example, by increasing supply chain visibility. Software such as Authenticate allows operators such as The Big Table to drill down into supply-chain tiers, increasing transparency. It has also enabled the restaurant group to socially audit and benchmark suppliers on issues such as modern slavery. This information can then be fed into a balanced scorecard to enable sustainability issues to be used alongside other key indicators like price and food safety when choosing suppliers. Such opportunities to positively promote sustainability should be exploited.



2 Energy and emissions



use their consumer spending to support venues and drinks brands that are committed to climate action

"A major challenge for the industry is understanding, and ultimately taking ownership of, our contribution to global climate change."

Tim Warrillow, cofounder and CEO, Fever Tree



2.1 Commit to net zero



The pressure to commit to net zero targets is mounting. Insiders admit targets they'd set two years ago that were industry-leading have been eclipsed by the plethora of net zero – and even carbon negative – targets being set now and the increased understanding of the climate emergency. The following list is by no means exhaustive, but it gives a sense of the ambition and also the variety of scope in the targets.

- Pernod Ricard has committed to halving the intensity of its overall carbon footprint by 2030 and reaching net-zero by 2050.
- Coca-Cola has committed to a 30% reduction by 2030, and net zero by 2040
- PepsiCo has pledged a 40% reduction by 2030, and net zero by 2040
- Diageo has pledged to achieve net zero across direct operations by 2030
- AB InBev has pledged a 25% reduction by 2025 in CO₂ emissions across its value chain
- Nestlé has pledged to halve emissions by 2030, and achieve net zero by 2050
- Carlsberg has pledged to achieve zero carbon at its breweries by 2030, and a 30% reduction in beer-in-hand carbon emissions
- BrewDog committed to going carbon negative with immediate effect in 2020 – this means it has the net effect of removing more carbon dioxide from the atmosphere than it adds

A Data-Driven EnviroLab and the NewClimate Institute study found that the number of businesses that have set net zero goals has increased, but the targets are “multifaceted and highly nuanced”. There is a broad range of definitions, scopes and implementation approaches⁷. BIER, The Brewers of Europe and others are working hard on setting industry standards and creating comparable data sets.

Yet while key drinks industry players have been quite vocal on their targets and commitments, foodservice companies “have been shy in speaking publicly about their carbon reduction plans. That needs to change in 2022,” says Footprint’s David Burrows⁸. At the end of 2020, Burrows’ research found little evidence of foodservice companies making firm carbon commitments. A review done for this research of



the responsibility/environment pages (where these even existed) of major pub group websites failed to reveal carbon reduction targets, let alone net zero ones⁹. If the pub groups are setting targets, they're not easy to find. Of those reviewed, only Marston's mentioned an aspiration to a net zero target as a signatory of the Hospitality Zero Carbon Forum¹⁰. This target vacuum needs filling.

When net zero commitments are made, they must be clearly specified, backed up by the science and focused on impact reduction rather than solely offsetting. They must be tracked and reported on to help targets be compared and to avoid greenwash.

Credible partners are also very helpful in helping businesses set scopes, scientific targets, and pathways to progress. Pernod Ricard UK and Coca-Cola have partnered with Net Zero Now to make net zero target-setting and action planning easier for pubs and bars through the development of the Net Zero Pubs & Bars and Net Zero Restaurants initiatives. These initiatives, launched in the summer of 2021, include protocols that will define what 'net zero' means for the sector, offers guidance on how to reduce carbon emissions and provide a standard against which UK pubs and bars can be certified.

Dogged determination

BrewDog's commitment to going carbon negative has several key elements. The business is converting to green energy by using waste malted barley to produce green gas; using brewery water to power an anaerobic digester bio-plant and to recover water for reuse; and using electricity from wind farms. It's also capturing CO₂ from fermentation to carbonate its beers, and converting its fleet of company vehicles to electric.

It has committed to double offsetting its scope 1, 2, and 3 emissions so it "now removes twice as much carbon from our atmosphere than we emit each year whilst simultaneously doing all we can to drive our emissions to zero"¹¹. It has done this through investing in high quality carbon offsetting programmes, while its long-term plan is the creation of a BrewDog forest, created by purchasing and planting broadleaf native woodlands, and restoring peat bogs.

Cooper King distillery also aims to produce carbon negative gin. After the carbon footprint of the gin is reduced to the minimum, the remainder is offset by verified carbon credits, with an additional 1kg offset to achieve carbon negative status. To top it off, each bottle is also responsible for one square metre of native UK woodland being planted¹².



2.2 Set science-based targets



Science-based targets were a strong recommendation of the 2020 edition of this report. But, across the industry, these are still a work in progress. Those in the food and beverage sector who have set targets include Nestlé, Coca-Cola, AB InBev and Diageo¹³. And there are signs that they pay off. According to research, companies with science-based targets have reduced their combined scope 1 and 2 emissions by 25% since 2015¹⁴.

This contrasts with an increase of 3.4% in global emissions from energy and industrial processes over the same period, showing the importance and power of setting science-based targets.

Aiming for carbon credibility

Molson Coors' emission reduction target was verified by the Science Based Targets initiative as ambitious enough to align with the goals of the Paris Climate Agreement. Its 2025 target is to lower absolute emissions by 50% within its direct operations to meet the requirements of the 1.5°C pathway¹⁵.

2.3 Exert influence in every direction



The penny has dropped that it is not enough to focus on operational impacts – but instead on the whole value chain and scope 1, 2 and 3 emissions across that value chain. A new report from the Fairtrade Foundation urges the Government and private sector to “take stronger, faster action” to drive down emissions in agricultural supply chains, to support farmers and to safeguard the future of

imported favourites such as coffee, cocoa and bananas that are at risk from changing weather patterns.¹⁶

The most accurate targets and measurements can be set by using primary data from suppliers rather than industry averages. To calculate its “beer in hand methodology”, Carlsberg collected data from suppliers representing 60% of its spend, across the entire value chain from raw materials to point of sale.



"Sustainability isn't an option. It should be ingrained in everything we do. Greenwashing is simply unacceptable and unpalatable: we must ensure that action and programmes have a scientific basis and that we continue to make the right decisions."

Oliver Drury, Communications Director, Adnams Plc

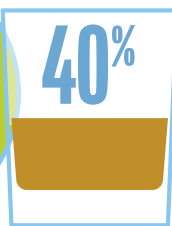
Supply chain-related targets for energy and water use are becoming increasingly common, with suppliers being asked to match the KPIs of their customers. "EI Group is very much focused on making sure the carbon and water footprint of any product is minimised, and making sure that the KPIs of approved suppliers mirror those of EI Group," notes Paul Harbottle, Chief Operating Officer, ROUND, and previously of EI Group. "Its trading agreement goes beyond the commercials of shillings and pence to encompass sustainability."

This relationship goes both ways. One operator admitted that, in many cases, "Our drinks suppliers have sustainability programmes that surpass our own, so we look to them to push the bar up for ourselves."

"It's more important than ever to lift the bonnet on our supply chain. Coronavirus has turbocharged our awareness and desire to act on supply chain issues," agrees Sam Galsworthy, cofounder, Sipsmith. "And this will mean making some difficult decisions where necessary. We need to collaborate more, and take a systems-thinking approach that is lateral and interconnected from end to end. Everything is achievable with willingness."

However, many are frustrated that those in their supply chain aren't always as evolved, and are therefore unable to share the data needed for scope 3 emissions to be accurately monitored and addressed.

2.4 Consider carbon labelling



prefer drinks with
eco credentials

Understanding individual product footprints and being able to demonstrate good eco credentials are likely to become distinct advantages because carbon labelling could be on the horizon, according to a recent Footprint report¹⁷. Caterers are looking to share more information on menus, and consumers are becoming more literate at understanding the link between food and climate change. Vegetarian Express, Quorn and Oatly already provide emissions data that can be shared with consumers on menus or in outlets. Unilever is planning to share the carbon footprint of all its products.

The consumer's education is also growing through market innovations such as surplus/reject grocery delivery supplier OddBox, which sends consumers updates on how much water, waste and CO₂ their weekly surplus fruit and veg delivery has saved, and through high profile campaigns such as WRAP's Food Waste Action Week¹⁸. New services are also coming through to help meet the need for carbon information.



For example, logistics provider JF Hillebrand has created a web-based transport management platform that documents and records the carbon emissions for every shipment.

2.5 Lobby for matched support to retrofit estates



A particular issue for pub groups, and others in foodservice, is managing estates that include leaky old buildings, which customers value for their historical charm. This makes retrofits challenging.

“A lot could be done to improve energy efficiency in buildings,” notes Paul Harbottle, Chief Operating Officer, ROUND, previously EI Group. “But most pubs make about £15K a year. When the payback on an investment like solar panels is 10 years but the average tenancy is six, there is no incentive to invest.” Matched grants, where government support is matched by tenant investment, could spur improvements.

2.6 Be inventive with solutions



Carbon savings, big and small, can be made when companies think creatively. When Budweiser wanted 100% of its beers to be made with renewable energy, the group put its money where its ambition was: investing in three solar farms and one wind farm in what was, at the time, the largest unsubsidised solar energy deal in the UK.

