Footprint Drinks ESG Trends Report 2023

Who's doing what, why and what needs to happen now: an analysis of the key ESG trends in the drinks industry

Coca-Cola EUROPACIFIC PARTNERS

FOOTPRINT INTELLIGENCE

Contents

About this research

Footprint Intelligence was commissioned by Coca-Cola Europacific Partners to write this report. The research comprised of in depth, semi-structured interviews with drinks industry experts, a benchmarking review of 28 leading brands to provide the scoring for each category, original consumer research conducted by Vypr, as well as desk-based research, involvement in industry events and forums, and comments and insights gathered from other opinion leaders linked to the industry.

Benchmarking review and scoring

In order to benchmark industry progress on Environmental, Social and Governance (ESG) reporting, a scoring system was developed by Footprint especially for this report based on the World Benchmarking Association and The Food Federation's Food and Agriculture Benchmark. The benchmark includes 45 indicators distributed across four measurement areas of governance and strategy, environment, nutrition and social inclusion.

For this report, the metrics were refined to suit the drinks industry, and a total of 24 areas were assessed and scored using publicly available ESG reports for 28 of the country's leading drinks companies. These companies were chosen for their market size and position. The assessment was undertaken in June/July 2022.

Companies were scored against a set of parameters, and scores collated to give a score for each measurement area. Industry scores were reached by taking the percentage of the achieved score out of the maximum points available. This was then converted into a score out of 10.

Acknowledgements

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- Julian Hunt, vice president, public affairs, communications and sustainability, GB, Norway and Sweden, Coca-Cola Europacific Partners
- Kate Nicholls, CEO, UKHospitality
- Rob Pitcher, CEO, Revolution Bars Group
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Foreword

Julian Hunt
Vice president, public affairs, communications and sustainability, GB, Norway and Sweden, Coca-Cola Europacific Partners

Sustainability – in the broadest sense – has been at the forefront of all of our minds over the past year or so. COP26, hosted in the UK in late 2021, brought carbon reduction into sharp focus for businesses with the Government challenging us all to put plans in place to halve carbon emissions by 2030, and reach Net Zero by 2050.

Since then, other global factors have forced us to think more broadly about sustainability – with the war in Ukraine driving us all to consider our energy use and efficiency, and the long, hot summer leading to headlines about how we can build resilient water supplies. At the same time, significant regulatory changes are underway, most notably preparations for the introduction of the Deposit Return Scheme in Scotland, and ongoing discussions about the introduction of similar schemes across the UK. If introduced effectively, these have the potential to transform recycling in the UK and help establish a truly circular economy.

There has never been a more important time for us to work together to confront and find solutions for these challenges and ensure that, as an industry, we lead the way in doing business responsibly.

It's a commercial imperative. One of the many vital insights in the third **Footprint Drinks ESG Trends Report 2023** is a clear demonstration that consumers' purchasing decisions are increasingly influenced by their perception of brands' (and venues') commitment to sustainability. The reality is that we must all act to maintain our license to operate.

At Coca-Cola Europacific Partners, we've set our own ambition to reach net zero across our supply chain by 2040 and reduce our greenhouse gas (GHG) emissions by 30% by 2030 (versus 2019). But being a truly sustainable business is about much more than those headline targets. Behind them sit a range of pilots, trials and initiatives we're undertaking, in every area of our business, as we strive to reduce our impact on the environment. And we're not alone in our efforts.

This Report shows the truly impressive extent of innovation taking place across the sector to reduce energy use, cut emissions, drive down waste and support our people. And it's absolutely right that we learn from, and challenge, each other to ensure we're doing all we can, not only to achieve our individual net zero targets, but to support the wider industry and supply chain.

That's why I urge you to read and digest this Report and consider what more we could all be doing to improve the sustainability of our sector.

Executive summary: 2023 insights

"Net zero targets have been set and a relentless effort to make improvements, big and small, must become ingrained into business strategy and culture. The industry is coming together – now is the time for further action."

Julian Hunt, vice president, public affairs, communications and sustainability, GB, Norway and Sweden, Coca-Cola Europacific Partners

Welcome to the **Footprint Drinks ESG Trends Report 2023**. 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.

These are challenging times for the hospitality sector. Skyrocketing energy costs, soaring food prices and a squeeze on household incomes have combined to create a perfect storm of difficult trading conditions.

For many businesses that have so far survived the combination of punches thrown first by the pandemic and then the cost of living crisis, profitability is in peril.

In this context, it's tempting to conclude that the development and execution of ESG strategies could take a back seat as businesses try to ride out the economic storm and their customers deprioritise sustainability in their purchasing decisions. That was certainly the case during the financial crash of 2008, according to UKHospitality CEO Kate Nicholls.

Changed landscape

Yet there is evidence that sustainability is now too embedded to be side-lined. The landscape has shifted amid the growing realisation among businesses that sustainability and cost efficiency are two sides of the same coin. "The cost environment will drive businesses commercially to make very hard-headed and pragmatic decisions around things like waste, energy and water. It's going to be ever more important to control those costs," says Nicholls. This will drive the more efficient and sustainable use of resources.

Whether it is brewers generating their own renewable energy; drinks suppliers innovating to reduce or remove packaging; or bar owners using cutting edge technology to monitor their water usage, the dominant trend identified in the **Footprint Drinks ESG Trends Report 2023** is for businesses to channel their ESG ambitions into reducing costs and driving efficiencies.

The worldwide floods, fires, heatwaves and droughts experienced in 2022 serve as a reminder – if one is needed – that time is running out to fix a food and drink system that has helped push the planet to the brink.

Our research reveals an industry that has worked frantically to create strategies and set targets, and which is now in the throes of setting out exactly how these challenging ambitions will be achieved. This report reveals the pressing issues, opportunities and the areas most in need of action.

1 Strategy and culture

Score: 8/10

Drinks businesses score highly for strategy and culture – our benchmarking review of leading brands found the vast majority have clear sustainability strategies and targets. The onus is now on hammering out the specifics of how these will be achieved, and then reporting on progress.

Sustainability pays...

FOOTPRINT STAT

59%

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

And attracts talent...

60%

of people will choose a place to work based on their beliefs and values[1]

Take action:

- Engage staff in ESG: make employees aware of what you are doing and why
- Don't let perfection get in the way of progress...
  - Balance rigour in identifying optimal solutions with the agility to seize opportunities
  - Take advantage of green loans and other forms of finance to help build sustainable infrastructure

Net-Zero

2 Energy and emissions

Score: 7/10

Businesses score well on energy and emissions for concerted action – our review found 71% have set scope 1 and 2 targets, 57% have set scope 3 too. Progress is being made on linking carbon reduction targets to the latest science. But more must be done to tackle value chain emissions.

Net-zero matters...

NET-ZERO

FOOTPRINT STAT

40%

of consumers would choose a drinks venue whose signage said it was committed to net-zero by 2030

As does green energy...

+60%

reductions in scope 1 and 2 emissions expected for breweries sourcing renewable energy[2]

Take action:

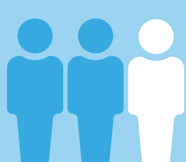
CO_2

- Engage up and down your value chain...
  - Collaborate with supply chain partners to tackle the scope 3 emissions that account for c. 90% of total emissions[3]
- Switch to renewable energy and invest in efficiency measures...
  - It's low-hanging fruit that delivers meaningful near-term emissions reductions
- Offset with caution...
  - Use as a last resort and reduce reliance on offsets over time

3 Clients and consumers

51% of the UK consumers surveyed by Footprint say climate change is an issue of concern; and 31% said they'd choose a drinks venue with eco-certification over one without. It's clear that businesses which don't demonstrate tangible action risk missing out on future custom. Health also continues to grow as a key drinks trend.

Low and no is here to stay...

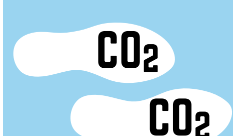


FOOTPRINT STAT

63%

of consumers choose low- or no-alcohol versions of drinks instead of their alcoholic alternatives sometimes or often

Carbon footprinting is on the way...



Early adopters such as SERVED's hard seltzers are advertising the CO_2e associated per kg of product

Take action:

- Drive responsible alcohol consumption...
  - Mainstream alcohol portfolios now require a low- or no-alcohol option
- Use labelling to boost healthier drink options...
  - Alcohol brands should provide transparent nutritional information
- Harness marketing to highlight sustainability credentials...
  - Simple messages that don't preach are the most effective
- Support safer drinking environments...
  - Help make venues safer and more inclusive, especially for women

4 Waste

Reducing food waste is a win-win opportunity for businesses but there is little evidence that work to reduce waste in operations and throughout the supply chain is happening at scale. Progress is stronger on packaging, but government dithering on new legislation is hindering progress.

