SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

ALCOHOLIC BEVERAGES
Sustainability Accounting Standard

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Sustainable Industry Classification System™ (SICS™) #CN0202
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

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ALCOHOLIC BEVERAGES

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, January 14th, 2015, and ending on Tuesday, April 14th, 2015. The Standard is subject to change thereafter.

For instructions on providing comments to SASB, please click here.

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Alcoholic Beverages industry.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards for sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as Forms 10-Q, S-1, and 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

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Industry Description

The Alcoholic Beverages industry includes companies involved with brewing, distilling, distributing, and manufacturing various alcoholic beverages, including beer, wine, and liquor. The largest companies in the industry have global operations, many of which are companies headquartered outside the U.S. Many state laws bar companies from vertically integrating into distribution and retailing of alcoholic beverages, forcing the industry to maintain a three-tier system between producers, wholesale distributors, and retailers. Companies operating abroad in Europe do not face similar three-tier systems and are allowed to vertically integrate.

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Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Alcoholic Beverages industry, SASB has identified the following sustainability topics:

- Greenhouse Gas Emissions
- Energy Management
- Water Management
- Responsible Drinking & Marketing
- Packaging Lifecycle Management
- Environmental & Social Impacts of Ingredient Supply Chains

2. Company-level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."[1, 2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires, among other things, that companies describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.

[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).
[2] C.F.R. 229.303(Item 303)(a)(3)(ii)

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- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

  Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

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Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Alcoholic Beverages industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-204[3]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

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Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[4] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[3] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[4] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

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Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[5]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that the data are not already disclosed in Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[5] See US GAAP consolidation rules (Section 810).

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Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Volume of products sold	Quantitative	Millions of liters	CN0202-A
Total fleet road miles travelled	Quantitative	Miles	CN0202-B
Amount of raw materials sourced externally[6]	Quantitative	U.S. Dollars ($)	CN0202-C

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically-based estimates, such as those drawn from certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

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[6] Note to **CN0202-C**—The amount of raw materials sourced externally should be calculated on a cost of goods sold (COGS) basis.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

The following sections contain the disclosure guidance associated with each accounting metric, such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

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Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons CO2-e	CN0202-01
	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets and an analysis of performance against those targets	Discussion & Analysis	n/a	CN0202-02
Energy Management	Total energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0202-03
Water Management	Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m^3), Percentage (%)	CN0202-04
Responsible Drinking & Marketing	Number of advertising impressions made, percentage of impressions above the legal drinking age	Quantitative	Number, Percentage (%)	CN0202-05
	Notices of violations received for non-conformance with industry and regulatory marketing and/or labeling codes	Quantitative	Number, Percentage (%)	CN0202-06
	Amount of legal and regulatory fines and settlements associated with marketing and/or labeling[7]	Quantitative	U.S. Dollars ($)	CN0202-07
	Description of efforts to promote responsible consumption of alcohol	Discussion & Analysis	n/a	CN0202-08
Packaging Lifecycle Management	Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable	Quantitative	Metric tons (t)	CN0202-09
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion & Analysis	n/a	CN0202-10
Environmental & Social Impacts of Ingredient Supply Chains	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by spend	CN0202-11
	List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations	Discussion & Analysis	n/a	CN0202-12

[7] Note to **CN0202-07—**Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

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Greenhouse Gas Emissions

Description

The Alcoholic Beverages industry generates significant direct emissions of Scope 1 greenhouse gases (GHG) as a result of cogenerating its own energy from fossil fuel sources. These emissions contribute directly to climate change which exposes industry participants to regulatory risks from current and future climate change mitigation policies such as cap-and-trade. By focusing on energy efficiency and clean energy, companies can mitigate their exposure to regulatory risks and volatile fuel costs, thus limiting their contribution to GHG emissions.

Accounting Metrics

CN0202-01. Gross global Scope 1 emissions

.01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the six GHGs covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride).

- Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO_2-e), calculated in accordance with published global warming potential (GWP) factors. To date, the preferred source for GWP factors is the Intergovernmental Panel on Climate Change (IPCC) Second Assessment Report (1995).

- Gross emissions are GHGs emitted to the atmosphere before accounting for any GHG reduction activities, offsets, or other adjustments for activities in the reporting period that have reduced or compensated for emissions.

- Disclosure corresponds to section CC8.2 of the Carbon Disclosure Project (CDP) Questionnaire and section 4.25 of the Climate Disclosure Standards Board (CDSB) *Climate Change Reporting Framework* (CCRF).

.02 Scope 1 emissions are defined by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD) in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard,* Revised Edition, March 2004 (hereafter, the "GHG Protocol").