Other drinks makers have made carbon savings by looking at logistics; for example, by changing how products are bottled. Adnams has collaborated with its bottling supplier to transport wine in bulk by sea freight, bottling it in the UK. This provides significant carbon savings: a flexitank, containing 24,000 litres, saves over 4.5 tonnes of CO₂e per flexitank in shipping fuel alone, compared to freighting bottled product.

Chris White, Energy Manager at Marston's, sees electric cars charging in the pub car park as an opportunity, firstly to draw customers by providing a place to refuel. “There might also be opportunities, during high charge periods, when the cost of electricity goes up to use batteries for that period. And if the pub has got cars plugged in, could there even be a way to draw from them instead of taking from the grid and avoid those charges?”



3 Clients and consumers



49%

consider green credentials when choosing a drinks venue



45%

prefer venues with eco accreditation



40%

prefer drinks with eco credentials



53%

seek information on drinks brands' and venues' social and environmental responsibility



3.1 Share consumer values

Euromonitor found that customers expect companies to “act with purpose” beyond the pandemic, and will reward brands who use their profit for good post-pandemic.¹⁹ Brands we spoke to agreed that this chimed with their own research, which found that climate change and issues like plastics have risen up the list of people’s concerns.

The 2021 Edelman Trust Barometer found that 86% of people expect CEOs to speak out on societal issues, and 65% think CEOs should hold themselves accountable to the public.²⁰ A recent government

survey also suggests that more than three-quarters of people are now aware of the concept of net zero.²¹

“Customers, consumers and shareholders are increasingly interested in our sustainability plans and activities,” notes Fever Tree cofounder and CEO Tim Warrillow. “This allows us to continue to prioritise them.”

3.2 Meet customer expectations

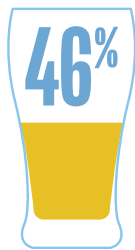


Industry insiders agree the pressure from customers – such as retail chains and foodservice operators – for action on sustainability is unabated. Brands are increasingly pressured on social and environmental responsibility and the need for tangible action.

Searching questions about packaging and emission reductions are prevalent. Customers challenge brands to meet or exceed the achievements and commitments of their competitors.

There has also been a noticeable shift in questions and requirements to share information around supply chain impacts, with sustainability considerations a component in tender submissions. Stakeholders now expect quantifiable and validated data and/or endorsements, with information on how data is being calculated to back up claims.

3.3 Sell eco credentials on labels and in outlets



consider a drink's
eco credentials when
choosing a drink

Our research indicates that eco information equals increased sales. Around 40% of consumers will choose a drink product or venue if it has eco credentials in its descriptor, when given the choice between that and an otherwise similar offering. 46% reported that they consider a drink brand's green credentials when choosing which one to buy. 49% consider a venue's eco credentials when choosing where to go – 16% report that they do this often.

The challenge of communicating information through packaging and labels, and through menus and in outlet signage, is likely to become even more difficult following the introduction of ingredient and allergen labelling law in October 2021, and the likely introduction of calorie labelling in 2022. Nevertheless, brands need to prioritise sustainability and work harder at finding ways to communicate their values to



consumers. Budweiser and BrewDog are examples of brands that communicate their sustainability credentials on packs but, in most cases, the onus is on the consumer to do their research if they want to use sustainability as part of their purchasing criteria.

Certification is hugely helpful at communicating a lot of information in one simple logo. "Humanity's level of trust has waned," notes Sam Galsworthy, cofounder, Sipsmith. "This means brands have to be prepared to truly showcase what they are doing with independent certification such as The Carbon Trust or in becoming a B-Corp." In a crowded space, certification provides the ability to communicate a tremendous amount of information in one little symbol. "Consumers will give the social licence to operate to those businesses that are doing the right thing," says Galsworthy. Plus, with Ocado following Waitrose in establishing a B Corp aisle, certification in the consumer landscape is increasingly being used as an identifying feature.

Brands must be more imaginative too. Technology such as QR codes, augmented reality, on-table apps and home delivery services provide rich new channels for communicating eco credentials.

In foodservice environments, staff can also be a powerful conduit. To tackle foodservice impacts whilst also improving staff knowledge, Pernod Ricard has committed to training 10,000 bartenders to host consumers more sustainably through its Bar World of Tomorrow programme²².

Choosing drinks for their eco credentials

In our survey, we wanted to see if consumers would choose drinks with eco credentials over ones without. The results?



40% BEER



42% SPIRITS



42% WINE



42% SOFT DRINKS



The power of storytelling

"Storytelling is very important to us," explains Oliver Drury, Communications Director, Adnams Plc. "We had 22,000 visits to our brewery in 2019, and we use that as a force multiplier. We explain what we do, why we do it and what we do differently, and the part our customers can play in sustainability. The response has been immensely positive and rewarding."

3.4 Prioritise provenance



Provenance has long been important. But it is increasingly bound up in sustainability, especially as citizens have a newer appreciation of nature, the environment and our interconnected world after the pandemic highlighted their fragility, and caused people to reassess their priorities.

"There is a greater appreciation of nature and all the natural ingredients that our brands rely on to produce their iconic products," says Vanessa Wright,

Chief Sustainability Officer, Pernod Ricard. "We have been working with our farmers and suppliers to understand where all our ingredients come from and to identify the most pressing sustainability issues attached to those areas, such as water, pollution, biodiversity loss or social issues. To protect this precious natural capital, we are adopting holistic regenerative agricultural practices – to help improve soil quality and water retention, increase carbon sequestration, enhance biodiversity – as well as developing new initiatives, partnerships and R&D programmes working with others."

The scramble from consumers to support local producers during lockdown – because of bare supermarket shelves, but also to support businesses crippled by closed hospitality and blocked routes to market – looks likely to have long-lasting impacts. Brands can benefit by highlighting local connections and growing local products.

Storytelling can be central to this. The drinks industry's relationship with consumers typically hinges on romantic notions of a product's provenance, and the positive experiences that result from enjoying the product. Bringing sustainability into the narrative – to help consumers understand how a product is made and how those processes support farmers and ecosystems or reduce carbon – will enable consumers to use this information in their purchasing decisions. For example, Plymouth Gin is made using 100% renewable hydro-electricity – a powerful sustainability claim to communicate to consumers.



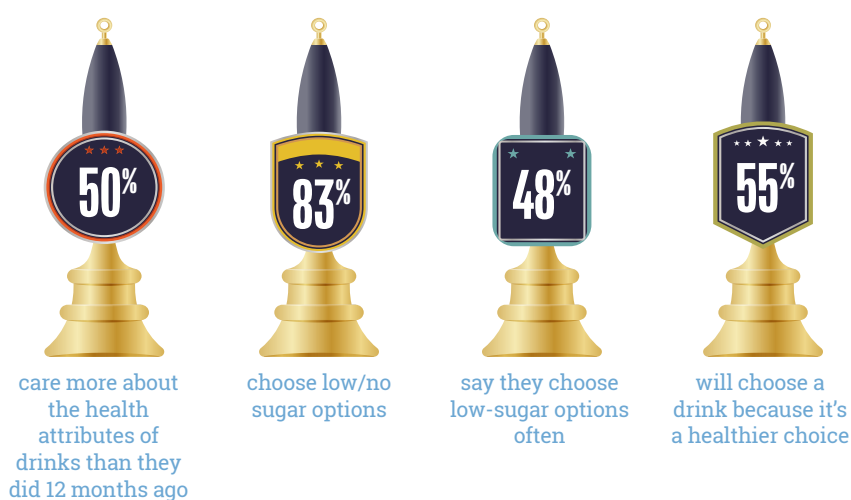
Social media can be hugely helpful, especially for smaller producers. It can help them interact with consumers, documenting the small details and impacts that there isn't space to share on product packaging.

Supporting sustainable farming practices

Sustainable production can come with additional care and costs, so schemes such as the Sustainable Green Spring Barley Scheme from Irish Distillers is key in driving progress. Launched in 2020 the Sustainable Green Spring Barley Scheme now includes more than 200 barley growers. The programme is founded on three major commitments: improving the sustainability of the spring barley sector; supporting farmers in reducing their carbon footprint; and enhancing biodiversity on Irish tillage farms. The Sustainable Green Spring Barley Scheme will evolve year on year with input from individual farmers as well as important industry partners.

Growers who meet the environmental and sustainability requirements outlined in the scheme receive an additional direct payment of €15 per tonne. As part of the scheme, farmers also participate in a survey with a view to collating data and identifying further measures to achieve these objectives.

3.5 Harness healthy and low sugar opportunities



Our research found that 50% of people care more about the health attributes of drinks than they did 12 months ago. With people forced to cook and exercise at home, alongside fears of how underlying health conditions impact those infected with Covid-19, reports suggested up to 80% of consumers are changing dietary habits²⁴ and opting for healthier meals.

