IFRS® Sustainability

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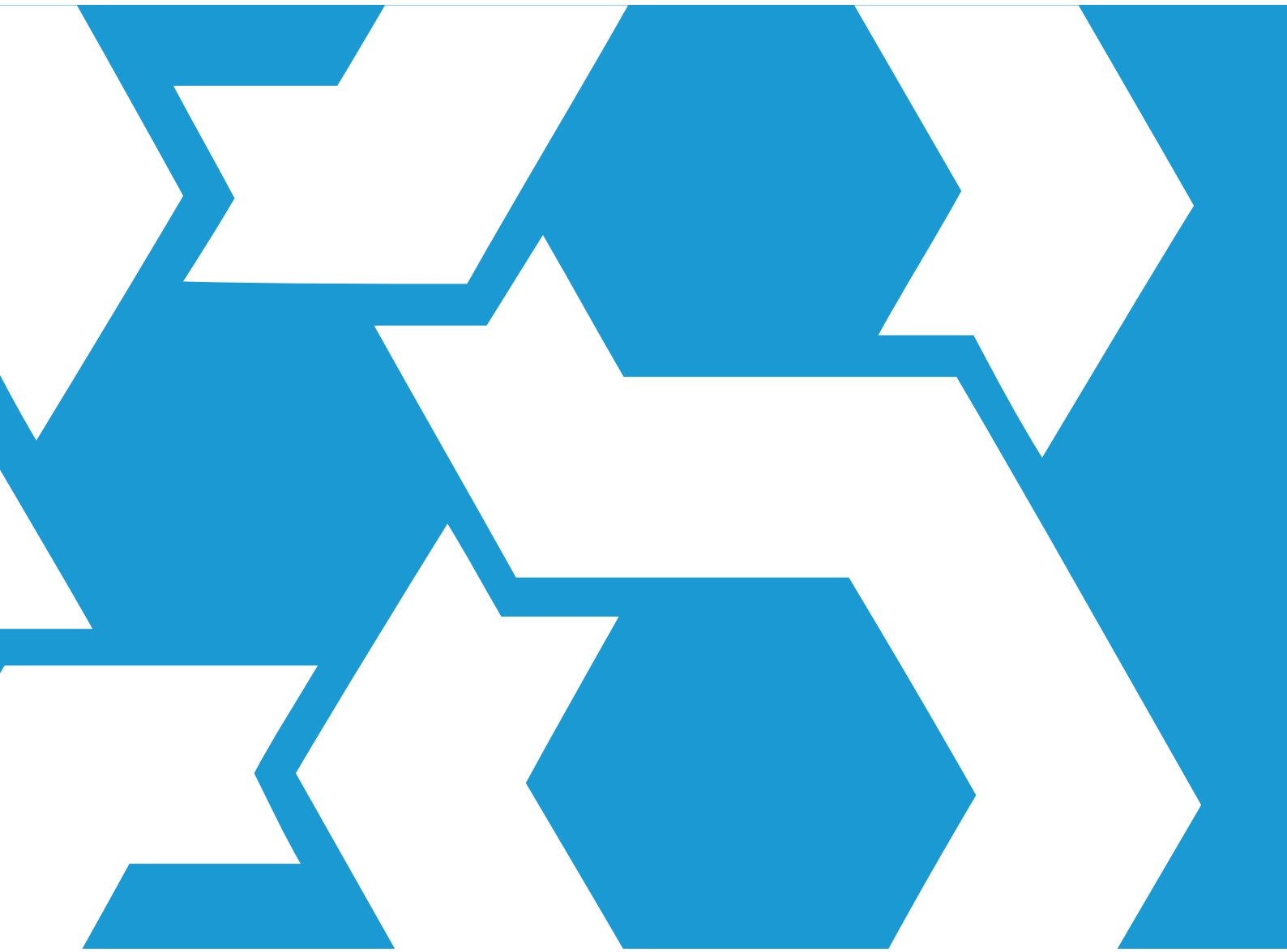
IFRS S2

IFRS® Sustainability Disclosure Standard

Industry-based Guidance on implementing Climate-related Disclosures

Volume 22—Food Retailers & Distributors



International Sustainability Standards Board

This Industry-based Guidance accompanies IFRS S2 *Climate related Disclosures* (published June 2023; see separate booklet) and is issued by the International Sustainability Standards Board (ISSB).