- These emissions include direct emissions of GHGs from stationary or mobile sources that include, but are not limited to, equipment, production facilities, office buildings, and transportation (i.e., marine, road, or rail).

.03 GHG emission data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is generally aligned with:

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- The Financial Control approach defined by the GHG Protocol and referenced by the *CDP Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013* (hereafter, the "CDP Guidance").[8]

- The approach detailed in Section 4.23, "Organizational boundary setting for GHG emissions reporting," of the CDSB *Climate Change Reporting Framework* (CCRF).[9]

.04 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the CDP Guidance.

- The registrant shall consider the CDP Guidance as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.

.05 The registrant should discuss any change in its emissions from the previous fiscal year, such as if the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.

.06 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the registrant may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.

.07 The registrant should discuss the calculation methodology for its emission disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

CN0202-02. Description of long-term and short-term strategy or plan to manage Scope 1 emissions, including emissions reduction targets and an analysis of performance against those targets

.08 The registrant shall discuss the following, where relevant:

- The scope, such as whether strategies, plans, and/or reduction targets pertain differently to different business units, geographies, or emissions sources;

- Whether strategies, plans, and/or reduction targets are related to or associated with an emissions disclosure (reporting) or reduction program (e.g., E.U. ETS, RGGI, WCI, etc.), including regional, national, international, or sectoral programs; and

- The activities and investments required to achieve the plans and any risks or limiting factors that might affect achievement of the plans and/or targets.

[8] "An organization has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for GHG accounting purposes if the operation is treated as a group company or subsidiary for the purposes of financial consolidation." *Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013,* p. 95.
[9] This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) for consolidation and equity accounting and is consistent with how information relating to entities within a group or interest in joint ventures/associates would be included on consolidated financial statements, as per the CDSB *Climate Change Reporting Framework*.

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.09 For emission-reduction targets, the registrant shall disclose:

- The percentage of emissions within the scope of the reduction plan;
- The percentage reduction from the base year;
    - The base year is the first year against which emissions are evaluated toward the achievement of the target
- Whether the target is absolute or intensity based, and the metric denominator if it is an intensity-based target;
- The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year; and
- The mechanism(s) for achieving the target, such as energy efficiency efforts, energy source diversification, carbon capture and storage, etc.

.10 Where necessary, the registrant shall discuss any circumstances in which the target base year emissions have been, or may be, recalculated retrospectively or where the target base year has been reset.

.11 Disclosure corresponds with:

- CDSB Section 4, "Management actions."[10]
- CDP questionnaire CC3, "Targets and Initiatives."

.12 Relevant initiatives to discuss may include, but are not limited to, fuel optimization efforts such as route and load optimization. Truck-related efforts include adoption of technology such as engine and powertrain efficiency and aerodynamic improvements, weight reduction, improved tire rolling resistance, hybridization, and automatic engine shutdown.

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[10] 4.12, "Disclosure shall include a description of the organization's long-term and short-term strategy or plan to address climate change-related risks, opportunities, and impacts, including targets to reduce GHG emissions and an analysis of performance against those targets." *Climate Change Reporting Framework – Edition 1.1*, October 2012, CDSB.

Energy Management

Description

As electricity consumption can indirectly contribute to climate change and air pollution through the combustion of fossil fuels at the utility level, the cost of grid electricity is likely to increase in order to offset the cost of increasing regulation on utilities. Energy management, understood as the way in which a company manages its overall purchased energy usage, reliance on different types of energy, and ability to access alternative sources of energy, is becoming increasingly material for this industry. Alcoholic beverage companies are reliant on energy as a primary input for value creation, particularly in processing and bottling operations. With alcoholic beverage manufacturing plants located in multiple regions, the likelihood and magnitude of energy price volatility will vary depending on the exact location of facilities. Efficient energy usage is essential for competitive advantage in this industry.

Accounting Metrics

CN0202-03. Total energy consumed, percentage grid electricity, percentage renewable

.13 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the organization.
- The scope includes energy from all sources including direct fuel usage (except for fleet vehicles), purchased electricity, and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel consumption by fleet vehicles.

.14 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), and which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).

.15 The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.

.16 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.

- The scope of renewable energy includes renewable fuel the registrant consumes and renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity.

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- For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim them as renewable energy.

- The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.[11]

.17 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

  - Energy from hydro sources that are certified by the Low Impact Hydropower Institute.

- Energy from biomass sources is limited to sources that are considered "eligible renewables" according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

- The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).