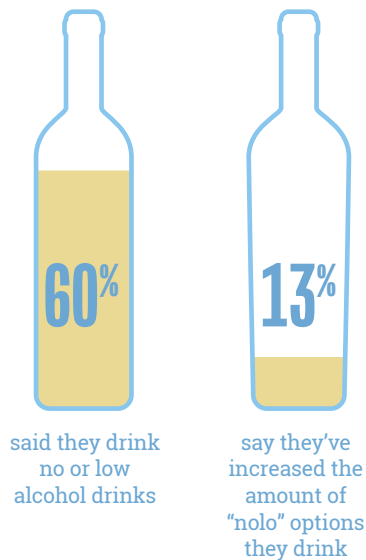
The industry has spent an enormous amount of time and energy shifting portfolios to low sugar in response to the soft drink levy, but more pressure is set to come. The Government's 2020 obesity strategy will restrict promotions of high sugar items by restricting volume promotions such as buy one get one free, and the placement of these foods in prominent locations intended to encourage purchasing, both online and in physical stores.



This will drive significant shifts in advertising in traditional and online media, as well as continuing to keep the pressure on reformulation. Once again, proactive brands who have already shifted their formulation and marketing activity to focus deliberately on low/no sugar brands will show resilience and be less likely to suffer.

Switching to low/no sugar is also a win with consumers who have embraced the idea wholeheartedly. In our survey, 83% of consumers said they choose low and no sugar options, whilst 55% will choose a drink because it's a healthier choice.

3.6 Ride the 'nolo' wave



Alcohol reduction was a major trend pre-Covid, and the pandemic has resulted in further growth of this trend. Previously driven by sales in pubs, bars and clubs, sales of no and low (nolo) drinks soared 30% during lockdowns in 2020 as consumers' thirst for healthier, hangover-free options increased. With retail sales reaching £188m, the Portman Group declared the "nolo" category was becoming mainstream as part of the weekly shop²⁵.

Our research found that close to two thirds of people say they drink nolos, with one in 10 saying they drink them often and 13% reporting an increase in their nolo consumption in the past year.

The increase is also the outcome of sustained industry effort. Brewers and distillers have continued to expand and improve their range of low and no alcohol options, with taste profiles vastly improved and drinkers responding with enthusiasm. In the beer category, most well-known brands now have low alcohol options (e.g. Brooklyn Special Effects, San Miguel 0.0, Erdinger alkoholfrei, Stella 0.0%, Bud Lite, Adnams Ghost Ship, Guinness 0.0 and BrewDog's Nanny State) while the smaller craft brewers are also getting in on the act.

There is now a plethora of low/no alcohol premium drinks, with something to meet most tastes and preferences, from Ceder's gin alternatives to Strykk's Not V*dka and Not R*m, as well as low alcohol wines such as Brancott Estate's Flight, which naturally contains 20% less calories and has an ABV of 9%. With the sharp rise in popularity of ready to drink cocktails, such as gin and tonic in cans, we have also seen an increasing amount of nolo alternatives.



Marketers have worked hard to brand lower alcohol options appealingly, with cool names, and as hospitality opens again, it is likely the trend for low/no alcohol will continue out of the home.

Perception and peer pressure issues are also likely to be reduced by the movement towards having low alcohol beers on tap, such as Brooklyn Special Effects which showed promise on being rolled out after successful trials last year. Guinness is also planning to make its 0.0 available on tap too.

“Our strategy is zero irresponsible drinking,” says Peter Statham, Sustainability Manager, Carlsberg Marston’s Brewing Company, “so we’ve increased the availability of low alcohol options, and we’re making that a really positive choice by making great-tasting beers. We’re also removing the stigma and visible signs that someone is drinking alcohol-free by putting a draft option – Brooklyn Special Effects – out there so people can have a beer with friends on draft.”

Drinking during lockdown

Despite the proliferation of drinking-related memes, research indicates that during lockdown one, most Brits – four in five – drank the same or less alcohol, with only one fifth drinking more²⁶. The average intake was 11 units per week, well below Government guideline limits of 14 units. Research conducted after restrictions eased over summer 2020 also indicated that the majority continued to drink responsibly even when pubs and venues were able to reopen²⁸.

Mindful drinkers

A growing interest in the concept of ‘mindful drinking’ is already boosting categories such as low- and no-alcohol drinks and functional products like kombucha. Club Soda – a community made up of individuals, venues and low- and no-alcohol drinks brands – is leading the charge, with a mindful drinking festival, mindful drinking guides, a book and (pre-Covid) guided pub crawls.



3.7 Support responsible consumption

As restrictions ease, and citizens can access pubs, clubs and restaurants, support for responsible consumption in hospitality will return to the fore. Many in the industry, such as Budweiser Brewing Group UK&I, part of AB InBev, have specifically tied their responsible consumption efforts to Sustainable Development Goal 3.5: strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.



For more than 12 years, Pernod Ricard has been supporting the Responsible Party – Make Good Times Unforgettable initiative, aiming to tackle binge drinking by raising awareness among young adults. Last year Pernod Ricard launched through its Responsible Party programme an innovative new international digital campaign aimed at tackling the issue of binge drinking through a simple message: Drink More... Water. By the end of 2021, the campaign had been implemented

in 25 countries, reaching more than 54 million people online and will be extended to more countries and on the ground activations in 2022. Pernod Ricard have also recently partnered with UNITAR – the United Nations Institute for Training and Research – to support the Autosobriety Training Programme to prevent drink-driving. This is a comprehensive e-learning course, complemented by practical exercises. They are piloting this in South Africa and the Dominican Republic and plan to roll it out to eight countries in the next two years.

AB InBev has pledged to invest \$1 billion in social norm campaigns, and to move 20% of its portfolio into no and low alcohol products. Its City Pilots programme has piloted initiatives in six cities, with more planned, with the aim of reducing the harmful use of alcohol. Activities include a mystery shopper programme that inspects whether retail outlets are checking shopper IDs to combat underage drinking, and giving out free round-trip safe rides through the rideshare company Lyft to reduce the likelihood of drink-driving.

Creating a culture of appreciation

Chase Distillery is promoting a more sustainable drinking culture by bringing the farmer to the forefront of the conversation, so that the alcohol becomes something that people respect and savour, and don't mistreat. Chase promotes this through distillery tours and social media, and by offering lower alcohol cocktail options and healthier mixer options.



3.8 Embrace the shift to plant-based

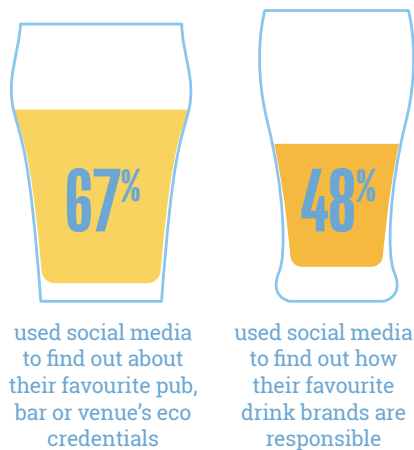


The shift to plant-based diets continues, with more than half of respondents in our survey reporting that they eat less meat and animal products than they did a year ago. Driven by wider health and environmental trends, consumer demand for plant-based meat alternatives continue to build on previous growth. Mintel reports that sales are expected to be more than £1.1 billion by 2024²⁹, with a dip noted in early 2021 likely to be short-lived³⁰.

These effects are rippling through the drinks industry. PepsiCo has announced a new joint venture with Beyond Meat to form The PLANeT Partnership, to develop, produce and market innovative snack and beverage products made from plant-based protein.³¹

The boom in flexitarian eating has been noted by Deliveroo, which has seen a huge swing to plant-based ordering, with vegan eating becoming one of the fastest growing categories in the app³². Plant-based drink demand soon follows, as was seen by a rise in vegan and vegetarian wines and other drinks categories. New players are hoping to capitalise on these trends, such as Think Wines – which uses a pea protein instead of animal-based clarifying agents – and Brighton Gin, which is vegan from product to end packaging.

3.9 Communicate clearly and harness social media



Many brands, that were already working hard to be clear and transparent, found the pandemic provided a unique opportunity to engage and communicate with stakeholders even more powerfully.

However, despite the massive increase in using social media to connect and communicate with consumers, especially during lockdowns, many foodservice brands admit they don't really use social media to talk about sustainability. In contrast, drinks brands have embraced it. From BrewDog and Absolut Vodka to Budweiser and Pernod Ricard, brands have harnessed social media to talk about

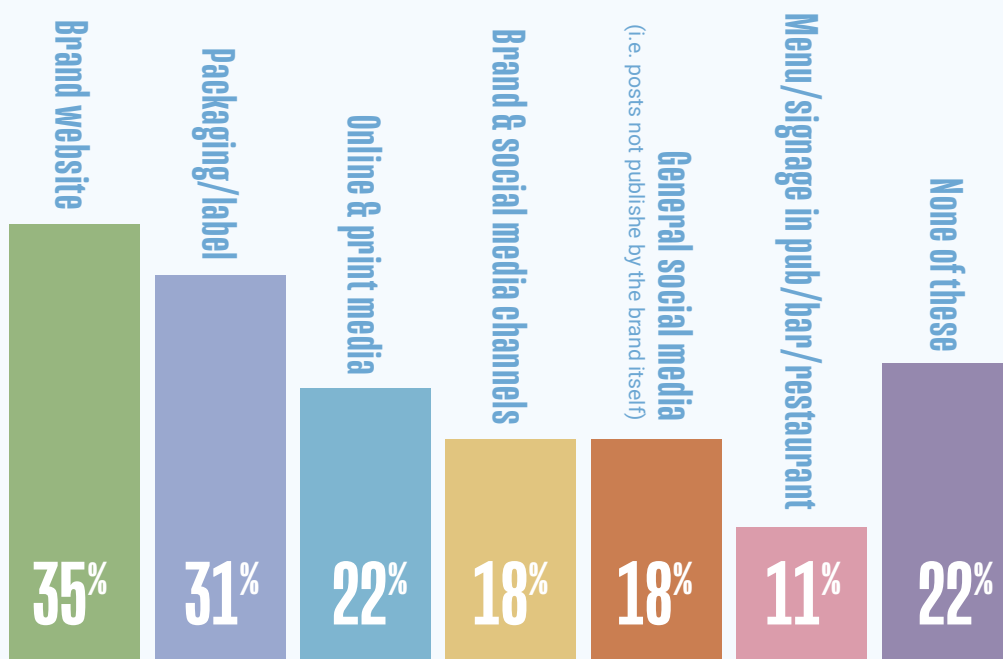
everything from solar farms (Budweiser) to paper bottles (Absolut Vodka) and electric bikes (BrewDog).