Introduction

This volume is part of the Industry-based Guidance on Implementing IFRS S2 Climate-related Disclosures. *This guidance suggests possible ways to apply some of the disclosure requirements in IFRS S2 but does not create additional requirements.*

This volume suggests possible ways to identify, measure and disclose information about climate-related risks and opportunities that are associated with particular business models, economic activities and other common features that characterise participation in this industry.

This industry-based guidance has been derived from Sustainability Accounting Standards Board (SASB) Standards, which are maintained by the International Sustainability Standards Board (ISSB). The metric codes used in SASB Standards have been included for ease of reference. For additional context regarding the industry-based guidance contained in this volume, including structure and terminology, application and illustrative examples, refer to Section III of the Accompanying Guidance to IFRS S2.

Volume 22—Food Retailers & Distributors

Industry Description

The Food Retailers & Distributors industry consists of entities engaged in wholesale and retail sales of food, beverage and agricultural products. Store formats include retail supermarkets, convenience stores, warehouse supermarkets, liquor stores, bakeries, natural food stores, specialty food stores, seafood stores and distribution centres. Entities may specialise in one type of store format or have facilities that contain many formats. Products typically are sourced worldwide and include fresh meat and produce, prepared foods, processed foods, baked goods, frozen and canned foods, non-alcoholic and alcoholic beverages, and a wide selection of household goods and personal care products. Food retailers also may produce or sell private-label products.

Note: The standard discussed below is for 'pure-play' food retail and distribution entities. Many major food retailers also have pharmacy operations and other retail operations. There exist separate standards for the Drug Retailers (HC-DR) and Multiline and Specialty Retailers & Distributors (CG-MR) industries. Entities involved in multiple lines of business also should consider the disclosure topics and metrics outlined in these other standards.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Fleet Fuel Management	Fleet fuel consumed, percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-FR-110a.1
Air Emissions from Refrigeration	Gross global Scope 1 emissions from refrigerants	Quantitative	Metric tons (t) CO_2-e	FB-FR-110b.1
	Percentage of refrigerants consumed with zero ozone-depleting potential	Quantitative	Percentage (%) by weight	FB-FR-110b.2
	Average refrigerant emissions rate	Quantitative	Percentage (%)	FB-FR-110b.3
Energy Management	(1) Operational energy consumed, (2) percentage grid electricity and (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-FR-130a.1
Management of Environmental & Social Impacts in the Supply Chain	Revenue from products third-party certified to environmental or social sustainability sourcing standards	Quantitative	Presentation currency	FB-FR-430a.1
	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	Discussion and Analysis	n/a	FB-FR-430a.3
	Discussion of strategies to reduce the environmental impact of packaging	Discussion and Analysis	n/a	FB-FR-430a.4

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) retail locations and (2) distribution centres	Quantitative	Number	FB-FR-000.A
Total area of (1) retail space and (2) distribution centres	Quantitative	Square metres (m^2)	FB-FR-000.B
Number of vehicles in commercial fleet	Quantitative	Number	FB-FR-000.C
Tonne-kilometres travelled	Quantitative	Tonne-kilometres	FB-FR-000.D

Fleet Fuel Management

Topic Summary

Entities in the Food Retailers & Distributors industry own and operate vehicle fleets to deliver products between its distribution and retail locations. The fuel consumption of vehicle fleets is a significant industry expense, both in terms of operating costs and associated capital expenditures. Fossil fuel consumption can contribute to environmental impacts, including climate change and pollution. These environmental impacts may affect food retailers and distributors through regulatory exposure. Efficiencies gained in fuel use can reduce costs, mitigate exposure to fossil fuel price volatility and limit the carbon footprint associated with storage and transportation. Short-term capital expenditures in fuel-efficient fleets and more energy efficient technologies may be outweighed by long-term operational savings and decreased exposure to regulatory risks.

