



SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION I SECTOR

PROCESSED FOODS

Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0103
Prepared by the
Sustainability Accounting Standards Board®

January 2015

Exposure Draft Standard for Public Comment

PROCESSED FOODS

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 Processed Foods 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.

Industry Description

The Processed Foods industry includes companies that produce various prepared and ready-to-consume food products including cereal, snack foods, frozen foods, canned fruits and vegetables, soup, candy, and condiments. Companies in the industry transform raw ingredients into consumable products using energy, water, and other key inputs. For snack food companies, these raw ingredients include large quantities of sugar, wheat, corn, vegetable oil, flour, oats, potatoes, seasonings, cocoa, and other fruits and vegetables. Frozen food producers often use similar raw ingredients including wheat, corn, soybeans, pork, poultry, and beef. Large companies in the industry generate sales globally. The largest customers of the Processed Foods industry include grocery stores and large retail chains such as Walmart.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-level Sustainability Topics

For the Processed Foods industry, SASB has identified the following sustainability topics:

- Greenhouse Gas Emissions
- Energy Management & Fleet Fuel Consumption
- Water Management
- Food Safety
- Health & Nutrition
- Product Labeling & 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)

- 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/>."

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Processed Foods 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-20³—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.

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.

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 the 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.

⁵See US GAAP consolidation rules (Section 810).

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

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Weight of products sold	Quantitative	Metric tons (t)	CN0103-A
Total fleet road miles	Quantitative	Miles	CN0103-B
Number of production facilities	Quantitative	Number	CN0103-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.

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.

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 CO ₂ -e	CN0103-01
	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 and Analysis	n/a	CN0103-02
Energy Management & Fleet Fuel Consumption	Operational energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0103-03
	Fleet fuel consumed, percentage renewable	Quantitative	Gigajoules, Percentage (%)	CN0103-04
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 (%)	CN0103-05
	Number of incidents of non-compliance with water quality and/or quantity permits, standards, and regulations	Quantitative	Number	CN0103-06
Food Safety	Global Food Safety Initiative audit conformance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate	Quantitative	Rate	CN0103-07
	Notice of food safety violations received, percentage corrected	Quantitative	Number, Percentage (%)	CN0103-08
	Number of recalls issued, total amount of food product recalled ⁶	Quantitative	Number, Metric tons (t)	CN0103-09
Health & Nutrition	Revenue from products labeled and/or marketed to promote health and nutrition attributes ⁷	Quantitative	U.S. Dollars (\$)	CN0103-10
	Revenue from products that meet Smart Snacks in School criteria or foreign equivalent	Quantitative	U.S. Dollars (\$)	CN0103-11
	Description of the process to identify and manage risks associated with products and ingredients of consumer concern	Discussion & Analysis	n/a	CN0103-12

⁶ Note to **CN0103-09**—Disclosure shall include a description of notable recalls, such as those that affected a significant amount of product or those related to serious illness or fatality.

⁷ Note to **CN0103-10** —Disclosure shall include a description of other strategies, such as portion control, to address public health concerns.

Table 1. Sustainability Disclosure Topics & Accounting Metrics (cont.)

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Product Labeling & Marketing	Number of child advertising impressions made, percent promoting products meeting the Children's Food and Beverage Initiative (CFBAI) Uniform Nutrition Criteria	Quantitative	Number, Percentage (%)	CN0103-13
	Percentage of product portfolio labeled as (1) GMO and (2) non-GMO	Quantitative	Percentage (%) by revenue	CN0103-14
	Notices of violations received for non-conformance with regulatory labeling and/or marketing codes	Quantitative	Number, Percentage (%)	CN0103-15
	Amount of legal and regulatory fines and settlements associated with marketing and/or labeling ⁸	Quantitative	U.S. Dollars (\$)	CN0103-16
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)	CN0103-17
	Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion & Analysis	n/a	CN0103-18
Environmental & Social Impacts of Ingredient Supply Chains	Percentage of food ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by spend	CN0103-19
	Percentage of food ingredients sourced that are certified to third-party environmental and/or social standards	Quantitative	Percentage (%) by spend	CN0103-20
	Suppliers' social and environmental responsibility audit compliance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate	Quantitative	Rate	CN0103-21
	List of priority food ingredients and discussion of sourcing risks due to environmental and social considerations	Discussion & Analysis	n/a	CN0103-22