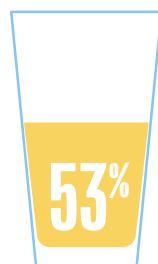
Pub groups should follow the example of Greene King and Young's who have used the medium to talk about a range of issues from meat-free Mondays to celebrating International Women's Day and diversity and inclusion.

In our research, 72% of consumers said they used social media to find out general information about their favourite venues, but a whopping 67% also used it to find out about their favourite pub, bar or venue's eco credentials, making this channel a massive opportunity for eco engagement. 35% say they go to the brand website to find information on their favourite drink brand's eco credentials. With very little sustainability information being shared through this media, consumers are likely to be left feeling disappointed, or choosing a competing venue that has published its eco credentials.

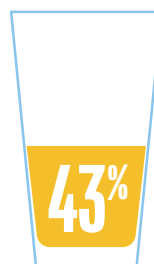
Where do you go for information on your favourite drinks brand's eco credentials?



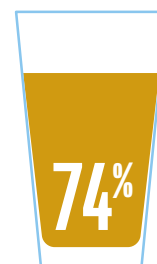
4 Packaging



of consumers
check packaging
labels for eco
credentials



said reducing
packaging was
important when
choosing drinks



check packaging
for disposal
information when
throwing drinks
away

"We're on the cusp of a bit of a transformation of the packaging and waste landscape. We know we can do better. It's an exciting moment and we need to get it right."

**Julian Hunt, Vice President, Public Affairs and Communications,
GB, Coca-Cola European Partners**



4.1 Get ready for looming legislation



said plastic pollution was an important consideration when choosing what drink to buy

Action is continuing to regulate packaging and to phase out single-use items. A few key developments since the 2020 edition of this report include:

- DEFRA has announced it will introduce Extended Producer Responsibility (EPR) legislation for packaging by 2023.
- The Scottish Deposit Return Scheme will begin in July 2022, while England, Wales and Northern Ireland closed their consultation in spring 2021, with the scheme due to be launched in 2023.
- In April 2022, a new plastics tax will apply to plastic packaging produced in or imported into the UK that does not contain at least 30% recycled plastic³³.
- UNESDA Soft Drinks Europe has set targets for European beverage packaging to be fully circular by 2030³⁴. This means using rPET and refillable bottles and boosting collection rates to 90% by 2030 for PET bottles, 75% for glass and 60% aluminium. This includes extending deposit return schemes to cans and glass.
- Single-use cups sold in Europe needed new marking by mid 2021.

The industry has engaged heavily in consultations, working alongside government, waste contractors and other partners to identify workable solutions, with details still being ironed out. The delayed Deposit Return Scheme (DRS) is an example. The industry is supportive, though wary, with concerns largely centring on aligning systems between England and Scotland, the need for a greater and more equitable distribution of recycling facilities across the country, the system being simple for consumers and achievable in practice, and not creating a conflict for citizens between kerbside and deposit return collections.

Nonetheless, many in the industry are hoping the scheme will help increase the availability of rPET by creating a reliable stream of feedstock – an issue that has historically been a major challenge for increasing recycled content.

For example, now Coca-Cola has reached its goal of 50% rPET, it's working to push this to 100%, and is hoping the DRS might be the mechanism to improve the feedstock to achieve it. The company credits the well-established deposit return schemes in other markets with supporting its efforts to introduce 100% rPET. In Great Britain, it



has also been able to introduce 100% rPET for its Glacéau water bottle – but wants to move to the same position across its whole portfolio.

“Delays in legislation have hampered progress,” observes Martin Kersh, Executive Director, Foodservice Packaging Association. “But once the legislation is in place, investors in new materials, packaging, processors, products etc., will have the confidence to invest in alternative systems and materials, knowing they will work within the legislative framework.”

Strong commitments

Packaging commitments from drinks producers are coming thick and fast.

- Pernod Ricard has now banned all promotional items made from single-use plastic and it has committed to 100% of its packaging being recyclable, compostable, reusable or biobased by 2025. By 2030, it will also pilot five new ways of distributing its wines and spirits and help increase recycling rates in its top 10 markets with low recycling levels³⁵.
- AB InBev has committed that, by 2025, 100% of product will be in packaging that is returnable or made from majority recycled content³⁶. In the UK, Budweiser Brewing Group UK&I has removed all plastic rings and shrink wrap from its packaging.
- Nestlé is aiming for 100% recyclable or reusable packaging, with 30% recycled plastic use, by 2025. In 2020, 88% of its packaging, by weight, was reusable or recyclable, and it had signed Plastics Pacts in 10 countries.
- Diageo has pledged that by 2030 the business will use 100% recycled content in plastic packaging and that 100% of its packaging will be widely recyclable.

4.2 Keep innovating on packaging

It's no surprise that packaging gets so much attention when it makes up such a sizeable chunk of drinks' impacts. As an example, Carlsberg Group's calculations indicate packaging is responsible for 41% of its footprint. And with people drinking more at home, insiders felt this was keeping up consumer pressure to act as discarded packaging was more visible in people's homes. Our research also indicates that when given the choice, consumers will choose a product that specifies it is made from recycled and recyclable plastic over one that isn't.

Despite the challenging circumstances of disrupted supply chains and socially distanced and/or absent staff, many key industry players worked flat out to ensure they still met key commitments. Budweiser Brewing Group/AB InBev continued its programme to go plastic-



free with a £6.3 million investment in recyclable cardboard packs. Coca-Cola ramped up its work to increase the recycled plastics in its packaging – achieving 50% rPET in September 2020. Quite an achievement that necessitated changing every single pack in the market, with all the associated production line impacts of changing and testing new machinery and systems during a pandemic.



Paper bottles are becoming a reality: Absolut, Carlsberg, Coca-Cola, P&G and L'Oréal worked with start-up Paboco (Paper Bottle Company), which develops prototypes, while undertaking rigorous analysis and testing to ensure impacts are genuinely improved. Other packaging solutions

are wonderfully simple and easy to implement, such as Warner's replacing plastic air sacs with their own on-site cardboard waste. Others have managed to remove cardboard dividers from wine boxes by tweaking the bottle shape, whilst environmental savings have been made by moving from glass to cans for wine and pre-mixed cocktails – something that is worth noting when the global canned wine market is expected to reach USD \$155.1m by 2027.

However, as an industry insider admits, the "kneejerk reaction to get rid of plastic, almost at any cost" initially led to "climate being lost in the conversation". Many are now cautiously optimistic that a more mature dialogue is developing that looks at improving overall impacts rather than just getting rid of plastic.



Ring the changes

Plastic rings are a scourge of wildlife. But innovations to replace these nasties abound. For example:

- Carlsberg's plastic-free interlocking Snap Packs, which save 60 million bags' worth of plastic per year³⁷.
- Heineken's 100% plastic-free cardboard toppler³⁸, which saves 94 million bags' worth of plastic per year.
- Coca-Cola and Budweiser Brewing Group's adoption of the paperboard KeelClip tech³⁹, which AB InBev reports has replaced 67 double-decker buses' worth of plastic rings and shrink wrap per year⁴⁰.
- Molson Coors' plastic-free six-pack ring uses recycled fibre and is recyclable⁴¹.



Reusing can write-offs

Due to print-ready processes, minimum run sizes, errors in production and errors in forecasting, almost one billion perfectly good drinks cans go unused every year.

BrewDog has decided to address this by relabelling 1 million of its own cans that are branded with old labelling. It's also investigating sourcing other waste cans to divert them from landfill.

4.3 Focus on home delivery



check takeaway food and drink packaging labels so they can put things in the right bin

There are two main areas the industry must consider. First, it must ensure that packaging entering the home can be responsibly dealt with, which in many cases will likely mean it needs to be able to enter kerbside recycling. Waste collection will vary by area and businesses should work with local and national authorities to identify recycling facility capabilities, and adapt packaging – and disposal messaging – appropriately.

Second, consumers appear keen to dispose of food-related home-delivery packaging responsibly – 78% say they check takeaway food and drink packaging labels so they can put things in the right bin. Therefore, the industry must use its influence and marketing intelligence to ensure consumers understand what to do with their used packaging, and act on this.