Metrics

FB-FR-110a.1. Fleet fuel consumed, percentage renewable

1 The entity shall disclose the total amount of fuel consumed by its fleet vehicles as an aggregate figure, in gigajoules (GJ).

1.1 The calculation methodology for fuel consumed shall be based on actual fuel consumed as opposed to design parameters.

1.2 Acceptable calculation methodologies for fuel consumed may include methodologies based on:

1.2.1 Adding fuel purchases made during the reporting period to beginning inventory at the start of the reporting period, less any fuel inventory at the end of the reporting period;

1.2.2 Tracking fuel consumed by vehicles; and

1.2.3 Tracking fuel expenses.

2 The entity shall disclose the percentage of the total amount of fuel consumed by its fleet vehicles that is renewable fuel.

2.1 Renewable fuel generally is defined as fuel that meets all the following requirements:

2.1.1 Produced from renewable biomass;

2.1.2 Used to replace or reduce the quantity of fossil fuel present in a transportation fuel, heating oil or jet fuel; and

2.1.3 Achieved net greenhouse gas (GHG) emissions reduction on a life cycle basis.

2.2 The entity shall disclose the standard or regulation used to determine if a fuel is renewable.

2.3 The percentage shall be calculated as the amount of renewable fuel consumed by the entity's fleet vehicles (in GJ) divided by the total amount of fuel consumed by the entity's fleet vehicles (in GJ).

3 The scope of disclosure includes fuel consumed by vehicles owned or operated by the entity.

4 The scope of disclosure excludes fuel consumed in the transportation of the entity's products by third parties.

5 In calculating energy consumption from fuels and biofuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), which are measured directly or taken from the Intergovernmental Panel on Climate Change (IPCC).

6 The entity shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels).

Air Emissions from Refrigeration

Topic Summary

Emissions of refrigeration chemicals from equipment used to store and display perishable foods pose unique regulatory risks for the Food Retailers & Distributors industry. International regulations on hydrochlorofluorocarbons (HCFCs) aim to mitigate damage by HCFCs to the earth's ozone layer. Additionally, many common HCFCs and hydrofluorocarbons (HFCs) are highly potent greenhouse gases (GHGs), which increases the industry's exposure to climate change-related regulations. Regulators can assess penalties on entities that violate emissions standards. Entities may be required to upgrade or replace equipment, making capital expenditures to reduce emissions or replace existing refrigerants with potentially costlier but less environmentally-damaging alternatives.

Metrics

FB-FR-110b.1. Gross global Scope 1 emissions from refrigerants

1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6), and nitrogen trifluoride (NF_3) —that originated from the use of refrigerants.

1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalents (CO_2-e) and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (2014).

1.2 Gross emissions are GHGs emitted into the atmosphere before accounting for offsets, credits or other similar mechanisms that have reduced or compensated for emissions.

1.3 Refrigerants are defined as substances or mixtures used in a heat pump or refrigeration cycle for the purpose of absorbing and releasing heat.

2 Scope 1 emissions are defined and shall be calculated according to the methodology contained in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (GHG Protocol), Revised Edition, March 2004, published by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD).

2.1 The scope of emissions includes all direct emissions of GHGs resulting from the entity's use of commercial stationary and mobile refrigerants in retail locations, distribution centres and its transportation fleet.

2.2 For the purpose of this disclosure, the scope of emissions excludes direct emissions of GHGs from the combustion of fossil fuels, non-refrigerant process emissions and other sources unrelated to refrigerants.

2.3 Acceptable calculation methodologies include those that conform to the GHG Protocol as the base reference, but provide additional guidance, such as industry- or region-specific guidance. Examples include:

2.3.1 *GHG Reporting Guidance for the Aerospace Industry* published by the International Aerospace Environmental Group (IAEG);

2.3.2 *Greenhouse Gas Inventory Guidance: Direct Emissions from Stationary Combustion Sources* published by the US Environmental Protection Agency (EPA);

2.3.3 India GHG Inventory Program;

2.3.4 ISO 14064-1;

2.3.5 *Petroleum Industry Guidelines for reporting GHG emissions*, 2nd edition, 2011, published by IPIECA; and

2.3.6 *Protocol for the quantification of greenhouse gas emissions from waste management activities* published by Entreprises pour l'Environnement (EpE).