Plastic is still a major concern...

FOOTPRINT STAT

69%

want to hear from pubs and bars about the work they're doing to tackle plastic and packaging waste

As is food waste...

FOOTPRINT STAT

69%

want to hear from pubs and bars about the work they're doing to tackle food waste

Take action:

- Work to reduce or eliminate packaging in all areas...
  - This includes secondary packaging used in transit and logistics
- Keep pushing on recyclability...
  - Offer support for well-designed deposit return schemes
- Keep reusables front of mind...
  - The industry must collaborate to find ways to deliver reuse at scale
- Do more to tackle food and drink waste...
  - By-products can often be used in place of virgin ingredients

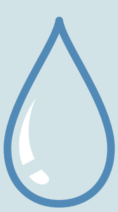
5 Raw materials, the environment and water

The natural resources that businesses rely upon such as energy and water can no longer be taken for granted. Companies must use their resources as efficiently as possible in the interests of both the planet and their own commercial viability.

Businesses are backing regenerative farming...

Innocent has launched a farmer innovation fund offering up to £100k to projects that reduce carbon in agriculture[4]

But they need to do more about saving water ...

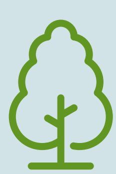


FOOTPRINT STAT

+66%

want to hear from pubs, bars and drinks brands about the work they are doing to preserve water, and to protect waterways, rivers and oceans

Take action:

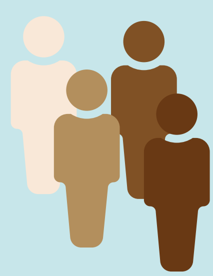


- Embrace regenerative agriculture...
  - Support producers to farm more sustainably
- Set water reduction targets and understand their carbon impact...
  - Changing staff behaviours and identifying water waste can save money and resources
- Harness partners to save water...
  - Coca-Cola is working with the Norfolk Rivers Trust to reverse the decline of freshwater environments in Norfolk
- Consider self-supply...
  - Sourcing direct from the wholesale market can improve cost savings and water efficiency

6 Social impact and employees

Progress has been made on social issues but there remains a lack of reporting on key metrics such as workforce diversity and ethnic pay gaps. Employee health and wellbeing remain critical issues.

Racism still exists within the sector...



37%

of black hospitality sector workers have experienced or witnessed racism in their current workplace along with 28% of Asian workers and 29% of mixed ethnicity workers[5]

And low pay remains a challenge...

Among food sector workers, kitchen, catering and waiting staff are most likely to be on or below the minimum wage[6]

Take action:

- Keep up momentum on diversity...
  - Establish targets to improve boardroom representation
  - Provide opportunities AND address labour shortages
  - Supporting underrepresented groups helps social mobility and can ease recruitment challenges
- Create a strong corporate culture...
  - Measures to support existing staff boost retention and attract new talent
- Maintain a focus on mental health...
  - Continue to evolve and improve actions to support staff
- Pay living wages...
  - And ensure the supply chain is free from worker exploitation

CHAPTER 1 Strategy and Culture

Strategy and Culture

"At COP26 last year we had a lot of net-zero pledges, which was great. But we're now getting into the nitty gritty of implementing the practical steps to make them happen. And that's by far and away the hardest part."

Timiko Cranwell, UK&I director of legal and corporate affairs, Budweiser Brewing Group

FOOTPRINT STAT

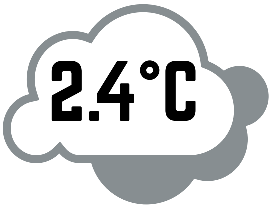
of consumers consider a brand's green credentials when choosing what drink to buy

This year's 8/10 score for strategy and culture reflects the fact that virtually all major players have set sustainability strategies – a good business decision considering 59% of our panel of 1,000 UK consumers reported considering a brand's green credentials when choosing what drink to buy. This is an increase from 56% in our 2021 survey, despite the cost of living crisis and other major consumer concerns.

Our analysis of the top 28 drinks brands revealed that the highest-scoring drinks brands had set short- and long-term goals and were reporting on progress. Most companies reviewed had a sustainability strategy in which they outlined current actions and future targets. Some goals are short-term, 'quick wins' whilst others are longer, time-bound targets that may take a decade or more to achieve. Many companies have been ambitious in their target-setting and some have assigned accountability for prioritising and delivering the actions to a governing body.

1.1 Turn targets into action

Government commitments at the 2021 COP Glasgow summit do not



the level of dangerous warming that will result even if governments take all the actions promised at COP26[7]

go far enough in putting the world on a 1.5 degree trajectory. There is a huge gap in emission reduction potential that businesses must fill – and that's before you consider the need to tackle the interlocking crises around biodiversity, water scarcity, public health and more besides.

But setting targets is just the first step on the road to sustainability. Delivering them requires an organisation-wide commitment to drive change at every level of the business. Strategy and culture should reflect the fact that achieving ESG goals is central to the long-term sustainability and commercial success of the business. That requires getting the support and sponsorship of the leadership team, securing the necessary financial and human resources, and setting out a detailed roadmap for delivery with transparent reporting of progress.

Collaborative initiatives, such as the Zero Carbon Forum, have developed sector-specific roadmaps for achieving net-zero, while other organisations like Wrap and Business in the Community can offer support on specific issues such as waste, equality and diversity.

1.2 Don't let perfection get in the way of progress

The importance of rigorously measuring baselines, setting targets and identifying optimal solutions should not be understated. But the urgency of achieving climate targets which limit warming to 1.5 degrees means this needs to be balanced with a willingness to act decisively when opportunities present themselves. There is a risk that businesses wait for perfect solutions to arise when the reality is that most solutions are imperfect, involve trade-offs or infrastructure that is still being developed. The journey to net-zero, for example, should be considered an iterative process where some roads lead to dead ends but others result in meaningful reductions in emissions.

In practice, this might mean taking a chance on an unproven technology or investing in infrastructure that might be expensive upfront but will increase efficiency (and save cost) for years to come.

Tom Fiennes, commercial sustainability director at Britvic, says the soft drinks' producer is taking proactive action by investing in several promising solutions as part of its Healthier People, Healthier Planet strategy. The manufacturer plans to install its first heat capture systems in Great Britain in 2023 and is also starting to explore how new technologies like hydrogen might replace fossil fuels in the energy mix, despite current infrastructure not yet supporting hydrogen's operational use at scale.

"Delivery mechanisms for getting hydrogen into factories don't exist at the moment. There's a big infrastructure change that needs to take place over time before companies like us are going to be in a position to invest but we can still test and learn in the meantime," he says.

1.3 Engage staff on strategy

Drinks businesses will not be able to deliver their ESG commitments without the support and buy-in from those on the ground – it is in the breweries, manufacturing plants, distribution centres, pubs and restaurants where commitments made on paper come face-to-face with the operational reality.

In our industry review of leading drinks brands, the highest scorers had linked remunerations with ESG targets and were reporting on progress. As a minimum, sustainability strategies were signed off by the highest governing body of the company. The industry as a whole could improve by embracing this type of accountability.

Engaging your employee base in what you are doing and why you are doing it is critical to creating a culture where everyone is pulling in the same direction. Laurence Cox, sustainability manager at Carlsberg Marston's Brewing Company, explains that in the past there were certain areas of the business where people knew how ambitions concerning the environment or responsible drinking were linked to their particular job role, but there

99% of hospitality workers want to work for a sustainable business[8]

60% of people will choose a place to work based on their beliefs and values[9]

58% of FTSE 100 companies now include ESG measures as part of executive incentive plans[10] were many other people who didn't believe it related to them. "Now we're getting to the point where we need to get everyone to understand how it fits with their role, and how everyone has a massive role to play. This is particularly important with our recent Together Towards Zero and Beyond strategy update." he says.

Rob Pitcher, CEO of Revolution Bars Group, notes how the operator has a 'Zero Hero' in every one of its 69 outlets who is empowered to seek out new ways to achieve its sustainability goals. "The best initiatives that we have rolled out across the Group have come from these people," says Pitcher. "They are the backbone of our strategy."

Employee wellbeing can also help. Charly Thieme, operations manager of Brighton Spirits Group, notes that "wellbeing is a core part of being a sustainable business. Maintaining high levels of satisfaction, involvement, transparency, and flat hierarchies keep the team engaged with the vision of the business."