4.4 Support customer efforts to reduce, reuse and recycle



carry reusable cups and bottles for drinks on the go



have stopped using them because of concerns over hygiene



have stopped using them because they don't think venues will take them



are unsure which bin to use for some drinks packaging, like disposable cups and compostable containers



check drink packaging labels before throwing items away



would choose a drink that had eco-packaging credentials on the label over one that did not



Action to improve the impacts of single-use drinks containers and the adoption of reusable cups and refill stations for bottles had been a major win for drinks and foodservice pre-pandemic. But efforts have gone backwards as hygiene concerns have upped the number of disposables and stalled reuse schemes.

However, as travel and eating out resumes, consumers appear keen to get back to using reusables – with nearly three quarters saying they carry bottles and cups for drinks on the go. However, concerns over hygiene and whether venues will still take them mean almost half have stopped using them.

Consumers appear to be keen to do the right thing with the packaging they receive but they are confused over correct disposal, with over half reporting that they felt unsure what to do with some drinks packaging, like disposable cups and compostable containers. 74% say they check drinks packaging labels before throwing items away.

Drive action with physical change

Working to address physical product attributes, such as packaging, can have a startling impact on communicating brand values and sustainability commitments to consumers. “Snap Pack put something physically different into the hands of our customers,” explains Peter Statham, Sustainability Manager, Carlsberg Marston’s Brewing Company. “They could see and feel the company was doing good, and something different to the status quo... All of the comms channels we use are effective, but when we put the world’s first paper bottle into our customer’s hands, it will send a powerful message.”

Clear wins

Pernod Ricard has reduced the weight of Altos tequila bottles by 22%, shrinking the carbon footprint associated with their distribution.

Absolut vodka successfully managed in 2021 - ahead of its initial target - to achieve 50% recycled content in its bottles, a remarkable achievement for a clear glass bottle.



4.5 Collaboration with waste suppliers and competitors



Partnerships between producers, operators and waste contractors have continued to build on pioneering work such as the National Cup Recycling Scheme⁴², which brought forward-thinking operators such as McDonald's and Pret together with waste collection services and paper recyclers, such as James Cropper, to ensure disposable cups could be practically collected, recycled and turned into new items.

Such collaborations must continue. Vegware – whose compostable packaging previously struggled to enter the right waste stream – has partnered with recycling company Paper Round to create a closed loop system of collection and removal to a composting facility in Cambridge.⁴³

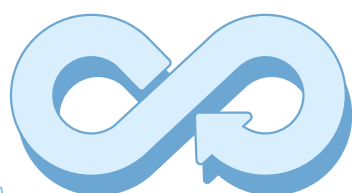
For pubs, space, time and waste collection options can make it hard to separate plastics on site. But some pub companies are beginning to look at ways to work together on more efficient and cost-effective ways to segregate plastics and collect feedstock for recycling.

Designing solutions from the start

Pernod Ricard specifically targets regions where customer recycling is particularly low, and then looks to identify ways to improve the infrastructure – from legislation to waste services – to tackle it.

It can also be transformational to link marketing with operations. “We have this opportunity to rethink business,” explains Vanessa Wright, Chief Sustainability Officer, Pernod Ricard. “Our operations and marketing are increasingly working together with a circular mindset to imagine, produce and distribute our products in the right way. We apply a framework based on five principles: Rethink, Reduce, Reuse, Recycle and Respect.”

4.6 Think circular solutions



Considering carbon and working to keep materials in circulation for as long as possible should be the gold standard for packaging, and circular solutions had been showing pre-pandemic promise. Brands such as AB InBev, Coca-Cola and Sipsmith had been in discussion to supply Tesco's Loop and Waitrose



Unpacked – circular systems where customers either have products delivered in reusable packaging that is then returned, or take their own packaging to fill in store. Hopefully, projects that have experienced setbacks during the pandemic will be revived, capitalising on their initial potential.

Other solutions include BrewDog's plans to open drive-throughs that will act as hubs for returning reusable drinks bottles and kegs⁴⁴. Hospitality-focused solutions also include a London Distillery Company scheme where the distiller delivers a 10-litre bag-in-box that enables local foodservice customers to refill bottles on-shelf, thereby saving on bottles, corks, labels, cartons and cases usage. Coca-Cola is also questioning how it can upscale and upgrade its dispensing business to harness the company's knowhow in supplying a small box of product that delivers a large volume.

Other circular ways of using packaging waste include Moët & Chandon partnering with eco-corporate clothing company Reborn to collect plastic waste from 40 on-trade partner venues across London. This is repurposed into corporate uniforms and point of sale merchandise.

4.7 Make genuine claims



With many dubious claims still being made about 'sustainable' packaging alternatives, there are calls for tighter definitions so foodservice operators don't shell out for apparently sustainable items that won't deliver an environmental benefit, despite potentially charging premium prices.

"We must be absolutely certain we aren't misleading independent coffee shops, bakeries and so on into paying for premium 'sustainable' packaging that won't make a difference," explains Martin Kersh, Executive Director, Foodservice Packaging Association. "Everything we do in this territory has to have peer-reviewed evidence and certification."

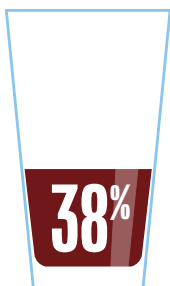
Insiders are also hopeful that an upcoming Competition and Markets Authority report will lead the Government to issue legislation or guidance to ensure that trading standards are enforced AND enforceable. This would support those companies making evidence-based investments in genuinely sustainable alternatives, and help reduce false claims.



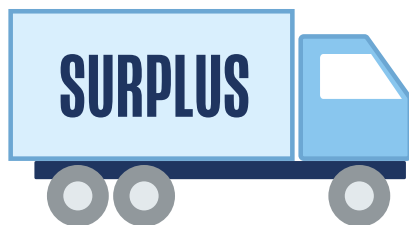
5 Waste



5.1 Learn from approaches to pandemic-related surplus



said waste was
important to them
when choosing
drinks



Apart from packaging, the waste issue in the spotlight in 2020 was the surplus created by pandemic-related lockdowns and restrictions. Lessons learned must be recorded in contingency plans for future business resilience, as well as analysed for insights that will benefit the business into the future.

Brewers worked hard to try and ensure the estimated 87 million pints of beer that were wasted in the pandemic didn't harm waterways and wildlife. However, whilst there were instances where water companies communicated well and helped brewers and pubs behave responsibly, many in the industry felt let down by water companies who told them they couldn't put their beer down the drain, but who didn't help foodservice businesses and brewers to find alternative solutions. The sharing of successful strategies and best practice could therefore enable better management should dramatic shutdowns occur in the future.



Many brewers managed to divert and repackage on-trade products to retail, or even to energy or fertilizer. Others found creative and appropriate ways to donate products – such as via firefighters and council care packages. Such relationships and diverse channels should be recorded and maintained in case of future needs, and opportunities for ongoing partnerships assessed.

Beer to go

Greene King worked with Too Good To Go to rescue 40,000 pints across 500 pubs in a matter of days. Customers could turn up and take beer away in their own container, saving pubs the trauma of pouring good beer away, as well as the hefty disposal costs.

5.2 Adopt reporting to tackle surplus



69% of consumers said they would like to hear from pubs about the work they're doing to tackle green issues such as plastics and food waste



84% of consumers would like to choose whether to have garnishes with drinks and food



40% of consumers would choose a venue because it is tackling food waste



43% prefer soft drinks that tackle food waste

Although the debate around food waste has largely focused on waste in the home or in foodservice, for drinks it has mainly been focused on production. But while great work is being done – for example, through sending spent grain to animal feed or anaerobic digestion – food waste is “still

an issue in the drinks sector,” observes Julian Hunt, Vice President, Public Affairs and Communications, GB, Coca-Cola European Partners. Publicly reporting food waste data is key to tackling it.

“There is an opportunity for the industry: more of us need to be reporting that data publicly. Courtauld 2025⁴⁵, the Food Waste Reduction Roadmap⁴⁶ and the hospitality-focused Guardians of Grub⁴⁷ have all driven the industry-wide challenge programme but not everyone is on board. The whole industry must get behind it. Having to publicly report leads to clear plans for food waste, from manufacturing to surplus.”

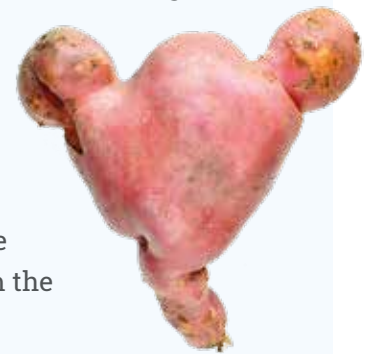
Customers are also likely to support action on food waste: in our research, 40% of consumers choose one venue over another when it specifies that it is working on reducing food waste; 43% prefer a juice when its descriptor says it is made from surplus. There is also an opportunity to engage with customers directly on activities to save food waste through garnishes: 84% would like to choose whether to have garnishes with drinks and food.