2.4 GHG emissions data shall be consolidated and disclosed according to the approach with which the entity consolidates its financial reporting data, which generally is aligned with the 'financial control' approach defined by the *GHG Protocol*, and the approach published by the Climate Disclosure Standards Board (CDSB) that is described in REQ-07, 'Organisational

boundary', of the *CDSB Framework for reporting environmental and social information*.

3 The entity may discuss any change in its emissions from the previous reporting period, including whether the change was because of emissions reductions, divestment, acquisition, mergers, changes in output or changes in calculation methodology.

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

5 The entity may discuss the calculation methodology for its emissions disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations or mass balance calculations.

FB-FR-110b.2. Percentage of refrigerants consumed with zero ozone-depleting potential

1 The entity shall disclose the percentage of the refrigerants consumed in its operations that have zero ozone-depleting potential (ODP).

1.1 ODP is defined as the amount of ozone depletion caused by a substance. Ozone depletion is defined as a chemical destruction of the stratospheric ozone layer beyond natural reactions.

1.2 A refrigerant with zero ODP is defined as a substance that has a published ODP value of zero, has no impact on the stratospheric ozone layer beyond natural reactions, and does not contain chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs), halons, methyl bromide, carbon tetrachloride, hydrobromofluorocarbons, chlorobromomethane or methyl chloroform.

2 A list of compounds recognised as ozone-depleting substances (ODS) and their respective ODPs, under the Montreal Protocol, is available through the United Nations website.

2.1 Consumption of refrigerants is defined as the amount of refrigerant charged into the entity's commercial refrigeration equipment during the reporting period.

2.2 The percentage shall be calculated as the amount (by weight) of refrigerants consumed in the entity's operations that have zero ODP, divided by the total amount (by weight) of refrigerants consumed in the entity's operations.

3 The scope of disclosure includes all commercial stationary and mobile refrigerants the entity uses in retail locations, distribution centres and its transportation fleet.

FB-FR-110b.3. Average refrigerant emissions rate

1 The entity shall disclose its average refrigerant emissions rate as a percentage.

1.1 Refrigerant emissions rate is defined as the rate of refrigerant loss from commercial refrigeration equipment or systems.

1.2 The entity shall calculate the average refrigerant emissions rate as the total amount, in pounds, of refrigerant emitted over the reporting period, divided by the total weight, in pounds, of refrigerant charged into commercial refrigeration equipment over the reporting period.

2 The scope of disclosure includes all commercial stationary and mobile refrigerant sources the entity uses in its retail locations, distribution centres and its transportation fleet.

Energy Management

Topic Summary

Food retail and distribution facilities are typically more energy-intensive than other types of commercial spaces. These facilities use energy predominately for refrigeration, heating, ventilation and air conditioning (HVAC), as well as lighting. Entities in the industry generally purchase the majority of consumed electricity, while some are beginning to generate energy on-site or add renewable energy into their energy mix. Energy production and consumption contribute to environmental impacts, including climate change and pollution, which have the potential to indirectly, yet materially, impact the operations of food retailers and distributors. Entities that manage to increase energy efficiency and use alternative energy sources may increase profitability by reducing expenses and decreasing risk.

Metrics

FB-FR-130a.1. (1) Operational energy consumed, (2) percentage grid electricity and (3) percentage renewable

1 The entity shall disclose (1) the total amount of energy it consumed (excluding fleet vehicles) as an aggregate figure in gigajoules (GJ).

1.1 The scope of energy consumption excludes fuel consumed by fleet vehicles, but includes energy from all other sources, including energy purchased from external sources and energy produced by the entity itself (self-generated). For example, purchased electricity, and heating, cooling and steam energy all are included within the scope of energy consumption.

1.2 The scope of energy consumption includes only energy directly consumed by the entity during the reporting period.

1.3 In calculating energy consumption from fuels and biofuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), which are measured directly or taken from the Intergovernmental Panel on Climate Change (IPCC).