1.4 Harness green finance

Only 37% of hospitality businesses across the UK are currently turning a profit, according to a survey published in June 2022 by the British Beer and Pub Association, British Institute of Innkeeping and UKHospitality[12].

The situation is unlikely to ease in 2023 for pubs, restaurants and caterers along with the brewers and manufacturers that supply them. The huge cost pressures facing businesses can mean the case for investing in equipment upgrades or new green infrastructure may be difficult to make.

Increasingly, however, there is help available for businesses looking to finance the transition to a more sustainable business model. Banks are starting to offer so-called 'green loans' whereby repayments are added to the cost of energy bills and lenders abide by the 'golden rule,' which states that the cost of the loan should not surpass the cost of energy saved.

Grants or subsidies may also be available from central and local government to make sustainable switches. As part of the government's existing £582m plug-in vehicle grant scheme, funding is available for 20% of the purchase price of a zero emission HGV, up to a maximum of £25,000.

43%

of UK hospitality firms plan to hike prices as energy costs soar[11]

Banks compete over green finance

NatWest, RBS and Barclays are among the major banks offering green loans to eligible UK businesses to help fund sustainable projects and their transition to clean energy supplies. Loans can be used to fund green investments in things like solar panels, electric vehicles or heat pumps on commercial buildings. The money can also often be used in sustainable agriculture or for forest restoration, and for conservation purposes or marine management.

Terms vary between banks but many loans are offered without arrangement fees or early repayment charges and offer borrowers a range of options, with fixed and variable interest rate loans available and repayment terms ranging from three months to 25 years.

CHAPTER 2

Energy and emissions

Energy and emissions

Net-Zero

> "For our suppliers and customers, we're an important part of their scope 3 emissions and likewise they are for us. That means having important conversations now, up and down our value chains."

Julian Hunt, vice president, public affairs, communications and sustainability, GB, Norway and Sweden, Coca-Cola Europacific Partners

FOOTPRINT STAT

40% of consumers would choose a drinks venue because its signage said it was committed to being net-zero by 2030

NET-ZERO

With 71% of leading drinks brands now publishing scope 1 and 2 emissions targets and reporting on progress, and with 57% doing the same for scope 3 too, our review highlighted the measurable progress being made in energy and emissions. Those who haven't published their plans and progress should be wary that their inaction will be exposed. However, the industry still needs to ensure targets are science-based – of which many are not – to keep warming within 1.5 degrees to meet the goals of the Paris Agreement.

2.1 Tackle and manage operational emissions

63%

reductions in scope 1 and 2 emissions expected for breweries sourcing renewable energy[13]

Reducing energy use – while greening the energy supply – is a win-win for both cost and the environment. Some of the nearest term commitments in corporate net-zero plans involve switching to 100% renewable energy, generating on-site renewable power or implementing energy efficiency measures. These are what one might consider the low-hanging fruit.

The Zero Carbon Forum says pubs switching to a renewable tariff can expect to achieve a 34% saving in scope 1 and 2 emissions. For a brewery, sourcing green energy can have an ever-greater downward impact on scope 1 and 2 emissions, offering a 63% saving[14].

Beyond a switch to renewable supplies, businesses are also investing in a range of initiatives to reduce emissions at their sites:

- Chivas Brothers is installing new bio plants and high-efficiency technology to improve efficiencies in the distillation process across its Aberlour and Miltonduff single malt distilleries[15].
- Budweiser Brewing Group UK&I has partnered with Protium, the UK-based green hydrogen energy services company, to explore the deployment of zero emission green hydrogen at Magor brewery in South Wales, one of the largest breweries in the UK[16].

CMBC greens its fleet

Carlsberg Marston's Brewing Company (CMBC) introduced two fully electric HGV trucks to its logistics fleet in 2022 capable of delivering over 10,000 pints of beer per day to pubs[18]. The Renault trucks are considered ideal for urban distribution – including routes into London's Ultra Low Emission Zone – and deliver freshly-brewed beer to pubs on a daily basis, operating out of the company's Cardiff and Thurrock (Essex) distribution depots.

The move to two, fully electric vehicles will see the brewer replace up to around 19,000 diesel-fuelled road miles per vehicle per year with the potential for additional electric trucks to be introduced into CMBC's existing fleet of 270 traditional vehicles in the future. CMBC has also installed charging points at the Cardiff and Thurrock depots that will be powered by electricity from renewable sources.

- Bulmers Cider has installed what is now the largest rooftop solar panel farm in Ireland at its manufacturing facility in Clonmel Co. The solar panels provide 10% of electricity used onsite and will reduce the Clonmel site's carbon emissions by 4%, saving 286,746kg of CO2 per year and almost 1m tonnes over the next 20 years[17].

2.2 Engage up and down your value chain

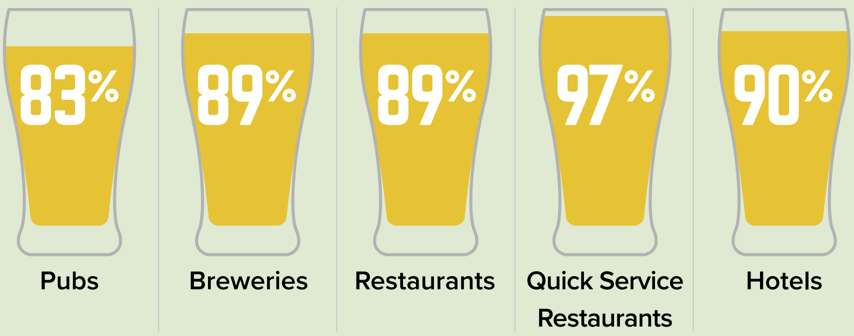
This year's Trends Report found a significant increase in collaboration between businesses up and down the drinks value chain. Our review of ESG reporting found many are working with suppliers to identify scope 3 emissions and help reduce them. This is motivated in part by a desire to tackle the scope 3 emissions that account for the vast majority of businesses' total emissions (see infographic below).

Many of the major brands also scored highly for stakeholder engagement, demonstrating how they identified stakeholders and how engagement fed into the company's sustainability strategy. Many stakeholder strategies are tied to local communities, and there is plenty of evidence of companies engaging with communities around the point of origin for some of their ingredients and raw materials. Working with these communities helps companies understand the impact of the business and provides an opportunity to find collaborative solutions to climate change mitigation and adaptation.

The Zero Carbon Forum says engaging with suppliers and garnering commitments to reduce their carbon footprint could account for an 11.2% reduction in scope 3 emissions. Fleet decarbonisation provides a 10% saving and focusing on local and sustainable sourcing can contribute 4.3%[20].

One example of collaboration across the supply chain is the Net Zero Hospitality initiative. This was developed by Net Zero Now, in partnership with Coca-Cola Europacific Partners and Pernod Ricard, and has been rolled out by the Sustainable Restaurant Association. The initiative provides practical support and guidance to make the process of going net zero easier and more cost effective for hospitality venues. Having launched as a pilot scheme in the summer of 2021, it has now recruited more than 2,500 venues, helping these businesses to calculate and take active steps to reduce their carbon footprint, while also enabling the likes of Coca-Cola

What percentage of total emissions come from scope 3?[19]



Europacific Partners and Pernod Ricard to tackle elements of their scope 3 emissions.

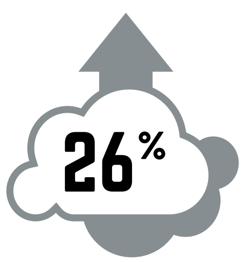
> “Everyone has to collaborate by default because there is a real sense of ‘we’re all in this together’.”
>
> **Tom Fiennes, commercial sustainability director, Britvic**

It’s critical that businesses make it clear what their expectations are for their suppliers. Britvic strives to build strong relationships with its supply chain partners where both parties promote socially and environmentally responsible business practices and has approached this by sending out a questionnaire to all of its suppliers. Fiennes says this is achieving two things: “The first is to ensure they understand what our own commitments are as a business and what we are trying to achieve. The second is that doing this actually challenges our suppliers on what they are doing to reduce their own impacts.”

Pitcher from Revolution Bars Group has been impressed at the engagement the business has had from its suppliers to-date. “What’s really pleasing to see is how far the major suppliers have come in recent times and how willing they are to partner with us on sustainability initiatives [so] we can deliver on our carbon reduction strategy.”

Companies should also look to collaborate with smaller businesses to help both parties achieve their sustainability ambitions. “Small businesses want to do something, they’re just not quite sure what to do, or how to do it,” says Timiko Cranwell, UK&I director of legal and corporate affairs, Budweiser Brewing Group. “I think that’s where large companies like us can really help out.”