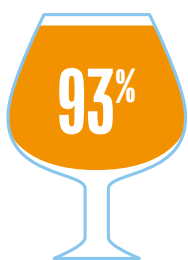
Creative ways to save water



- Absolut Vodka is using innovation to move to more circular production methods. 99% of organic byproducts of distillation are recycled to create products such as biogas and animal feed. This stillage is used to feed 290,000 pigs and cows every day.
- To tackle food waste, BrewDog has replaced 20% of its barley with surplus bread, and uses surplus fruit in its Overworks sour beers. It is turning brews that don't meet the spec or are out of date into zero-waste vodka, and spent waste from the brewhouse into dog biscuits.
- In Kenya, Nestlé ran a survey with coffee farmers throughout 2020, finding 55% felt their businesses were not profitable throughout the year. Nestlé's research helped identify and share recommendations to increase income and reduce food waste, including partnering farmers with food processing firms to transform surplus fruit and vegetables into marketable products.
- Whiskey might be synonymous with ageing barrels, but a new start up called Bespoken Spirits reckons it can get the same great taste in days rather than years, using a sort of souped-up Nespresso machine . The upside is that shortening the process dramatically reduces the wood, energy, and waste associated with whiskey aging. In particular, it would prevent the loss of the 1.5-10% of whiskey that is lost to evaporation each year as it ages. In Kentucky, this is estimated to total 20 million gallons of whiskey lost each year.
- To tackle some of the 713 tonnes of fresh table grapes that are surplus to supermarket requirements every year, Foxhole Spirits and importer Richard Hochfeld are turning them into a premium gin called Hyke.
- When crisps company Tyrells didn't know what to do with their surplus and wonky potatoes, they decided to turn them into spirits, and the waste-conscious Chase Distillery was born. Recently bought by Diageo, it uses potatoes, apples and botanicals to create a range of spirits. The steam energy used to run the distillery is produced on site from a biomass boiler powered by material that has been pruned from the apple orchard and locally sourced wood.
- Distillation is typically divided into three parts – the heads, the heart and the tails. Heads and tails typically have harsh compounds within them, such as acetone, making them unsuitable for drink production. This means large volumes are not able to be redistilled and are treated as waste. However, supplier Ethimex teamed up with industrial alcohol recycling plants to give the heads and tails a new life in the shape of recycled low-grade industrial alcohol. After redistillation, the heads and tails can be processed into everyday products like culinary burning alcohol, firelighters, cleaning liquids and windscreen wash.



6 Social impact and employees



93%
of consumers said
they'd choose
a pub that had
supported the
community in the
pandemic



6.1 Keep up pandemic momentum

In 2020, the drinks industry, like the foodservice industry, rapidly pivoted its activity to help communities and a nation in need during the pandemic. Efforts ranged from producing alcohol for hand sanitiser and offering up hotels and spaces in pub car parks for testing centres, to giving out products as a thank you to test centre volunteers, and delivering care packages of surplus items to those in need in the community.

Pubs, as community assets, were uniquely placed to help and contributed massively, from free school meal parcel delivery to supporting food banks and keeping spirits up through takeaways, virtual quizzes and socially-distanced fundraising. Even with heavy social distancing restrictions, pub company and brewer Greene King was able to raise £1 million for Macmillan Cancer Support.

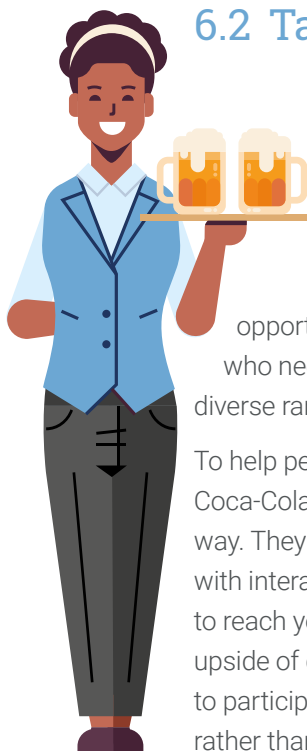
Businesses that were already close to their communities – such as Adnams, which supports a host of local causes through its



community trust – found they had the networks and knowledge to help. This enabled them to work with national bodies to support many communities.

“We decided to temporarily close our pubs,” explains Oliver Drury, Communications Director, Adnams Plc. “We don’t like waste and wanted to make a difference, so we cooked up everything we had and gave it to our local communities. We had perishable items and some canned drinks, so we put them together with some other treats to make care packages and dropped them off to key workers and unsung heroes. It’s just a small way we could let them know we appreciated all they were doing for everyone. We did this almost every week during the day and at night for over 10 months, sharing more than 15,000 packages.”

These efforts have resulted in increased customer loyalty and provided plenty of positive PR. Nearly 20% of those we surveyed said that they believed their local pubs tried to help their community. 93% of these consumers also said they would try to support those pubs in return. With extended closures putting pubs and many other foodservice venues under incredible financial strain, loyal customers will be a crucial lifeline for survival.



6.2 Take action to support young people

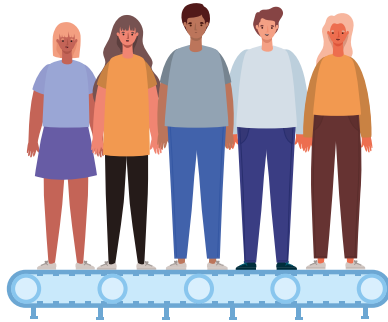
Young people, as many insiders noted, are going to have a rough few years, and business will have a role to play in helping to address some of society’s challenges. The drinks and foodservice industry has typically provided work experience, first jobs and promising career paths for young people. But with job

opportunities reduced, and even more disadvantaged young people who need help, the industry’s role in extending opportunities to a diverse range of people is more important than ever.

To help people looking to make a concrete step into the world of work, Coca-Cola worked with Reach Up to engage people in a Covid-secure way. They combined prerecorded sessions with senior business leaders with interactive sessions such as dial-in networking, and CV workshops to reach young people and increase their skills and opportunities. The upside of doing the programmes online was that senior leaders were able to participate more easily as, without travel, attending required only hours, rather than taking up a whole day.



6.3 Use sustainability to secure a talent pipeline



Sustainability has become an important recruiter: if you can't demonstrate clear commitment to sustainability, it could cost you talent. "When I was at EI Group, the questions people asked at interview weren't about salary, company car, or private healthcare," says Paul Harbottle, Chief Operating officer, ROUND, and previously of EI Group. "They asked what good is the company doing for the planet

and community. If you really want to be relevant to the future, you have got take sustainability seriously."

"Sustainability action is being driven by millennials and Generation Z," continues Harbottle. "You have to face these things now head-on – otherwise that generation will walk away. The talent you need is going to come from that generation and sustainability is critical to their desire to come to a business, both as employees and consumers."

Edelman's 2021 trust barometer⁴⁹ revealed that employers are the most trusted source of information. 86% expect CEOs to speak out on societal issues. 62% also think employees have the power to force change.

68% of citizens think CEOs should step in when the Government doesn't fix societal problems, 66% think CEOs should take the lead and not wait to impose change, and 65% think CEOs should hold themselves accountable to the public.

"Sustainability is a magnet for talent," agrees Sam Galsworthy, cofounder, Sipsmith. "I can't believe the number of applicants asking about our sustainability ambition. People really do want to belong to a business that is a force for good. Our number one touchpoint is our bottle – and soon that will have our B Corp certification to show our genuine commitment."



Building skills, strengthening business

To provide certainty to its staff, Fever Tree took the decision not to furlough anyone, such as on-trade teams, but to provide opportunities to work in different departments, or to undertake training to enable people to upskill. Fever Tree also encouraged staff to sign up to the 'support the NHS' initiative that was run in the first lockdown.



6.4 Maintain support for staff



It's no secret that the pandemic has taken a severe toll on mental health, with those in industries that have experienced shutdown and restricted operating parameters such as hospitality and foodservice particularly hard hit. Many companies in the drinks industry have worked with partners such as The Drinks Trust to help support those who have fallen on hard times.

To support staff in whatever situation they were in, whether that be working from home, on furlough or in a socially-distanced café or distillery, most businesses found massively ramping up employee engagement was really helpful. Successful strategies tended to include:

- regular, open communication
- equipping managers with the tools to support their staff
- wellbeing surveys
- training – including sustainability, mental health, and reopening safely
- regular check-ins and informal catch-ups
- confidential support for the stresses of pandemic life like bereavement, home-schooling and returning to work
- socially distanced social events, such as virtual drinks or quizzes
- confidential mental health support

Nonetheless, the physical separation for those who are usually drawn to an industry for its convivial connotations has been tough. “It’s been brutal not seeing my teams face to face,” admits Julian Hunt, Vice President, Public Affairs and Communications, GB, Coca-Cola European Partners.

Reopening requires staff to be supported in totally different ways as safety systems and procedures continue to evolve to meet ever-changing guidance. And the way the changes impact on customer interactions, such as when guests don’t wear a mandatory face mask, requires staff to have a whole new set of diplomacy skills. Ongoing training, support and dialogue is therefore still key to ensure evolving needs can be met now and in the future.



Cheers to that!