2 The entity shall disclose (2) the percentage of energy it consumed (excluding fleet vehicles) that was supplied from grid electricity.

2.1 The percentage shall be calculated as purchased grid electricity consumption divided by total energy consumption.

3 The entity shall disclose (3) the percentage of energy it consumed (excluding fleet vehicles) that was renewable energy.

3.1 Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, such as geothermal, wind, solar, hydro and biomass.

3.2 The percentage shall be calculated as renewable energy consumption divided by total energy consumption.

3.3 The scope of renewable energy includes renewable fuel the entity consumed, renewable energy the entity directly produced and renewable energy the entity purchased, if purchased through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs) or Guarantees of Origin (GOs), a Green-e Energy Certified utility or supplier programme, or other green power products that explicitly include RECs or GOs, or for which Green-e Energy Certified RECs are paired with grid electricity.

3.3.1 For any renewable electricity generated on-site, any RECs and GOs shall be retained (not sold) and retired or cancelled on behalf of the entity for the entity to claim them as renewable energy.

3.3.2 For renewable PPAs and green power products, the agreement shall explicitly include and convey that RECs and GOs be retained or replaced and retired or cancelled on behalf of the entity for the entity to claim them as renewable energy.

3.3.3 The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy.

3.4 For the purpose of this disclosure, the scope of renewable energy from and biomass sources is limited to materials certified to a third-party standard (for example, Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification or American Tree Farm System), materials considered eligible sources of supply according to the *Green-e Framework for Renewable Energy Certification, Version 1.0* (2017) or Green-e regional standards or materials eligible for an applicable jurisdictional renewable portfolio standard.

4 The entity shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel use (including biofuels) and conversion of kilowatt hours (kWh) to GJ (for energy data including electricity from solar or wind energy).

Management of Environmental & Social Impacts in the Supply Chain

Topic Summary

Food retailers and distributors source merchandise from a wide range of manufacturers. These suppliers face a myriad of sustainability-related challenges that include resource conservation, water scarcity, animal welfare, fair labour practices and climate change. When poorly managed, these issues can affect the price and availability of food. Additionally, consumers increasingly are concerned with the production methods, origins and externalities associated with the foods they purchase, which may affect an entity's reputation. Food retailers and distributors also can work with suppliers on packaging design to generate cost savings in transport, improve brand reputation and reduce environmental impact. Entities that can manage effectively product supply risks by assessing and engaging with suppliers, implementing sustainable sourcing guidelines and enhancing supply chain transparency positioned more advantageously to improve supply chain resiliency, mitigate reputational risks, and potentially increase consumer demand or capture new market opportunities.

Metrics

FB-FR-430a.1. Revenue from products third-party certified to environmental or social sustainability sourcing standards

1 The entity shall disclose its revenue from products third-party certified to an environmental or social sustainability standard.

1.1 Environmental standards are defined as standards that address environmental impacts related to the production of agricultural products such as protection of primary forests, maintenance of surface water and groundwater quality, and implementation of integrated pest management (IPM) solutions or an Organic System Plan.

1.2 Social standards are defined as standards that address social impacts related to the production of agricultural products such as compensation of the workforce, training and continual monitoring of health and safety risks associated with applications of agrochemicals, and child-labour practices.

1.3 Examples of certifications to third-party environmental and social standards may include:

1.3.1 Bonsucro;

1.3.2 Fairtrade International;

1.3.3 Fair Trade USA;

1.3.4 Roundtable on Sustainable Palm Oil (RSPO);

1.3.5 Roundtable on Responsible Soy (RTRS);

1.3.6 Rainforest Alliance;

1.3.7 SA8000;

1.3.8 U.S. Department of Agriculture (USDA) Organic; and

1.3.9 UTZ Certified.

2 The entity may additionally break down the disclosure by product category and certification type.

2.1 A product category is defined as a group of related products that offer a similar general functionality (for example, meat, produce, packaged goods).

2.2 Certification types may be grouped based on the topic or scope of the standard, and can include animal welfare, working conditions, organic, sustainable fishing or harvesting.

FB-FR-430a.3. Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare

1 The entity shall discuss its strategic approach to managing its environmental and social risks present within, or which may arise out of, its food and food products supply chain.