2.3 Offset with caution



expected increase in price per tonne of carbon by 2025[21]

Carbon offsetting has proved a popular way for businesses to neutralise the residual operational and value chain emissions they can’t reduce themselves. The practice enables businesses to purchase carbon credits by funding environmental projects such as tree planting or renewable energy generation, often on the other side of the globe.

Schemes administered by the likes of Verra and Gold Standard exist to certify projects, however the practice of offsetting remains under scrutiny over its rigour and its potential to distract from companies’ own emission reduction efforts. A London School of Economics article from February 2022[22] highlighted a number of examples where offsetting programmes had failed to deliver the promised impact: these included a study which found that most Indian wind farms financed with credits would likely have been built anyway, and a study of forest offsets under California’s cap-and-trade programme which found that almost 30% of projects were credited with greater emission savings than they really achieved.

Best practice for businesses is to prioritise reducing their own direct emissions and those right across their value chain before resorting to offsets. The Oxford Principles for Net Zero Aligned Carbon Offsetting (or ‘The Oxford Offsetting Principles’) provide guidelines to help ensure offsetting actually helps to achieve a net zero society . There are four key elements to credible net zero aligned offsetting, according to the multidisciplinary team from the University of Oxford:

1. Prioritise reducing your own emissions first, ensure the environmental integrity of offsets purchased, and disclose how offsets are used.
2. Shift offsetting towards carbon removal, where offsets directly remove carbon from the atmosphere.
3. Shift offsetting towards long-lived storage, which removes carbon from the atmosphere permanently or almost permanently.
4. Support the development of a market for net zero aligned offsets.

Therefore, where carbon credits are being purchased to enable businesses to make net-zero or carbon neutral claims for specific brands or products, the reliance on offsets should be reduced over time if they are to meet The Oxford Principles.

CHAPTER 3 Clients and consumers

Clients and consumers

"Operators are seeing an increased demand and appetite for low- and no-alcohol drinks, healthier options and cleaner drinks, rather than it just being all about alcohol."

Kate Nicholls, CEO, UKHospitality

FOOTPRINT STAT

51% of UK consumers said climate change was an issue of concern

31% prefer venues with eco-accreditation

Customers and clients care about sustainability. Even in the midst of the cost of living crisis, Footprint's 2022 consumer survey of more than 1,000 people found that 51% said climate change was an issue of concern, coming fifth after the cost of living crisis (73%), energy costs (73%), food costs (68%), and the economy (55%).

And in our market research, 31% of consumers would choose a drinks venue that had an eco-accreditation over one that didn't. Whilst this may be a drop of 14% percentage points from the 45% who did so in 2021, it indicates that concerns about green issues are resilient and will remain an important factor when choosing between similar options.

We are also seeing a trend towards healthier consumption habits as evidenced by a market shift towards more permissible drinks with a healthy halo, such as those low in calories, sugar or alcohol.

3.1 Drive responsible alcohol consumption

One of the key drinks trends to emerge in recent years is the growth in demand for low- and no-alcohol options: 42% of drinks industry leaders see it as the number one emerging trend[24]. Some 63% of our consumer panel said they choose a non-alcoholic version instead of its alcoholic alternative 'sometimes' or 'often', while 35% reported that they regularly drink low- or no-alcohol versions of drinks, such as wine, beer, spirits and cocktails. Ghostship, at 0.5%, is Adnams' third best-selling beer, according to sales figures shared with Footprint from summer 2022. These statistics reflect the growing trend for consumers to seek out healthy alcoholic options like spritzers, seltzers and low- or no-

FOOTPRINT STAT

63% of UK consumers choose low- or no-alcohol versions of drinks instead of their alcoholic alternatives sometimes or often alcohol beers, wines and spirits, and demonstrate that this is an area of opportunity for the whole industry to embrace.

Indeed, from being a niche offering just a few years ago, the vast majority of mainstream beer brands now have a low- or no-alcohol variant within their portfolio. However, the brands leading in this space are also engaged in internal and industry-wide programmes to promote responsible consumption, and have set aside marketing budget to promote no- and low-alcohol options and responsible choices.

"The selection of non-alcoholic drinks now available is completely unrecognisable to even five years ago," says Pitcher at Revolution Bars.

One focus of a significant amount of product innovation has been seltzers[25], which combine sparkling water with light fruit flavouring and sometimes alcohol (in 'hard seltzers'). Another big change in the past year has been the distribution achieved by low-or-no variants, including their availability on tap. San Miguel's 0,0 beer, for example, was available on draught at selected bars at Lord's Cricket Ground during the summer[26].

By having a low- or no-alcohol option on tap, pubs, restaurants and bars can not only take advantage of growing consumer demand for more permissible tipples (healthier versions of 'unhealthy' products), they can also send a message to customers that these options are considered on an equal footing with higher strength alternatives.

Brewers see low- or no-alcohol options as central to their future growth plans. Budweiser has committed to generate 20% of its beer volumes from no- and low-alcohol options by 2025.

Businesses should also show their support for responsible alcohol consumption by continuing to fund organisations which provide tools to help people understand the impact of alcohol consumption and help reduce harm. As an example, Budweiser ran a pilot scheme in Manchester with Drinkaware as part of alcohol awareness week to provide safe spaces where members of the public can privately discuss their alcohol consumption with trained staff.

3.2 Use labelling to boost healthier, more sustainable drink options

Consumers looking for a healthier, more sustainable drink option need information to help them make informed choices. Nutritional labelling, most commonly in the form of a traffic light/guideline daily amount hybrid label, now comes as standard for many major soft drinks brands (Coca-Cola and Robinsons are just two examples); however, the provision of this information is much patchier for alcoholic beverages.

The government promised to consult on plans to provide calorie labelling on alcohol products as

Seltzer brand serves up carbon transparency

Premium British hard seltzer brand SERVED, co-owned by musician and climate and nature champion Ellie Goulding, introduced carbon footprint labelling to its range from April 2022. The brand partnered with CarbonCloud, a climate intelligence platform, to analyse the environmental footprints of its drinks from the production of agricultural inputs up to the point the product reaches the chiller cabinet. Though this might not be a full footprint as it doesn't take into account what happens once it leaves the chiller (wastage, packaging, recycling etc), the process of footprinting enables a brand to focus on the emission hotspots in its products.

SERVED's lime and raspberry hard seltzers, for instance, have a footprint of 0.41kg and 0.42kg CO_2e per kg of product respectively.

SERVED's co-founder Dean Ginsberg said carbon labelling "provides much needed environmental transparency – it allows consumers, who are increasingly looking for more sustainable choices, to make informed decisions on the products they consume". However, labels will only enable fully informed choices if the labels are standardised and adopted widely.

part of its 2020 obesity strategy but over two years later no consultation has been delivered.

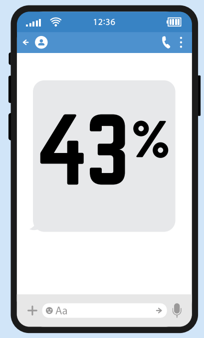
Some suppliers are getting ahead of the regulatory curve by providing information voluntarily. Carlsberg, for instance, provides information about the ingredients and nutritional values of its beers across all its Western European markets. Footprint's review of ESG reporting showed only a minority of drinks companies are committed to disclosing full nutritional information on their product packaging.

There is growing interest too in carbon labelling as a means of arming consumers with the knowledge about the environmental impact of their choices. Our consumer survey, in which 40% said they'd choose a drinks venue on the basis of it being committed to achieving net-zero by 2030, indicates consumers will respond positively to more information on carbon. Dairy-free milk brand Oatly is considered a pioneer in this space having displayed carbon footprints on its product range since 2019.

3.3 Harness marketing to highlight sustainability credentials

When it comes to health and sustainability and consumers, our benchmarking found that the leaders in this space had allocated budget specifically for healthy and responsible marketing campaigns and were reporting on progress to promote healthier choices. Soft drinks companies are generally doing much more in relation to healthier marketing than those producing alcoholic drinks.

FOOTPRINT STAT



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

Marketing channels like social media are an important way for brands to communicate their messages on health and sustainability. Take AB InBev's commitment to achieve net zero across its value chain by 2040, and the multi-channel messaging that accompanied the announcement[27].

The key is to make messages simple since companies have only a small window of time to capture people's attention. "Part of the problem is some of the current messaging is too complicated. If it requires too much explanation, it's taken too long," says Danielle Bekker, founder of Good Living Brew Co.