⁸ Note to **CN0103-16**—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Greenhouse Gas Emissions

Description

The Processed Foods industry generates significant direct emissions of Scope 1 greenhouse gases (GHG) as a result of cogenerating its own energy from fossil fuel sources. This contributes directly to climate change and exposes industry participants to regulatory risks from climate change mitigation policies. Companies that cost-effectively reduce GHG emissions from their operations by implementing industry-leading technologies and processes can create operational efficiency. They can also mitigate the impact on value of increased fuel costs and regulations that limit or put a price on carbon emissions amid increasing regulatory and public concern about climate change in the U.S. and globally.

Accounting Metrics

CN0103-01. 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 (CO₂-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:

- 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”).⁹
 - The approach detailed in Section 4.23, “Organizational boundary setting for GHG emissions reporting,” of the CDSB *Climate Change Reporting Framework* (CCRF).¹⁰
- .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.

CN0103-02. 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.

⁹ “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.

¹⁰ This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) on 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*.

.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."¹¹
- 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.

¹¹ 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 & Fleet Fuel Consumption

Description

Processed food companies are reliant on energy as a primary input for value creation. 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 may increase in order to offset carbon pricing regulation of utilities, presenting price volatility risks to large consumers of purchased electricity. With processed food manufacturing plants located in multiple regions, the likelihood and impact of energy price volatility will vary depending on the exact location of facilities. Large fleets used by the industry to transport and distribute goods can also contribute to GHG emissions. Companies' investments in energy efficiency, decisions about the use of alternative fuels, use of renewable energy, and on-site generation of electricity (versus purchasing from the grid) can play an important role in their ability to influence both the costs and the reliability of energy supplies. Efficient energy usage is essential for competitive advantage in this industry, as purchased fuels and electricity account for a significant portion of total production costs.

Accounting Metrics

CN0103-03. Operational energy consumed, percentage grid electricity, percentage renewable

- .13 The registrant shall disclose energy consumption from all sources, except fleet vehicles, 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), 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 energy consumption.
- .16 The registrant shall disclose renewable energy consumption as a percentage of its 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.

- 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.¹²

.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.

.18 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).

CN0103-04. Fleet fuel consumed, percentage renewable

.19 The registrant shall disclose total fuel consumption by fleet vehicles as an aggregate figure in gigajoules or their multiples.

- The scope includes fuel consumed by vehicles owned or operated by the registrant.

.20 Fuel consumption shall be based on actual fuel consumed (i.e., not based on design parameters).

.21 Acceptable methods for calculating fuel consumption include fuel purchases made during the year plus any inventory at the start of the year, minus any fuel inventory at the end of the year; or fuel consumption tracked by vehicle or through expense reports.

.22 The registrant shall disclose renewable fuel consumption as a percentage of its total fuel consumption.

- Renewable fuel is defined, consistent with U.S. EPA’s Renewable Fuel Standard (40 CFR Section 80.1401), as a fuel which meets the following requirements:

¹² 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.

- Fuel that is produced from renewable biomass.
- Fuel that is used to replace or reduce the quantity of fossil fuel present in a transportation fuel, heating oil, or jet fuel.
- Fuel that has lifecycle GHG emissions that are at least 20 percent less than baseline lifecycle GHG emissions, unless the fuel is exempt from this requirement pursuant to § 80.1403.

.23 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), 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).

.24 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).

DRAFT

Water Management

Description

The Processed Foods industry uses large amounts of water for cooking, processing, and cleaning. The quantity of water used depends largely on the process and type of food being prepared. As the global population increases, the demand for water is expected to increase, while at the same time, increasing pollution and climate change are constraining water supplies. This creates major operational risks for processed food companies that are dependent on access to water, especially those operating in water-scarce regions. Companies that are unable to secure a stable water supply could face production disruptions, while rising water prices could directly increase production costs. Additionally, companies may face risks associated with discharging polluted water from the food-making process, which can lead to costly fines and stricter regulations. Consequently, the adoption of technologies and processes that reduce water consumption could lower operating risks and costs for companies and create a competitive advantage. This could minimize the impact of regulations, water supply shortages, and community-related disruptions on company operations.