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[11] SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

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Water Management

Description

Water management, as it relates to a company's direct water usage, the exposure of its operations to water-scarce regions, and its treatment of wastewater in direct operations, is a growing area of concern for companies in the Alcoholic Beverages industry. Companies in this industry utilize a large amount of water in operations, as they combine carbonated or non-carbonated water with raw ingredients to create finished alcoholic products. As a result of their heavy reliance on access to a large volume of clean water, alcoholic beverage companies may be exposed to disruptions that could materially impact operations and add to costs. Companies operating in water-stressed regions that fail to address local water concerns may face further risks of losing their social license. Additionally, proper wastewater treatment is an important dynamic for managing water issues in operations, since bottling plants release large quantities of effluents. Management of water scarcity in the company's supply chain is covered separately under the issue of Environmental and Social Impacts of Supply Chains.

Accounting Metrics

CN0202-04. Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.18 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association definition.
- Water obtained from a water utility can be assumed to meet the definition of fresh water.[12]

.19 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.

- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.

.20 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

.21 For the registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

[12] http://water.epa.gov/drink/contaminants/secondarystandards.cfm

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Responsible Drinking & Marketing

Description

The consumption of alcoholic beverages, if not done responsibly, can lead to negative social externalities, such as drunk driving, addiction, public health issues, underage drinking, and even death. Irresponsible alcohol consumption contributes to millions of deaths worldwide every year, a large portion of which includes underage youth and young adults. The harmful use of alcohol is a growing area of concern, particularly in developing countries where there is a lack of established laws to protect against alcohol's detrimental effects. Many companies and organizations are recognizing these risks to society as well as the company's operations if the harmful use of alcohol is not addressed. Alcoholic beverage companies may bear the costs of these social externalities through taxes, lawsuits, or reputational harm that can have a material impact on operations and financial results. Failing to properly manage social externalities may lead to further detrimental regulation and reduce the industry's social license to operate. Industry participants can partake in responsible drinking initiatives that address and improve many of the social externalities associated with alcohol misuse through education, engagement, community partnerships, and responsible marketing, particularly to underage citizens.

Accounting Metrics

CN0202-05. Number of advertising impressions made, percentage of impressions above the legal drinking age

.22 The registrant shall disclose the total number of advertising impressions made, where:

- An advertising impression is a measure of the number of times an advertisement is seen, heard, watched, or read.

.23 The scope includes advertising impressions made through media, including print, electronic, broadcast, and digital media, consistent with the Beer, Wine and Spirits Producers' Commitments to Reduce Harmful Drinking (Commitments).

.24 The registrant shall disclose the estimation methods used to calculate the number of advertising impressions made, including its method for collecting such data. Where reasonable estimation methods include, but are not limited to:

- Gross rating points and target ratios to determine impressions on print and broadcast media.
- Total number of ads viewed and audience demographics for electronic and digital media.
- Expected audience size, audience demographics, and recall measures for embedded advertisements may be appropriate across media.

.25 The registrant shall disclose the percentage of advertising impressions that were made on audiences above the legal drinking age, where:

- In countries where no legal minimum age for consumption of alcohol exists, the "age of majority" shall be used to determine impressions made above the legal drinking age, consistent with the

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International Center for Alcohol Policies Industry Views on Beverage Alcohol Advertising and Marketing, with Special Reference to Young People, available here.

.26 The percentage is calculated as the total number of advertising impressions made on those above the legal drinking age divided by the total number of advertising impressions made.

CN0202-06. Notices of violations received for non-conformance with industry and regulatory marketing and/or labeling codes

.27 The registrant shall disclose the number of notices received that substantiate a violation of labeling, marketing industry, and/or regulatory code(s), statute(s), or other requirement(s).

- A marketing and/or labeling-related non-conformance, consistent with the United States Federal Alcohol Administration Act (Title 27, Chapter 8) and the Alcoholic Beverage Labeling Act (Title 27, Chapter 8), includes product labels that are misbranded, lack appropriate government warnings, disparage competitors, and use deceptive or otherwise misleading acts.

- Non-conformance with industry codes includes complaints relating to the placement and content of product labeling and marketing that are found to be in violation of industry codes upon third-party review.

- Incidences include, but are not limited to, injunction, detainment of products(s), and civil penalties levied by the Alcohol Tobacco Tax and Trade Bureau (TTB) or foreign equivalents, and complaints upheld by third-party industry advertising standards bodies.

.28 The scope of disclosure includes notices of violations received due to non-conformances that are subject to regulations including, but not limited to, the following:

- The Federal Alcohol Administration Act (Title 27, Chapter 8)

- The Alcoholic Beverage Labeling Act (Title 27, Chapter 8)

- The Advertising Standards Authority (a database of rulings is available here).