In 2020, Sipsmith sold ready-to-drink G&T cans and pre-batched martinis, with all profits (£47,000) going to The Drinks Trust and Hospitality Action. Funds helped to provide emergency financial support to individuals who had lost their employment and income due to the Covid-19 pandemic. Sipsmith also donated pure grain spirit to clean the equivalent of 8 million pairs of hands to Imperial College hospitals during the lockdown.

The benefits of good communication

"Our CEO, Nick Mackenzie, has been absolutely amazing," enthuses Vance Fairman-Smith, Supply Chain Director, Greene King. "From the start of the first lockdown, we had a clear direction of how we were going to manage the business through the pandemic, and how we would support our people and communities. Nick and the exec team have shown real leadership: lobbying government, working as an industry charity partner, supporting our team through wellbeing and financial challenges, and leading the work we have done to keep customers safe and to look after our teams."

The result, says Fairman Smith, is a significant business advantage. "We wanted to be the strongest pub company coming out of the pandemic, and we believe we have done as much as we can to achieve that."

6.5 Support new ways of working



The increased recognition that working from home for office-based roles can be fruitful, and that virtual meetings can help to reduce travel and bring disparate teams together, will transform working life even after restrictions have lifted. The trick will be working out what combination works well for the business and staff. Changes in practices in farms, production sites and foodservice are likely to be more physical and will require careful monitoring and adjustment as regulations shift.

Even bigger changes might be to come. New software is coming that could revolutionise the way we work by enabling people to contribute short bursts of activity to multiple businesses that require their skill set, allowing them to create a better work-life balance.



6.6 Create a sustainable culture



When sustainability is integrated into the brand purpose and corporate values, “It’s like a north star that enables long-term sustainability projects to get support because they are in keeping with your purpose,” according to Timiko Cranwell, Director of Legal and Corporate Affairs, Budweiser, “even when it may be hard to quantify a concrete financial business case.”

Many advocate the use of both top-down and bottom-up approaches that ensure that everyone understands how their role can make a difference, from working with suppliers on supply chain impacts to working to achieve water and energy targets in the business. Education and training, as well as giving staff the agency to act and make changes, are also noted as being hugely successful.

One effective lever, recently adopted by Coca-Cola and Carlsberg, is integrating sustainability targets – such as greenhouse gas emission reduction – into senior leaders’ long-term incentive plans.

Noting how employees often have genius ideas for tackling the sustainability challenges they see every day, in 2021 Pernod Ricard launched ‘The Good Challenge’ to search for the best sustainability ideas within the business. The philosophy is that every entry is a winner, as the competition aims to find and inspire ideas that can go back into the business to drive innovation and value.

“Sustainability shouldn’t be a unique selling point; it should be a hygiene factor for good business. There is a big difference between cost and value. Sustainable success should be the norm.”

Oliver Drury, Communications Director, Adnams Plc

6.7 Stay open on mental health



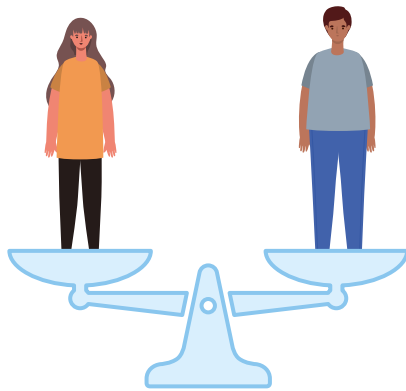
The drinks industry has long had a mental health problem, but admitting to having issues was typically highly stigmatised. The pandemic has changed perceptions around mental health, and made it normal for everyone – including the CEO – to talk about their feelings and the issues they’re finding challenging.

Adopting regular chats, check-ins, access to services and attention to mental health as the new normal has the power to transform mental health issues in the drinks industry if businesses decide to continue and prioritise successful practices.



The Drinks Trust is a UK charity that provides practical, emotional and financial support to the drinks industry. The #NotAlone campaign encourages people in the industry to open up about mental health and offers several recommendations for supporting workers. These include flexible working patterns, offering mental health toolkits as part of inductions and conducting work-related stress assessments.

6.8 Support gender balance



With reports that the pandemic has set gender equality back by decades, it's more important than ever to keep focused on gender diversity, with strong targets and clear pathways for progression.

Pernod Ricard has set a target that, by end of 2022, it will ensure equal gender pay across the business, and aims to ensure gender-balanced top management teams by 2030. Diageo and Beam Suntory have also set goals to ensure 50% of all leadership roles are held by women by 2030⁵⁰.

6.9 Heed the diversity wake-up call



During our research, many in the industry admitted that the Black Lives Matter movement was a wake-up call for brands to look again and ask: "What are we really doing effectively in this space?" Businesses strived to better understand issues such as unconscious bias and the barriers that might be impacting on BAME individuals at every step from recruitment to career progression, as well as those around acceptance and inclusion.

Efforts to improve this included equity programmes, engaging with external consultants, and increased, deliberate dialogue with BAME colleagues to understand what barriers they see to advancing their careers in the business so that established views can be challenged, and measures put in place to remove obstacles.

"There is a tendency to be blinkered when it comes to diversity and inclusion," notes Sam Galsworthy, cofounder, Sipsmith. "So we hired an outside consultancy to shine a light on areas of concern and share best



practices from the outside world. We are a London business and we need to reflect London society. Diversity brings freshness of perspective, a vibrancy of thought, the way we are all different from each other. It's a positive opportunity for the business to embed resilience and fresh perspectives."

Brands should also consider the platforms they use to engage with consumers. Social networks can be a breeding ground for hate speech and advertisers cannot turn a blind eye to this when embracing the opportunity for positive networks and a wider audience. In July 2020, 1,200 brands took part in the #StopProfitForHate boycott of Facebook and other social media platforms. #EngageResponsibly is a new cross platform initiative, supported by Pernod Ricard and others, that connects brands and makes it easier to report and stop hate speech for good³.

For most businesses, there's much that can still be done to improve diversity in the future. This includes graduate and apprenticeship programmes with organisations with links to diverse populations, such as those in the BAME community, the disadvantaged, or the disabled.



7 Water



More than 1 in 6 consumers said responsible water use was important to them when choosing drinks

7.1 Join the collaboration to save water



With only 1% of the world's fresh water accessible (the rest is tied up in ice caps and snowfields), pressure on this vital resource continues to increase. However, insiders agree the drinks industry has "woken up to water" with brewers and producers – including Heineken, Carlsberg, Diageo, AB InBev, Pernod Ricard, Coca-Cola and PepsiCo – leading the way with water-related innovations, commitments and supply chain responsibility. Behind the scenes,

most of the biggest drinks brands have publicly committed to achieving the United Nation's Sustainable Development Goal 6 – clean water and sanitation – and many are working together to achieve it through the Beverage Industry Environmental Roundtable (BIER).

In early 2020, BIER published a Context-Based Decision Guide for Water Reuse and Recycling that furthers the beverage sector's leadership on corporate water stewardship and builds upon previous work by BIER on performance in a watershed context⁵¹. The Decision Guide is relevant to any facility, in any industry, in any location in the world, and is intended to accelerate decisions and investments in advancing water stewardship through reduction, reuse and recycling.

Many businesses start by making a source water vulnerability assessment on site. Organisations such as WWF and local partners can help identify areas of water stress and ways to help, such as improving water courses and drainage. Many businesses also rate the WWF Water Risk Filter tool⁵². Operational investments can also be identified to reduce water use, such as closed-loop reuse systems that can be hugely effective in bottle-washing and cooling.

Toilets in pubs and other hospitality venues take a hammering, and need replacing regularly. One easy win for those in foodservice is to take the lead from McDonald's by introducing waterless urinals and low flush toilets during routine replacement schedules.

It is also important to take a regional and collaborative approach to look beyond a business's own operations to improve high-risk watersheds in the areas where it operates to ensure water access and quality for both communities and drinks brands. Budweiser has a goal that, by 2025, 100% of its communities in water-stressed areas will have improved water availability and quality.

Reliable benchmarks are also important for driving meaningful improvements across sites, as well as sharing knowledge with other companies, governments and partners.



Why care about water?

For those in foodservice, Footprint's *Why Care About Water?* is a great step-by-step guide to water efficiency⁵³.



Water wins

Carlsberg Marston's Brewing Company recognises that, in 20 years, water demand will outstrip supply. That's why the company is investing in water efficiency. Investments in a water recycling plant have enabled the brewer to recycle 90% of all process water and halve water usage at its brewery in Fredericia, Denmark, while reducing energy consumption by 10%.

This halves the total water consumption for beers brewed at this site from 2.9 hectolitres to 1.4 hectolitres for a hectolitre of beer. This is encouraging progress towards Carlsberg's target to reduce water usage from the 2015 baseline of 3.4 hectolitres of water per hectolitre of beer to 1.7 hectolitre of water per hectolitre of beer across its portfolio by 2030⁵⁴.

7.2 Challenge customer perceptions



Some water-saving initiatives fail to get support if they are perceived to be at odds with a brand's storytelling – such as a reluctance to introduce recycled/reclaimed water into manufacturing when a drink is defined as being made from spring water from a specific source. This is where the genius of marketing should be harnessed to replace such narratives or concerns with water-saving kudos.