Accounting Metrics

CN0103-05. Total water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

.25 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.¹³

.26 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.

.27 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.

.28 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.

¹³ <http://water.epa.gov/drink/contaminants/secondarystandards.cfm>

CN0103-06. Number of incidents of non-compliance with water quality and/or quantity permits, standards, and regulations

- .29 The registrant shall disclose the total number of instances of non-compliance, including violations of technology-based standards and exceedances of quantity- or quality-based standards.
- .30 The scope of disclosure includes incidents related to statutory permits and regulations as well as voluntary agreements, standards, and guidelines, such as total maximum daily load (TMDL) and/or groundwater withdrawal exceedances.
- .31 Voluntary quality standards include, among others, the registrant's own water quality standards (parameters) or "effluent guidelines" from the International Finance Corporation's (IFC) "Environmental, Health, and Safety Guidelines for Food and Beverage Processing."
- Typical parameters of concern include total nitrogen, total phosphorous, biological oxygen demand (BOD), chemical oxygen demand (COD), total coliform bacteria, oil and grease, total suspended solids (TSS), and pH.
- .32 Voluntary quantity standards include, among others, the registrant's own water quantity standards (targets), alignment with the United Nations CEO Water Mandate, and the EPA's WaterSense program.
- .33 Other permits, standards, and regulations include, among others, localized mandatory restrictions, voluntary measures, and emergency drought curtailments.
- .34 An incident of non-compliance shall be disclosed regardless of whether it resulted in an enforcement action (e.g., fine, warning letter, etc.).
- .35 Violations, regardless of their measurement methodology or frequency, shall be disclosed. These include:
- For continuous discharges, limitations, standards, and prohibitions that are generally expressed as maximum daily, weekly average, and monthly averages.
 - For non-continuous discharges, limitations that which are generally expressed in terms of frequency, total mass, maximum rate of discharge, and mass or concentrations of specified pollutants.

Food Safety

Description

Food safety, as it relates to quality in production, spoilage, contamination, and allergy labeling, can affect company operations as a result of product recalls, lawsuits, fines, and capital expenditures. The U.S. Food and Drug Administration and European Food Safety Authority maintain oversight of the operations of companies that process food in order to ensure that proper procedures are followed and unsafe food is prevented from being distributed. Additionally, such agencies often oversee product recalls and procedures to remove products from circulation and correct issues when they occur. While many companies have procedures in place to address food quality and safety, issues still occur—a significant number of Americans are exposed to foodborne illness every year. Strong internal food safety protocols and monitoring could help companies avoid recalls, which can tarnish their brand reputation.

Accounting Metrics

CN0103-07. Global Food Safety Initiative (GFSI) audit conformance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate

- .36 The registrant shall disclose its conformance with Global Food Safety Initiative (GFSI) recognized food safety schemes based on the number of non-conformances that were identified during audits.
- .37 The scope of disclosure includes audit results from facilities that are owned and/or operated by the registrant.
- .38 The registrant shall calculate and disclose the major non-conformance rate as: total number of major (and/or critical) non-conformances identified in the supply chain divided by the number of facilities audited.
- Major non-conformances are the highest severity of non-conformance and require escalation by auditors. Major non-conformances may arise from a significant risk to food safety, non-compliance with relevant regulatory requirements, and failure to adequately address prior minor non-conformances. Major non-conformances must be corrected in accordance with the relevant GFSI scheme under audit.
 - For schemes that contain both major and critical non-conformances, critical non-conformances shall be accounted for as major non-conformances.
- .39 The registrant shall calculate and disclose the minor non-conformance rate as: total number of minor non-conformances identified in the supply chain divided by the number of facilities audited.
- A minor non-conformance is defined by the relevant GFSI scheme and is by itself not indicative of a systemic problem.
- .40 The registrant shall calculate and disclose its corrective action rate for major non-conformances as: the number of corrective action plans completed in accordance with the relevant GFSI scheme, but not later than

30 days from the audit date, to address major non-conformances, divided by the total number of major non-conformances that have been identified.