1.1 Environmental and social risks may include:

1.1.1 Impacts on crop and livestock production because of climate change (for example, changing average temperatures and water stress) that may affect cost and availability of produce, meat, poultry, dairy and processed food products;

1.1.2 Animal feed price increases resulting from environmental and social factors or tightening environmental regulations that may have price impacts on meat, poultry and dairy;

1.1.3 Fuel economy regulations that affect transportation costs;

1.1.4 Labour rights and immigration reforms that affect food prices and availability;

1.1.5 International trade barriers or varying levels of food safety oversight in a global market;

1.1.6 Commercial catch limits that could affect the supply of seafood products; and

1.1.7 Animal welfare, human rights or related supply chain incidents that may result in reputational damage.

1.2 Relevant strategies to discuss may include supplier screening, diversification of suppliers, supplier training programmes on best environmental management practices, supplier engagement on labour and human rights issues, and maintenance of a supply chain code of conduct, supply chain audits and certifications.

2 The entity shall identify which products or product lines present risks to its operations, the risks represented and the strategies the entity uses to mitigate such risks.

3 The entity shall discuss its animal welfare standards applicable to its supply chain.

3.1 Animal welfare standards are defined as policies for beef, pork, poultry or dairy production conditions, including:

3.1.1 Animal treatment and handling;

3.1.2 Housing and transportation conditions;

3.1.3 Slaughter facilities and procedures; and

3.1.4 Use of antibiotics and hormones.

3.2 Discussion shall include, but is not limited to:

3.2.1 Any targets the entity has related to animal welfare standards and its progress towards those targets;

3.2.2 Any requirements for suppliers related to animal welfare standards; and

3.2.3 How, if in any way, animal welfare standards are addressed in supplier contracts.

4 The entity shall describe its use of animal welfare certifications, where certifications may include: Animal Welfare Approved, Certified Humane Program, Food Alliance Certified and Global Animal Partnership 5-Step Animal Welfare Rating Program.

5 The entity may disclose the percentage of animal protein sold, by animal protein type, that is produced without medically important antibiotics.

5.1 The percentage is calculated as the carcass (or dressed) weight of animal protein purchased that did not receive medically important antibiotics at any stage of its life divided by the total carcass (or dressed) weight of animal protein purchased.

FB-FR-430a.4. Discussion of strategies to reduce the environmental impact of packaging

1 The entity shall discuss its strategies to reduce the environmental impact of packaging, such as optimising packaging weight and volume for a given application, or using alternative materials, including those that are renewable, recycled, recyclable or compostable.

2 Relevant disclosures may include the following:

2.1 Design innovations, including strategies to optimise the amount of material used; packaging weight, shape and size; product-to-package ratio; cube utilisation and void fill.

2.2 Implementation of the 'Essential Requirements' in Article 9, Annex II of the EU Directive on Packaging and Packaging Waste (94/62/EC), which includes minimisation of packaging weight and volume to the amount needed for safety, hygiene and consumer acceptance of the packed

product; minimisation of noxious or hazardous constituents; and suitability for reuse, material recycling, energy recovery or composting.

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

3 The entity may discuss its strategies as they relate to primary, secondary and tertiary packaging of its private-label products as well as the packaging of products from its vendors.

3.1 Primary packaging is designed to come into direct contact with the product.

3.2 Secondary packaging is designed to contain one or more primary packages together with any protective materials, where required.

3.3 Tertiary packaging is designed to contain one or more articles or packages, or bulk material, for the purposes of transport, handling or distribution. Tertiary packaging is also known as 'distribution' or 'transport' packaging.

3.4 A private-label product is a store-brand product packaged for sale with a retailer's brand name, whether manufactured by the retailer or by another manufacturer.

4 The entity may discuss its use of Life Cycle Assessment (LCA) analysis in the context of its approach to environmental impact reduction and maximisation of product efficiency, including weight reduction and transportation efficiency.

4.1 When discussing improvements to the environmental efficiency of packaging products, improvements may be discussed in terms of LCA functional unit service parameters (time, extent and quality of function).

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