Pitcher says you've got to be short, succinct and focus on one key message at a time. It's also important not to preach. "You can't run ahead of your consumers. You need to take them on the journey with you but they don't want to be reminded about the planet dying when they are out for a good time. They just expect you to be getting on with the job [of reducing your business's impact]."

3.4 Support safer drinking environments

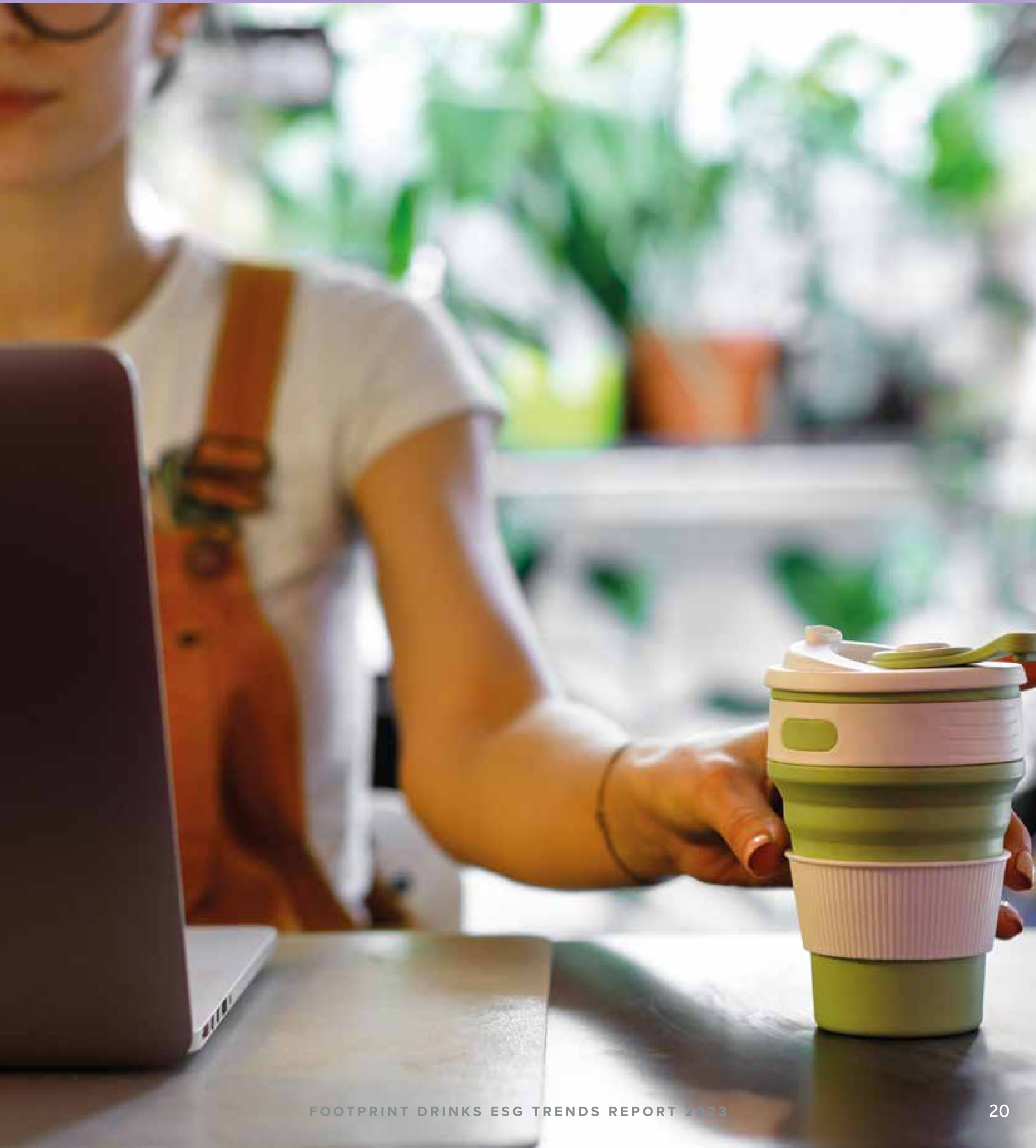
Concerns for the safety of women have been brought into sharp focus by tragic recent events including the murders of Sarah Everard, who was kidnapped walking home in the evening, and Sabina Nessa, who was attacked on the short walk between her house and the pub.

Businesses involved in the night-time economy cannot prevent such incidents from occurring but they can take steps to help create safe, inclusive environments in and around venues such as pubs and clubs.

Budweiser Brewing Group is working to support the development of the Walk Safe app, which can help women get home more safely after a night out. "One of the things we're really focusing on is making people's working environment within the industry safer but also making pubs themselves very inclusive, safe spaces where people are free to have a good time," says Cranwell from Budweiser Brewing Group.

CHAPTER 4

Waste



Waste

"In the home, plastics are relatively well recycled, but it's a different story when people are on the go... Deposit Return Schemes will help drive significant change to consumer behaviour in the future."

Tom Fiennes, commercial sustainability director, Britvic

FOOTPRINT STAT

69%

of consumers want to hear from pubs and bars about efforts to tackle food waste

Alongside the rise in costs of doing business, firms in the drinks sector are having to work through the implications of new legislation in the shape of deposit return schemes (DRS) in Scotland and England and a new extended producer responsibility (EPR) regime which will see businesses foot the full bill for the cost of dealing with packaging waste.

However, reducing waste – be it packaging or ingredients – is another win-win opportunity for businesses. Plastic production, use and disposal around the globe contributes about 1.8 billion tonnes of carbon emissions annually[28]. Consumers still care about the issue too: 46% of our panel listed plastic waste as a major concern (above other key issues such as housing and education). But plastic isn't the only problem – as an example, 40 billion glass spirit bottles are produced annually, generating 22 million tonnes of CO2 emissions[29].

But changing deeply embedded practices and behaviours takes time and resources, while new barriers keep emerging – for example in the form of limited supplies of recycled plastic.

There is very little evidence of work to address food waste in ESG reporting, with the industry scoring poorly on reducing waste in operations and supply chain engagement. Overall, the industry scored only 3/10.

Commitment and creativity is needed to reduce the environmental footprint of packaging and ingredients and build greater circularity into drinks supply chains.

4.1 Work to reduce or eliminate packaging in all areas

FOOTPRINT STAT

69%

of consumers want to know what pubs and bars are doing to reduce plastic and packaging waste

Efforts to eliminate problematic or unnecessary single-use plastic packaging have continued during the past year – nearly half of companies reported reducing single-use plastic in their packaging. The highest scoring businesses are also working with their supply chains to reduce single-use plastic and have set targets for elimination. They are also looking to reduce the secondary packaging used in transit and logistics.

"Our packaging efforts are still mainly focussed on primary packaging, such as our bottles and cans, and secondary packaging, with innovations such as Snap Pack to remove plastic rings. However, we are increasingly improving our tertiary packaging e.g. by increasing the use of recycled materials. Our ZERO packaging waste targets, including 50% recycled content in our cans and bottles by 2030, are helping drive these improvements." says Cox at Carlsberg Marston's Brewing Company.

Wrap's latest Plastics Pact annual report[30] contains a number of examples of drinks brands successfully removing unnecessary plastic:

- Danone has launched a new five litre water dispenser 'evian (re)new'. The supplier's first in-home dispenser is made from 100% recycled plastic and uses 60% less plastic compared to 1.5l evian bottles.
- Innocent drinks has reduced plastic in its 900ml juice and 420ml Juicy Water bottles saving 273 tonnes of plastic each year.
- Britvic has redesigned its Robinsons 1.75l double concentrate bottle enabling non-recyclable polystyrene shelf display trays to be replaced with reusable ones. This redesign also enables more bottles to be packed onto pallets, which reduces the number of lorries on the road.

4.2 Keep pushing on recyclability

For products where there is currently no viable, sustainable alternative to single-use, drinks suppliers have been working to ensure products are 100% recyclable, and that all the product is actually recycled.

For example, as the recycling of PET in drinks bottles is relatively high, a lot of innovation has focused on making plastic caps integral to the bottle design thereby increasing

Recycling realities

Only 40% of small and medium-sized hospitality businesses recycle as part of their waste management regime, according to Biffa research[31].
Reasons given for not recycling by SMEs are:

- No room for additional bins (17%)
- Too expensive (17%)
- Not knowing where to start (12%)
- Not getting round to it (8%)
- Too difficult to manage (6%)

the chances of them being recycled. Coca-Cola Europacific Partners has introduced attached caps to its 1.5l and 500ml plastic bottles which reduce the potential for the cap to be thrown away after use. The new attached caps design is being gradually rolled out across Coca-Cola Zero Sugar, Diet Coke and Fanta with all plastic bottles across Coca-Cola's brands set to be attachable by the end of 2024. Clear bottles are also far easier to recycle than coloured, and another trend is to move to clear caps rather than coloured which makes recycling easier[32].

