



**IFRS<sup>®</sup>**  
Sustainability

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## **IFRS S2**

IFRS<sup>®</sup> Sustainability Disclosure Standard

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### **Industry-based Guidance on implementing Climate-related Disclosures**

Volume 26—Restaurants



**International Sustainability Standards Board**

## IFRS S2 CLIMATE-RELATED DISCLOSURES–JUNE 2023

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).

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## IFRS S2 INDUSTRY-BASED GUIDANCE

### 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 26—Restaurants

### Industry Description

Entities in the Restaurants industry prepare meals, snacks and beverages to customers' orders for immediate on- and off-premises consumption. Broadly divided into three sub-categories, the restaurant industry includes limited-service eating places, casual full-service eating places and upscale full-service eating places. Limited-service restaurants provide services to customers who order and pay before eating. Fast-food restaurants represent the largest share of the limited-service restaurants segment. Full-service restaurants offer more service, food for consumption primarily on-premises, and typically reflect higher quality food and prices.

### Sustainability Disclosure Topics & Metrics

**Table 1. Sustainability Disclosure Topics & Metrics**

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management	(1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-RN-130a.1
Water Management	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic metres (m³), Percentage (%)	FB-RN-140a.1
Supply Chain Management & Food Sourcing	Percentage of food purchased that (1) meets environmental and social sourcing standards, and (2) is certified to third-party environmental or social standards	Quantitative	Percentage (%) by cost	FB-RN-430a.1
	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	Discussion and Analysis	n/a	FB-RN-430a.3

**Table 2. Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) entity-owned and (2) franchise restaurants	Quantitative	Number	FB-RN-000.A
Number of employees at (1) entity-owned and (2) franchise locations	Quantitative	Number	FB-RN-000.B

## Energy Management

### Topic Summary

Restaurant operations have high energy intensity compared with other commercial building operations. Commercial kitchen appliances are energy intensive, and dining areas typically are temperature-controlled for customers. Fossil fuel-based energy production and consumption contribute to significant environmental impacts, including climate change and air pollution, which have the potential indirectly, yet materially, to affect restaurant operations. Regulations on greenhouse gas (GHG) emissions pricing or regulatory incentives for energy efficiency improvements and renewable energy affect conventional and renewable energy prices. Entities that manage energy consumption at entity-owned and franchise locations can decrease operational costs through energy efficiency upgrades and limit exposure to GHG emissions regulations by using renewable energy resources.

### Metrics

*FB-RN-130a.1. (1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable*

- 1 The entity shall disclose (1) the total amount of energy it consumed as an aggregate figure, in gigajoules (GJ).
  - 1.1 The scope of energy consumption includes energy from all sources, including energy purchased from external sources and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity and heating, cooling and steam energy are all 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 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 that is 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 outside of the control or influence of the entity is excluded from the scope of renewable energy.
- 3.4 For the purposes of this disclosure, the scope of renewable energy from 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).

## Water Management

### Topic Summary

Water is used in restaurant operations, from cooking and dishwashing to cleaning. The restaurant type, size and equipment all affect water use. Restaurants located in water-stressed regions may be exposed to water usage restrictions or face high water costs. Long-term historical increases in the costs of water, and expectations around continued increases because of overconsumption and constrained supplies resulting from population growth, pollution and climate change, indicate the increasing importance of effective water management. Entities can reduce water use and associated operational costs by implementing water-efficient practices and using water-efficient commercial kitchen equipment.