Cool water

There has been a sharp rise in interest in hard seltzers – alcoholic, fruit-flavoured sparkling waters. With brands like Budweiser's Mike's Hard Seltzer coming in at 100 calories a can, such drinks are riding the health and low alcohol wave (see **Ride the 'nolo' wave**).

Alongside challenger brands like DRTY, Smirnoff and Koppaberg, Coca-Cola and BrewDog are among the household names to have launched hard seltzer products during 2020. But one – Coors Seltzer – has positioned itself as seltzer with a mission. Each pack restores 500 gallons of fresh water to America's rivers through a partnership with US water campaign Change the Course.



8 Raw materials and the environment



8.1 Combine the best of both worlds

"Is the future of food production reliant on drones, gene editing and vertical farms?" asked Nick Hughes in a Footprint article⁵⁵. "Or is it about regenerative farming that mimics nature? It's probably a bit of both."

Hughes argues that reducing emissions in the food chain will be critical to achieving national climate ambitions. A study published in the journal *Science* found that, if sustained at current levels, emissions from the global food system alone would be enough to put the Paris climate goals out of reach⁵⁶. The authors concluded that major changes in how food is produced are needed if the sector wants to meet the target of the Paris Agreement to keep global temperatures well below 20°C.

This realisation is driving focus up the supply chain towards food production. Many drinks manufacturers work with growers from the start of their supply chain, working with every link to ensure regulatory compliance and positive impacts on everything from the environmental issues such as the water used in growing to societal issues such as seasonal employment and fighting modern slavery.



As founding members of the Ethical Tea Partnership, Twinings take a leading approach in improving communities surrounding the plantations they source from. To address the challenges of seasonal work, Twinings has provided resources and training for farmers in Darjeeling, India to help them diversify their farms, moving away from a reliance on monoculture and provide an income for their families year-round.

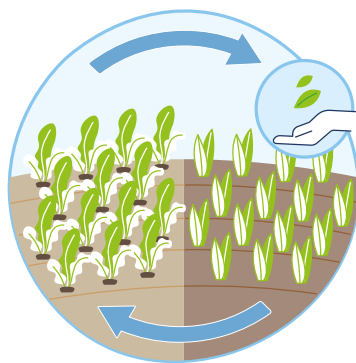
Some operators, like The Big Table, have developed a Sustainability Score Card for ingredients, but so far have not applied it to drinks. But such questions will come sooner rather than later, and as more foodservice operators start asking searching questions of their drinks suppliers, it will be more important to have data and clear answers.



Improving the raw material

One area where much research and development is focused is crop breeding. One example is the work being done by Carlsberg Marston's Brewing Company to create climate-tolerant barley breeds with properties that will reduce energy consumption in malting and brewing⁵⁷.

8.2 Embrace regenerative agriculture with a test and learn approach



According to research, delaying “action to protect biodiversity until 2030 will double the cost and result in the extinction of many more species when compared to acting now to curb global impacts”.⁵⁸

According to BIER, regenerative agriculture can help tackle these impacts: “For beverage companies, regenerative agriculture represents one of the greatest business and sustainability opportunities today, tomorrow, and beyond.”⁵⁹

Plans for a year of biodiversity target-setting by the United Nations were impacted by Covid, but natural capital remains critical. “Many businesses are addressing their carbon and water risks, which are crucial, but issues like biodiversity are equally important,” observes Vanessa Wright, Chief Sustainability Officer, Pernod Ricard. “We rely on nature and well-functioning ecosystems to produce high quality products. It’s a key challenge and we need to learn and improve quickly.”



This is why Pernod Ricard has set a goal for all its direct affiliates to have a strategic biodiversity project addressing the most pressing local biodiversity issues by 2030⁶⁰.



From the ground up

Pernod Ricard set a target of certifying 100% of its own vineyards according to sustainable agriculture principles. It's now at 99% with tangible results: 100% of vineyards are drip irrigated and the use of synthetic pesticides has been reduced by half.

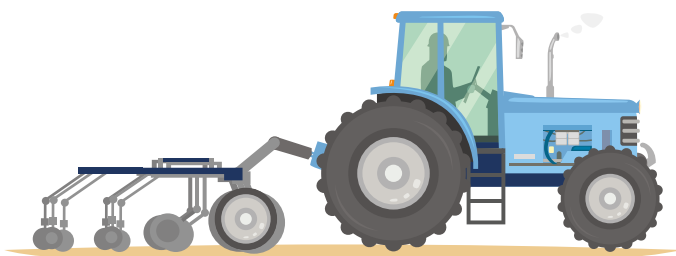
"We have set ourselves the target to pilot regenerative agriculture within all our major wine regions by 2025," explains Vanessa Wright, Chief Sustainability Officer, Pernod Ricard. "This is already happening in New Zealand and our cognac Martell and champagnes Mumm and Perrier-Jouët launched their pilots in 2021 in the champagne and cognac regions. These test practices like cover crops, no-tillage and organic management to mimic natural processes to improve the quality of topsoil, watersheds and ecosystems. And, by 2030, we will partner with over 5,000 farmers to share key learnings and maximise impact."



Mixed signals

Campo Viejo, a Pernod Ricard winery in Rioja, has introduced a natural form of pest control called 'sexual confusion'. This uses pheromones rather than pesticides to stop the male moth mating and destroying the vines.

8.3 Work to upskill farmers in the supply chain



Supporting the farmers who grow key drink-related crops to be skilled, connected and financially empowered, helps them improve their productivity and their profitability, and their efficient use of natural resources, such as soil and water.

Global brewer AB InBev believes "research, knowledge, technology and financing are the keys to transforming agriculture at scale". It leverages these to advance agricultural development and measure impact through yields, resource efficiency, soil health and smallholder incomes.





About Pernod Ricard UK

Pernod Ricard UK is part of Pernod Ricard, world number two in wines and spirits. Pernod Ricard UK also drives the global development of the group's iconic gin brands through The Gin Hub, which, through acquisition and innovation, has become a leading player in the Premium+ Gin category.

Created in 1975 by the merger of Ricard and Pernod, the Pernod Ricard Group has undergone sustained development, based on both organic growth and acquisitions: Seagram (2001), Allied Domecq (2005) and Vin&Sprit (2008). Pernod Ricard holds one of the most prestigious brand portfolios in the sector, including 19 brands among the top 100 worldwide. Pernod Ricard UK has identified the following key priority brands in the UK market: Absolut, Jameson, Chivas, The Glenlivet, Plymouth Gin, Monkey 47, KI NO BI, Italicus, Lillet, Malibu, Perrier-Jouët, Kahlúa, Beefeater, Campo Viejo, Brancott Estate, Olmeca, Havana Club, Martell, Jacob's Creek, Lamb's, Ballantine's, G.H. Mumm and Wyborowa. Pernod Ricard UK is a member of The Portman Group, promoting responsible drinking, and Pernod Ricard is the only supplier in the wine and spirits sector to be a United Nation's Global Compact LEAD company.



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 this research

Footprint Intelligence was commissioned by Pernod Ricard UK to write this report. The research comprised in depth, semi-structured interviews with foodservice experts, desk-based research, involvement in industry events and forums, and comments and insights gathered from other opinion leaders linked to the industry. Footprint Intelligence is hugely indebted to the industry experts who generously gave their time and insights as part of the research process. Please see the acknowledgements opposite.



We are also grateful to consumer research expert **Vypr** for providing access to its consumer research panel. A series of consumer surveys were published through Vypr's panel in February and March 2021, garnering over 1000 responses per question, though product comparisons closed at c.500 responses, and free text answers at c.50. For alcohol-related questions, the sample was drawn from those who selected daily, weekly or monthly alcohol consumption.

Vypr is a leading predictive consumer intelligence platform that combines research into behavioural science with a well-segmented consumer panel. Vypr works with retailers including The Co-op Food and Starbucks, brands like Weetabix and Müller, and large manufacturing groups such as Cranswick PLC and 2 Sisters Food Group.



Acknowledgements

Our heartfelt thanks go to all those listed below who shared their times and insights, as well as those who wished to remain anonymous. We salute you!

Aurelie Kane	Communications and Corporate Affairs Director, Pernod Ricard UK
Chris White	Energy Manager, Marston's
Emma McClarkin	Chief Executive, British Beer and Pub Association
James Chase	Director, Chase Distillery
James Franklin	Associate Director and Head of Merchant Sales, Corney and Barrow
Julian Hunt	Vice President, Public Affairs and Communications, GB, Coca-Cola European Partners
Mark Fielding	Commercial Director, Vypr
Martin Kersh	Executive Director, Foodservice Packaging Association
Oliver Drury	Communications Director, Adnams Plc
Paul Harbottle	Chief Operating Officer, ROUND, previously EI Group
Peter Statham	Sustainability Manager, Carlsberg Marston's Brewing Company
Richard Davies	Marketing and Strategy, Alchemy RX
Sam Galsworthy	Cofounder, Sipsmith
Timiko Cranwell	Director of Legal and Corporate Affairs, AB InBev
Tim Warrillow	Co-founder and CEO, Fever Tree
Vance Fairman-Smith	Supply Chain Director, Greene King
Vanessa Wright	Chief Sustainability Officer, Pernod Ricard

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