- The Distilled Spirits Council of the United States (a listing of rulings is available here).

- The Alcohol Beverage Advertising Code (a database of rulings is available here).

- The Portman Group (a listing of rulings is available here).

.29 The registrant may disclose any other non-conformances with internal code(s) of practice on marketing and/or labeling.

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CN0202-07. Amount of legal and regulatory fines and settlements associated with marketing and/or labeling practices

.30 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with marketing and/or labeling practices, such as those related to enforcement of U.S. laws and regulations on nutrient content claims, health claims, other unfair or deceptive claims, and/or misbranded labeling including violations of the United States Federal Alcohol Administration Act (Title 27, Chapter 8) and the Alcoholic Beverage Labeling Act (Title 27, Chapter 8), among others.

.31 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to CN0202-07.

.32 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., nutrient content claims, health claims, misbranded labeling, etc.) of fines and settlements.

.33 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in practices, management, codes, products, or training.

CN202-08. Description of efforts to promote responsible consumption of alcohol

.34 The registrant shall discuss the following, where relevant:

- Targets for engagement of the population through responsible drinking programs and analysis of performance against those targets;
- The scope, such as whether strategies, plans, and/or engagement targets pertain differently to different business units, geographies, or beverage products;
- Whether strategies, plans, and/or engagement targets are related to or associated with a code, strategy, or commitment (e.g., The WHO Global Strategy to Reduce the Harmful Use of Alcohol or the Beer, Wine and Spirits Producers' Commitments) as promulgated by an industry, non-governmental, governmental, or intergovernmental organization.
- The activities and investments required to achieve the plans, and any risks or limiting factors that might affect achievement of the plans and/or targets.

.35 For engagement through responsible drinking program(s) targets, the registrant shall disclose:

- The markets within the scope of the engagement plan(s);
- The types of responsible drinking programs used;

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- The subject matter of responsible drinking program(s), where appropriate programs include, but are not limited to, reduction of underage drinking, drinking and driving, and binge drinking or over-consumption; and

- The timelines for the engagement program(s), including the start year and the target year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year.

.36 For purpose of this disclosure, engagement shall be defined as being established through direct face-to-face contact, remote learning, and other forums that allow for a dialogue between the registrant and those engaged, consistent with KPI 2c from the Beer, Wine and Spirits Producers' Commitments.

.37 Relevant programs to discuss may include, but are not limited to, education of parents, youth, and retailers on the effects and repercussions of underage drinking; efforts to educate consumers and retailers about the consequences of drinking and driving and engage them in measures to halt such behaviors; and programs that inform consumers and other relevant parties about the health and social effects of binge and chronic drinking abuse.

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Packaging Lifecycle Management

Description

Packaging lifecycle impacts present major risks and opportunities for alcoholic beverage companies, from materials design to transportation and disposal stages of beverage containers and packaging. Each packaging lifecycle stage presents its own unique environmental challenges and opportunities that beverage manufactures should consider when purchasing or researching new materials. Containers and packaging account for a significant amount of waste in the U.S. every year. While the majority of alcoholic beverage manufacturers do not manufacture their own bottles and packaging, they face the responsibilities and reputational risks associated with the negative externalities that their products' containers create. They are also directly affected by any legislation around end-of-life management of beverage containers, particularly with extended producer responsibility laws. Beverage companies can work with packaging manufacturers to improve the environmental characteristics of their products, which can result in better brand reputations and cost savings for beverage producers.

Accounting Metrics

CN0202-09. Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable

.38 The registrant shall disclose the total weight of packaging purchased by the registrant, in metric tons, where:

- Packaging includes any material containing the registrant's product or otherwise accompanying the product, as well as secondary materials used by the registrant for shipping and distribution of products.

.39 The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials, where:

- Recycled materials are defined as materials that have been recovered or otherwise diverted from the waste stream. Recycled materials include recycled raw materials as well as used, reconditioned, and remanufactured components, consistent with the FTC Green Guides. Recycled content can be either pre-consumer or post-consumer waste.

- Renewable materials are defined as those that either increase in quantity or otherwise renew over a short (i.e., economically relevant) period of time, such that if the rate of extraction takes account of limitations in the reproductive capacity of the resource, renewables can provide yields over an infinite time horizon.

.40 The percentage is calculated as the total weight of packaging made from recycled or renewable materials divided by the total weight of all packaging used by the registrant.