There have also been moves towards paper bottles, with Carlsberg and Diageo working on pilots to test feasibility[33].

Suppliers have also been looking to increase the volume of recycled plastic in their products (products with less than 30% recycled material are subject to a new plastics tax in the UK), but are finding it challenging to source sufficient quantities of recycled material. "Most beverage producers that use PET are committed to getting recycled content but it is very, very hard to get access to it," explains Julian Hunt, vice president, public affairs, communications and sustainability, GB, Norway and Sweden at Coca-Cola Europacific Partners.

This is in part why support among businesses for well-designed deposit return schemes has grown in recent years, the theory being that these schemes will help build greater circularity into the drinks supply chain thereby boosting supply of recycled PET. Hunt says the priority for suppliers like Coca-Cola is that DRS schemes being developed in England and Scotland are "consistent" and "work for both businesses and consumers". Governments must also address industry concerns around complexity and costs[34].

The industry is also lobbying for a mechanism which gives a "'right of first refusal to beverage producers to facilitate their fair access to the food-grade recycled materials coming from the products they placed on the market and which were successfully collected," according to a report by Eunomia[35]. This is because rPET is also being

Tonic on tap

Some suppliers are looking at ways to remove packaging entirely through innovation in on-trade dispensing. In November 2019, the Britvic-owned The London Essence Company launched Freshly Infused, a patented dispense system technology that can replace the need for glass mixer bottles thereby reducing packaging by 96%. Now installed in over 800 venues, the draught system includes five flavours and provides a more sustainable way of serving, while at the same time offering operational efficiency.

"For our customers it has an enormous impact on their own greenhouse gas emissions and also saves them a lot of storage space," says Britvic's Fiennes. "If you can replace glass with a premium product that has the same quality, which historically for bag and box dispense solutions has not always been the case, you can actually get to that nirvana of having the right product for the consumer but with significant reductions on every sustainability measure."

hoovered up by the fashion sector for use in clothes, which amounts to downcycling.

4.3 Keep reusables front of mind

FOOTPRINT STAT

of consumers carry a reusable cup or bottle for drinks on the go

Reducing packaging and making it more recyclable is an important sign of progress on resource efficiency, but removing the need for single-use packaging is even higher up the waste hierarchy. There are also strong indicators that the public is embracing reuse with the majority (61%) now carrying reusable bottles and cups for drinks on the go.

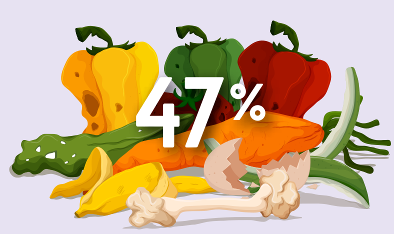
Reuse models involving drinks products are still in their infancy but some brands are leading the way. Adnams has introduced refill stations into five of its retail stores. Customers can buy a refillable bottle with their first order and return multiple times to top it up with beer, wine or spirits. “The beauty of that is not only is it really simple but it’s also cheaper for our customers,” says Oliver Drury, director of communications at Adnams.

Coca-Cola Europacific Partners meanwhile has partnered with Eurest, the workplace brand of Compass Group, to launch a six-month controlled trial of its latest beverage dispensing machine, the New Compact Freestyle. The machine enables consumers to purchase Coca-Cola drink brands and personalise temperature and carbonisation levels to their taste using their own vessels, thereby eliminating the need for PET or glass bottles, or aluminium packaging.

Hunt believes it will be important for the whole industry to “move as one” if significant progress is to be made on reusable options.

4.4 Do more to tackle food and drink waste

FOOTPRINT STAT



of consumers would choose a venue that said it was tackling food waste

Consumers care about food waste, choosing pubs and bars that say they are tackling it over ones that don’t. In our consumer panel, 41% also listed it as an issue of concern (this was above housing, education and unemployment). Alongside this, 69% of consumers said they wanted to hear from pubs and bars about the work they’re doing to tackle food waste.

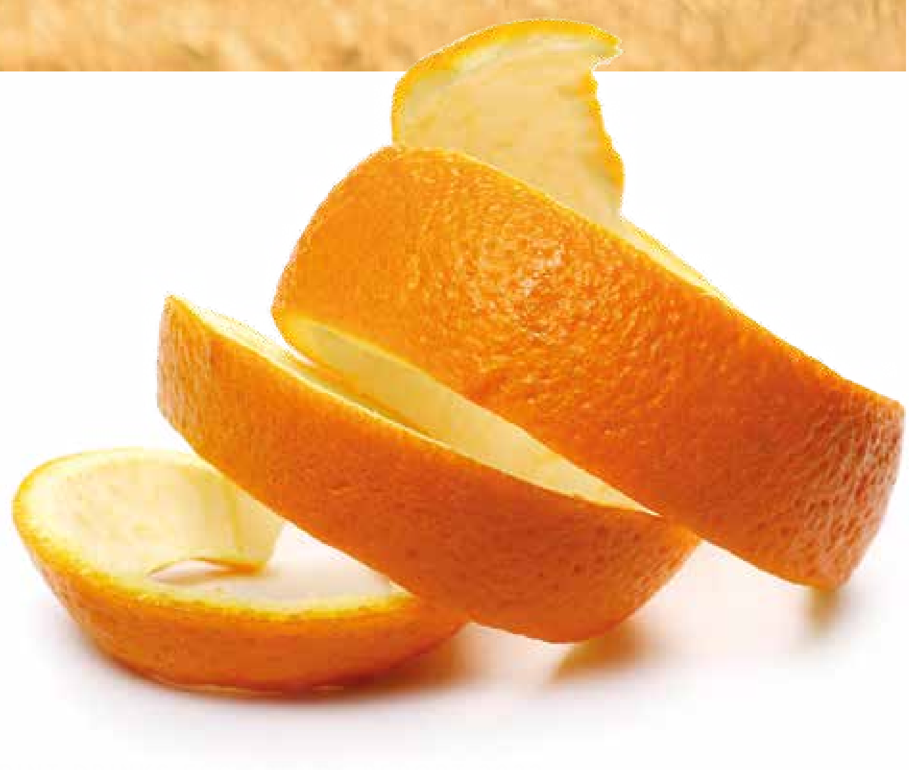
Whilst redistributing waste food products – often for animal feed or energy, or even packaging (such as Corona’s beer pack made from surplus barley straw[36]) – is commonplace in the drinks industry, very few companies are reporting on food waste reductions in their operations in their ESG reporting. Many have met zero waste to landfill commitments, but there is much more to be done on redistributing surplus food, using food waste as a resource, or, better yet, ensuring it is not produced in the first place.

Cask beer has a relatively short shelf-life because of the yeast content, but rather than destroy it Adnams sends surplus beer to a local anaerobic digestion (AD) plant to be used in energy generation[37].

Beer can also be mixed with solid feeds and fed to livestock, mainly pigs. Following the first coronavirus lockdown, Bristol-based Butcombe Brewing Co recycled 1,500 casks of unused beer to produce a semi-liquid animal feed for local pig farms[38].

Gin maker Warner’s is trialling redistribution apps such as Too Good to Go for short-dated products, and is also looking at redistributing surplus ingredients via local business networks and organisations such as Food Loop.

Warner's has also challenged itself to use waste products in the production of its drinks. The distillery's Trash & Treasure project involves looking beyond the default position of sourcing virgin materials or ingredients, and instead replacing them with by-products of local industries. As an example, dried citrus peels imported from Egypt have been replaced with fresh waste peels from fruit preparation factories located within 15 miles of the distillery that would otherwise have gone to landfill.



CHAPTER 5

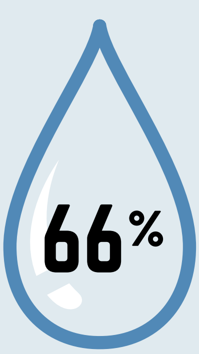
Raw materials, the environment and water

Raw materials, the environment and water

"Our aim is to get nature positive. This year we've had yellowhammer nesting in our lemon verbena; grey partridge nesting in our angelica crop; and botanicals supporting reed bunting and sedge warblers too. We know that we're starting to have a beneficial impact on farmland birds at our farm, which is vital when populations have reduced by around 56% in the last 40 years."