## IFRS S2 INDUSTRY-BASED GUIDANCE

### Metrics

*FB-RN-140a.1. (1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress*

- 1 The entity shall disclose the amount of water, in thousands of cubic metres, withdrawn from all sources.
  - 1.1 Water sources include surface water (including water from wetlands, rivers, lakes and oceans), groundwater, rainwater collected directly and stored by the entity, and water and wastewater obtained from municipal water supplies, water utilities or other entities.
- 2 The entity may disclose portions of its supply by source if, for example, significant portions of withdrawals are from non-freshwater sources.
  - 2.1 Fresh water may be defined according to the local laws and regulations where the entity operates. If no legal definition exists, fresh water shall be considered to be water that has less than 1,000 parts per million of dissolved solids.
  - 2.2 Water obtained from a water utility in compliance with jurisdictional drinking water regulations can be assumed to meet the definition of fresh water.
- 3 The entity shall disclose the amount of water, in thousands of cubic metres, consumed in its operations.
  - 3.1 Water consumption is defined as:
    - 3.1.1 Water that evaporates during withdrawal, use and discharge
    - 3.1.2 Water that is directly or indirectly included in the entity's product or service
    - 3.1.3 Water that does not otherwise return to the same catchment area from which it was withdrawn, such as water returned to another catchment area or the sea.
- 4 The entity shall analyse all its operations for water risks and identify activities that withdraw and consume water in locations with High (40–80%) or Extremely High (>80%) Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.
- 5 The entity shall disclose water withdrawn in locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn.
- 6 The entity shall disclose water consumed in locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed.

## Supply Chain Management & Food Sourcing

### Topic Summary

Restaurants source ingredients and products from a wide range of suppliers. Supply chain management is crucial for restaurants to ensure food safety, to protect their reputations and increase revenue. Sourcing quality ingredients to maintain a consistent level of quality across different locations can be operationally challenging and exacerbated by the global nature of the industry. Demand from the food and beverage industry, including restaurants, drives and shapes agricultural production, indicating that actions by industry players have a larger impact on society. Therefore, sustainable and ethical sourcing by industry entities may be necessary to ensure future supply and to minimise lifecycle impacts of entity operations. Sourcing from suppliers that have high quality standards, employ environmentally sustainable farming methods, and honour labour rights may better create value over the long-term. By increasing the amount of food supply sourced in conformance with environmental and social standards, as well as conformance with animal welfare standards and best practices, restaurant operators may be able to maintain food quality, manage food safety issues, enhance their reputation and expand their market share.

### Metrics

*FB-RN-430a.1. Percentage of food purchased that (1) meets environmental and social sourcing standards, and (2) is certified to third-party environmental or social standards*

- 1 The entity shall disclose (1) the percentage of food purchased that meets both environmental and social sourcing standards.
  - 1.1 Environmental standards are defined as standards that address environmental impacts related to food production, such as protection of natural resources and improvements in resource efficiency.
  - 1.2 Social standards are defined as standards that address social impacts related to food production, such as treatment of workers and community, animal health and welfare, and food quality and safety.
  - 1.3 The percentage shall be calculated as the cost of food (and food products) purchased that meets environmental and social standards divided by the total cost of food (and food products) purchased.
  - 1.4 The scope of environmental or social standards includes programmes, guidelines, best practices, criteria, codes of conduct and certifications developed internally, through industry initiatives or by third-parties.
  - 1.5 Examples of environmental and social sourcing standards include:
    - 1.5.1 Global Roundtable for Sustainable Beef Principles & Criteria for Defining Global Sustainable Beef
    - 1.5.2 IDH Sustainability Initiative Fruits and Vegetables (SIFAV)



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- 1.5.3 Sustainable Agriculture Initiative (SAI) Platform, Principles & Practices for Dairy Farming, Sustainable Fruit Production, Sustainable Green Coffee Production, and Sustainable Production of Arable & Vegetable Crops
- 2 The entity shall disclose (2) the percentage of food purchased that has been certified to a third-party environmental or social standard.
  - 2.1 The percentage shall be calculated as the cost of food (and food products) purchased that has been certified to a third-party environmental or social standard divided by the total cost of food (and food products) purchased.
  - 2.2 Examples of certifications to third-party environmental and social standards include:
    - 2.2.1 Fairtrade International
    - 2.2.2 Fair Trade USA
    - 2.2.3 Marine Stewardship Council
    - 2.2.4 Rainforest Alliance Certified
    - 2.2.5 Roundtable on Responsible Soy Association (RTRS)
    - 2.2.6 Roundtable on Sustainable Palm Oil (RSPO)
- 3 The entity shall generally indicate which third-party environmental and social standards it uses.

### *FB-RN-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 and/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

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- 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 may 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
    - 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 toward those targets
    - 3.2.2 Any requirements for suppliers related to animal welfare standards
    - 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. 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.



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