.41 For packaging materials that contain both recycled and virgin parts, or which are made from both renewable and nonrenewable resources, the registrant shall classify a portion of the material as recycled or renewable

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based on an estimate of the weight of each portion. Alternatively, the registrant may exclude that item from consideration as recycled or renewable, but should include it in the total weight of packaging materials.

.42 The registrant shall disclose the percentage of packaging (by weight) that is recyclable or compostable, where:

- "Recyclable" is defined as able to be reprocessed for the material's original purpose or for other purposes. A product or package is recyclable if it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item, consistent with the FTC Green Guides.

- "Reusable" is defined as a durable packaging product that is able to be used multiple times for the original purpose for which it was conceived.

- For the purposes of this disclosure, reusable shall be considered recyclable.

- "Compostable" is defined as the ability of a material to undergo degradation by biological processes to yield CO_2, water, inorganic compounds, and biomass at a rate consistent with other known compostable materials leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

.43 The percentage is calculated as the total weight of recyclable or compostable packaging divided by the total weight of all packaging.

CN0202-10. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle

.44 The registrant shall discuss its strategies to reduce the environmental impact of packaging through its lifecycle, such as reducing packaging weight and volume for a given application or using alternative materials, including those that are recycled, recyclable, compostable, or degradable.

.45 Relevant disclosure may include, but is not limited to, the following:

- Implementation of the "Essential Requirements" in Article 9, Annex II of the E.U. Directive on Packaging and Packaging Waste (94/62/EC), which includes minimization of packaging weight and volume to the amount needed for safety, hygiene, and consumer acceptance of the packed product; minimization of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery, or composting.

- Performance on the Sustainable Packaging Coalition's Material Use metrics, such as Material Use to Packaged Product Yield or Materials Health metrics, such as Toxicants Concentration and/or Toxicants Migration.

- Performance on the Global Protocol on Packaging Sustainability 2.0 metrics for Packaging Weight and Optimization and/or Assessment and Minimization of Substances Hazardous to the Environment.

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.46 The registrant may choose to discuss Lifecycle Assessments (LCA) analysis of its packaging in the context of its management approach to maximizing product efficiency, including weight reduction, transportation efficiency, and reduced toxicity. Packaging product efficiency and health should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

Notes

Additional References

EPA Waste Hierarchy

Summary of the EPA Municipal Solid Waste Program

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Environmental & Social Impacts of Ingredient Supply Chains

Description

Environmental and social impacts can occur within the ingredient supply chains of alcoholic beverage companies. Companies in the industry utilize a significant amount of raw ingredients that are susceptible to shifts in weather patterns and drought, particularly in areas with High or Extremely High Baseline Water Stress. Additionally, supply chain disruptions resulting from environmental and social considerations, such as supply shortages or labor violations, present further risk to a company's long-term ability to source key materials and ingredients. Exposure of crops to external forces can also lead to a high degree of cost inflation and undermine company profitability. Companies that proactively implement programs to address these risks through engagement with key suppliers will build more resilient supply chains.

Accounting Metrics

CN0202-11. Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress

.47 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress.

.48 The scope of beverage ingredients shall include those items grown by a tier-1 supplier or third-party and sourced for eventual sale.

.49 The percentage is calculated as the total cost of goods sold, in U.S. dollars, of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress divided by the total cost of food ingredients sourced.

.50 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online here), the registrant shall analyze all of its known sources for water risks and identify sources that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress.

.51 For the registrant's sources that unknown and cannot be directly measured, estimation is acceptable and shall be disclosed as such.

CN0202-12. List of priority beverage ingredients and discussion of sourcing risks due to environmental and social considerations

.52 The registrant shall identify any beverage ingredients that are a priority to the registrant's business.

- Priority beverage ingredients are defined as those which are essential to the registrant's principal products, where principal products are those which accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years, consistent with 17 CFR 229.101.

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.53 The registrant shall discuss its strategic approach to managing its environmental and social risks that arise from its priority beverage ingredients, where:

- The scope of disclosure should focus on beverage ingredients that are sourced from directly contracted growers or through producer supply agreements, or are procured through other means.

.54 The registrant should identify which beverage ingredients present risks to its operations, the risks that are represented, and the strategies the registrant uses to mitigate such risks.

.55 For environmental risks, relevant strategies to discuss include the diversification of suppliers, supplier training programs on environmental best management practices, expenditures on R&D for alternative and substitute crops, and audits or certifications of suppliers' environmental practices.

.56 For social risks, relevant strategies to discuss include supplier training programs on agrochemical application, engagement with suppliers on labor and human rights issues, and maintenance of a supply chain code of conduct.

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