Jonny Easter, conservation and sustainability manager, Warner's

FOOTPRINT STAT



of consumers want to hear from pubs, bars and drink brands about the work they are doing to preserve water, and to protect waterways, rivers and oceans

The devastating heatwave and drought that impacted much of the UK in 2022 was further evidence, if it were needed, that our climate is rapidly changing. Experts predict that such extreme, once-in-a-generation weather conditions will become common events in the years ahead. This means natural resources that businesses rely on, such as energy and water, can no longer be taken for granted.

Whilst the companies reviewed are, for the most part, showing commitment to carbon emission reductions, the same cannot be said for other areas of environmental impact.

The pressure is on companies to make their use of resources as efficient as possible not only to ensure the continuity of their own operations but as part of their social licence to operate.

5.1 Embrace regenerative agriculture

Companies were scored on their commitment to promoting farmer resilience through training, identification of risks, providing finance and resources for crop diversification and engaging in research to further sustainable development. As a whole, the 28 reviewed scored a lowly 4/10 for their efforts on regenerative agriculture. More must be done to promote food security and ensure farmed land is suitable for growing crops and ingredients in the future.

Regenerative agriculture is defined by Groundswell as "any form of farming, ie the production of food or fibre, which at the same time improves the environment."

Groundswell sets out five principles to follow:

1) Don't disturb the soil
2) Keep the soil surface covered
3) Keep living roots in the soil
4) Grow a diverse range of crops
5) Bring grazing animals back to the land[39].

In practice, this may include growing a greater diversity of crops to support biodiversity and investing in techniques that help to improve the water cycle and store carbon in the soil.

A shift to more regenerative agriculture underpins the net-zero strategies of many large businesses. Companies who operate further up the supply chain from farm level are increasingly supporting producers to farm in ways that are better for nature.

- Nestlé is investing CHF1.2bn (£960m) in regenerative agriculture across its supply chain
- Compass says 70% of its fresh meat, dairy and vegetables will be sourced from regenerative agriculture sources by 2030
- First Milk will pay a premium to farmers who commit to a regenerative farming plan
- Innocent has launched a farmer innovation fund offering up to £100k to projects that reduce carbon in agriculture and inspire farmers to start using carbon saving practices[40]
- Pernod Ricard is investing in suppliers engaged in restoring and promoting biodiversity[41]. Martell Mumm and Perrier-Jouët have already moved to zero herbicides in vineyards, and are exploring alternative methods of weed control[42].

A key first step for businesses relying on a switch to regenerative agriculture to help achieve their environmental commitments is to create a baseline for their current impact. Jonny Easter, conservation and sustainability manager at Warner's, notes how the gin maker is currently engaged in work to map its ecological footprint that will sit alongside its carbon footprinting work.

5.2 Set water reduction targets and understand its carbon impact

> "We are currently rolling out 24-hour AI water monitoring which will allow us to pinpoint leaks and the misuse of water in all of our outlets. We did the same for electricity several years ago and removed a huge amount of waste and cost."
>
> **Rob Pitcher, CEO, Revolution Bars Group**

Water is a critical input to the production of drinks – from the irrigation of crops to its use in manufacturing and as an ingredient. But in many of the world's food and drink growing regions, a stable supply of good-quality water can no longer be relied upon[43].

Our analysis found that nearly 60% of reviewed brands are taking action to preserve, protect and restore waterways. Those companies that scored highest have conducted reviews of high-risk products and introduced technology and resources to preserve fresh water supplies.

Business efforts to use water more sustainably largely focus on implementing water efficiency measures on site. Changing staff behaviours – for instance by not leaving taps running or reducing

70%

Agricultural supply chains use 70% of global freshwater resources[44]

50%

Wrap's Courtauld Commitment 2030 water target is for 50% of the UK's fresh food to be sourced from areas with sustainable water management[45]

17%

Only 17% of UK rivers meet the EU Water Framework Directive's definition of 'good ecological status'[46]

40%

UN projections are that global demand for fresh water will exceed supply by 40% by 2030[47] use by chefs in cooking – can deliver big wins for little capital investment. Businesses can also make significant savings by identifying maintenance issues early – like faulty ball valves in toilets or leaky pipes – and fixing them.

68

Olympic-sized swimming pools of water saved by Whitbread over three years by implementing water efficiency measures and technologies across its sites[48]

Water works

The Coca-Cola Foundation has been working in partnership with the Norfolk Rivers Trust (NRT) on a water sensitive farming (WSF) initiative to protect one of the most water-stressed areas in the UK[49]. The initiative aims to reverse the decline of freshwater environments in Norfolk, and parts of Suffolk and Cambridgeshire – key sugar beet producing regions of the UK.

The initiative focuses on working with farmers to improve soil health and water quality and quantity, and aims to deliver a raft of wider benefits including flood risk management, carbon storage, groundwater protection and improved habitats for biodiversity.

More and more businesses are investing in systems that give them visibility over their water use and help identify areas where use is higher than it needs to be. Revolution Bars is in the process of rolling out 24-hour artificial intelligence-enabled water monitoring, which will allow the business to pinpoint leaks and misuse of water in all of its outlets. "We did the same for electricity several years ago and removed a huge amount of waste and cost," says Pitcher.

Cox at Carlsberg Marston's Brewing Company says its investment in real time data means automation and those on the production line at their Northampton brewery can see how different variables are impacting water use. "There's a lot of gains to be made in identifying with the data where issues are happening and then the team can come up with solutions," he says.

Water supply and treatment also contributes to a business's scope 3 carbon emissions and is also linked to the Task Force on Climate-Related Financial Disclosures (TCFD) reporting. Waterscan account director and head of sustainability Rebecca Gale says that by working with partners to identify which areas of the supply chain have the greatest water impacts, drinks businesses can subsequently target both carbon emissions as well as mitigate climate-related water impacts in these areas.

5.3 Consider self-supply

Self-supply, whereby a business buys water-supply services direct from the wholesale water market, can drive improvements in both cost savings and water efficiency.

Self-supply is a particularly attractive option for the drinks industry as it delivers improved control and insight through direct access to the wholesalers, meaning drinks brands can be more informed on water availability and quality issues that could directly impact operations. As well as being a more cost-effective route, it optimises water efficiency.

"Self-supply enables wholesaler collaboration and helps prioritise investment in efficiency, for example, by ensuring that water is metered and that metering is monitored, which enables benchmarking – both within the business and outside – to ensure outliers can be identified and issues targeted," says Gale.

CHAPTER 6 Social impact and employees

Social impact and employees

"We've got to be quite humble. We've got to recognise we've got more to do. But even if it's not perfect, it's important we at least go out there and talk about what we're doing."

Julian Hunt, vice president, public affairs, communications and sustainability, GB, Norway and Sweden, Coca-Cola Europacific Partners.

FOOTPRINT STAT

+50%

More than half of UK-based employees would leave their jobs in favour of organisations that can offer better support for stress and burnout[50]

There is no doubt we've seen a step change in business engagement on social issues in recent years driven by movements such as #MeToo and #BlackLivesMatter. Yet there remains a distinct lack of reporting on key metrics such as workforce diversity and ethnic pay gaps.

Businesses have the potential to go beyond current regulatory requirements and set the standard for reporting on these, and other, key indicators.

On human rights, the companies reviewed scored 7/10 with the highest scorers demonstrating how the company promotes the rights of workers in their own organisations and what methods are used to ensure suppliers are following measures to do the same.

But on the real living wage, the companies scored just 2/10, with only a couple demonstrating they made sure producers were paid a fair wage. This makes it a priority to both address the wider lack of representation, for instance among long-term unemployed or people with disabilities or refugees, and to ensure all employees are being paid the living wage as a minimum.

6.1 Keep up momentum on diversity

It's fair to say the hospitality industry is still in the early stages of its journey towards greater diversity and inclusion (D&I). Very few companies disclosed workforce diversity, though there was more evidence of reporting and action when it came to gender equality and empowerment.

For some companies, the mandatory requirement to publish gender pay gaps since 2017 has provided the impetus to develop and deliver D&I strategies and commitments; but even the most progressive businesses will need to go further. In April 2022, the UK Financial Conduct Authority (FCA) announced new rules requiring listed companies to report information and disclose against targets regarding the representation of women and ethnic minorities on their boards and executive management[54].

The targets require that at least 40% of the board should be women; at least one of the senior board positions should be a woman; and at least one member of the board should be from an ethnic minority

- 37% of black hospitality sector workers have experienced or witnessed racism in their current workplace along with 28% of Asian workers and 29% of mixed ethnicity workers[51]
- Almost 1 in 3 (30%) employees across SIBA, the Society of Independent Brewers, breweries is now female – but only 8% of female workers are brewers[52]
- Out of 177 UK CEOs, just 40% of their employers include race and ethnicity representation in their corporate strategy and just 10% linked it to the CEO's bonus and incentive plan[53]

background excluding white ethnic groups.

On ethnicity specifically, the most progressive companies have already established targets to improve boardroom representation.

For example, Britvic's Change the Race Ratio commitment[55] requires the drinks supplier to:

- Increase racial and ethnic diversity among board members, with at least one racially diverse board member by 2024
- Increase racial and ethnic diversity in senior leadership, with 10% of senior leadership roles held by Black, Asian and minority ethnic employees in Great Britain and Ireland by 2025
- Improve transparency through ethnicity pay gap reporting
- Create an inclusive culture in which talent from all diversities can thrive.

Greene King's calling time on racism commitment includes a target to double the number of BAME (Black, Asian and Minority Ethic) team members from 5% to 10% by 2030, create 1,000 job opportunities for young people over the next five years with 40% of participants from BAME backgrounds, and bring a more diverse group of voices into the business to help shape the company's future and brand development[56].

Coca-Cola Europacific Partners is taking a grassroots approach to increasing the representation of colleagues from diverse ethnic groups. Last year, the GB business launched The Equity Programme in which multicultural employees and their line managers take part in an educational programme and listening groups. The aim is to improve understanding of the challenges colleagues face in their daily lives, such as biases, stereotypes and microaggressions, and help break down barriers. The programme has now been rolled out to 350 colleagues across GB.

Pitcher from Revolution Bars Group says it's fantastic to see the

D&I conversation being had more widely across the industry over the last 12 months. "Continual improvement is going to be needed over many years to ensure we become a truly inclusive and diverse industry," he says.

6.2 Provide opportunities AND address labour shortages

Companies must also look beyond race and gender to understand how they can support all underrepresented groups. "There's now quite a lot of discussion around disability and neuro-cognitive ability, but also social mobility," explains Nicholls from UKHospitality. She suggests businesses will increasingly be challenged over "what you are doing to make sure you've got the most diverse workforce to service the most diverse customer base".

Other examples of businesses supporting people from disadvantaged groups into work include:

- Greene King's 'releasing potential' scheme which helps 100 prison leavers find employment[57]
- CH&CO's partnership with employment charity Well Grounded which offers permanent roles and work placements in the speciality coffee industry to Londoners facing barriers to employment[58].

6.3 Understand the power of a strong corporate culture

Workers are increasingly basing job decisions on the culture, opportunities for progression and work life balance offered by prospective employers rather than salary alone[60].

Businesses are looking to address problems with recruiting new talent by putting a greater emphasis on employee retention:

- Greene King has launched a new long-term team member support scheme with one-off financial grants available of up to £5,000. The grants will help people with unexpected life emergencies such as the threat of homelessness, loss of income due to sickness,

According to a MAPAL Group survey[59]:

58%

of hospitality leaders ranked company culture as a top three factor for retaining staff, followed by progression (53%), work life balance (49%) and salary (46%)

79%

said recruitment and retention was the biggest challenge they faced

58%

said they plan to enhance learning and development initiatives over the next 12 months

58%

said they were planning to launch coaching and mentoring programmes.

Providing opportunity and plugging employment gaps

The mission of NEMI Teas is to help lower unemployment levels among refugee communities in the UK. This currently sits at nearly 22% compared to less than 3.8% for UK nationals. The company recognised that refugees face two major hurdles in breaking into the UK workforce, namely a lack of local work experience and an inability to provide local referee details.

To tackle this problem, the company is offering hospitality training and employment opportunities to refugees within its business. "We have partnered with Groundwork London and The Hotel School, both based in London, to recruit refugees who have undergone basic hospitality training and are now looking for paid work experience," says NEMI Teas founder Pranav Chopra.

relationship breakdown or bereavement, which could result in financial difficulties[61].

- BrewDog is to give 750 staff shares worth £120,000 as well as share half of its bar profits with all bar workers as part of its roadmap for the future[62].

6.4 Maintain a focus on mental health

of employees feel their companies don't do enough to identify and support those struggling with their mental health[63]

The coronavirus pandemic exacerbated challenges around mental health. Research by workplace activity provider Wildgoose found that 64% of those in the industry have experienced increasingly poor mental health at work over the last 12 months, compared to the previous year[64].

More employers are making mental health awareness, and action to address it, a priority. Britvic now has around 60 mental first aiders and has moved to a 'working well' model which places a focus on output not hours worked.

AB InBev has developed a wellness app that allows staff to access counselling in a couple of clicks – removing traditional barriers to accessing support for mental health issues.

6.5 Pay a living wage

of workers in the food system earn the national minimum wage or below[65]

According to their published ESG reporting, our analysis scored the top brands 2/10 for their published commitments to paying workers a real living wage. The real living wage is a voluntary scheme to pay staff wages above the legal minimum wage to ensure pay meets every day needs, such as an employee's weekly shop or a surprise visit to the dentist[66]. What counts as a legal minimum wage is dependent on age and whether workers are on apprenticeship schemes. Only those aged 23 and over are entitled, by law, to the national living wage. Among food sector workers, kitchen, catering and waiting staff are most likely to be on or below the minimum wage[67].

Up to September 2022, the real living wage was between 4% and 17% higher than the minimum or National living wage, depending on age and whether a London weighting applies. The low 2/10 score shows more drinks brands need to commit to the real living wage as 22% of workers in the food system earn the national minimum wage or below, compared with 8% of workers across the whole UK economy.

And, as the cost of living goes up, paying a real living wage is going to become more and more important. Yet even those businesses that have committed to paying a real living wage for their direct employees can go further by engaging with their supply chain and ensuring suppliers are paying their workers a real living wage, both in the UK and internationally, as well.

At the very least businesses should be paying employees the real living wage within their own operations and they should also ensure there is no worker exploitation happening within their supply chains. Taylors of Harrogate has been working with IDH, the sustainable trade initiative, to measure the living wage gap with its tea and coffee suppliers[68]. The company's ambition is to see a living wage being paid to all employees and a living income earned by all farmers within its supply chains. Taylors is now developing new approaches with key suppliers that will test how it can close the gap.

About Coca-Cola Europacific Partners

Coca-Cola Europacific Partners is one of the leading consumer goods companies in the world. It makes, moves and sells some the world's most loved brands – serving 600 million consumers and helping 1.75 million customers across 29 countries grow.

It combines the strength and scale of a large, multi-national business with an expert, local knowledge of the customers it serves and communities it supports.

The Company is currently listed on Euronext Amsterdam, the NASDAQ Global Select Market, London Stock Exchange and on the Spanish Stock Exchanges, trading under the symbol CCEP.

For more information about CCEP, please visit www.cocacolaep.com and follow CCEP on Twitter at @CocaColaEP.

Coca-Cola EUROPACIFIC PARTNERS

About Coca-Cola Europacific Partners in GB

In Great Britain (GB), Coca-Cola Europacific Partners employs some 3,600 people across England, Scotland and Wales across its eight manufacturing sites, offices and depots. It is committed to minimising the environmental impact of products and operations, with a particular focus on sustainable packaging, water stewardship, and energy and climate protection.

Coca-Cola Europacific Partners has committed to accelerate the decarbonisation of its business by reducing absolute greenhouse gas (GHG) emissions across its entire value chain - including scope 1, 2 and 3 emissions. It has also set a path to become a Net Zero business by 2040 in alignment with a 1.5˚C pathway and the Paris Climate Agreement. This is supported by a three-year €250m investment.

Coca-Cola Europacific Partners make, sell and deliver the following products in GB for The Coca-Cola Company (TCCC): Coca-Cola original taste, Diet Coke, Coca-Cola Zero Sugar, Fanta, Dr Pepper, Lilt, Sprite, Schweppes, GLACÉAU Smartwater, Powerade, Oasis, Reign Total Body Fuel, Appletiser and Costa Coffee RTD. In GB, it also makes, sells or delivers Monster, Relentless and Capri-Sun.

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.

FOOTPRINT INTELLIGENCE

Consumer research

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 August and September 2022, garnering over 1,000 responses per question, though product comparisons closed at c.500 responses.

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.

vypr

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