.41 The registrant shall calculate and disclose its corrective action rate for minor non-conformances as: the number of corrective action plans completed in accordance with the relevant GFSI scheme, but not later than 365 days from the audit date, to address minor non-conformances, divided by the total number of minor non-conformances that have been identified

.42 A corrective action is defined as an action to eliminate the cause of a detected non-conformity or other undesirable matter, in accordance with the GFSI, and may be further defined by the relevant GFSI scheme under audit.

.43 The scope of schemes includes those recognized by the GFSI, including, at time of publication:

- PrimusGFS Standard V2.1—December 2011
- Global Aquaculture Alliance BAP Seafood Processing Standard
- FSSC 22000—October 2011 Issue
- SQF Code 7th Edition Level 2
- IFS Food Standard Version 6
- BRC Global Standard for Food Safety Issue 6
- Global Red Meat Standard 4th Edition Version 4.1

.44 The registrant should disclose the GFSI-recognized scheme to which its facilities are audited.

CN0103-08. Notice of food safety violations received, percentage corrected

.45 The registrant shall disclose the number of notices received that substantiate a violation of advisory and administrative code(s), statute(s), or other requirement(s).

- Food and Drug Administration's (FDA) notices of violation (NOV) include, but are not limited to, Untitled Letters, Warning Letters, Section 305 Notices (Citations), or Administrative Detention.
- U.S. Department of Agriculture (USDA) notices of violation include, but are not limited to, product withholdings and suspensions, Notice of Warning, and regulatory control actions.
- A listing of USDA NOVs is available [here](#), a database for FDA Warning Letters is available [here](#), Untitled Letters are available [here](#), and a listing of Section 305 Notices and Administrative Detentions can be requested through the Freedom of Information Act [here](#).

.46 The scope of disclosure includes advisory and administrative violations for any food safety-related issue including, but not limited to, those related to facilities' hygienic practices, product allergen labeling, product contamination, food and color additive violations, and other food safety issues covered by the Food Drug

and Cosmetic Act, the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act.

.47 The registrant shall calculate the percent of NOV corrected as the number of NOV received and corrected divided by the total number of NOV received.

- An NOV is considered corrected when a company takes corrective action(s) before the regulatory agency initiates an enforcement action.

CN0103-09. Number of recalls issued, total amount of food product recalled

.48 The registrant shall disclose the total number of recalls issued, the scope of which includes recalls initiated by the registrant as well as recalls requested by the FDA, USDA, or equivalent foreign regulatory organization.

- The scope of this disclosure shall include instances of import refusals, a database for which is available [here](#).

.49 The registrant shall disclose the total amount (in metric tons) of products recalled.

.50 A database of FDA-regulated recalls is available [here](#) and a listing of USDA-regulated recalls is available [here](#).

.51 The registrant may choose, in addition to the total number of recalls, to disclose the percentage of recalls that were (1) registrant-initiated and (2) requested by a regulatory agency, where:

- Recalls requested by a regulatory agency are those requested by governmental entities (e.g., the FDA or USDA in the U.S. or the China Food and Drug Administration).
- Registrant-initiated recalls are those proactively initiated by a food manufacturer or distributor in order to take foods off the market, prior to any request from a regulatory agency.

Note to CN0103-09

.52 The registrant shall discuss notable recalls such as those that affected a significant amount of product or those related to serious illness or fatality.

.53 A recall should be considered notable if it is mentioned in the FDA's [Recalls, Market Withdrawals, & Safety Alerts](#) or the USDA's [Current Recalls and Alerts](#).

.54 For such recalls, the registrant should provide:

- Description and cause of the recall issue
- The total weight of products recalled
- The cost to remedy the issue (in U.S. dollars)
- Whether the recall was voluntary or involuntary

- Corrective actions
- Any other significant outcomes (e.g., legal proceedings, consumer fatalities)

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Health & Nutrition

Description

Key nutritional and health concerns among consumers and regulators related to obesity, artificial ingredients, and nutritional value are shaping the Processed Foods industry's competitive landscape. These can affect a company's social license to operate and its ability to provide long-term value to shareholders. Studies have suggested adverse health consequences from consuming large quantities of food with little nutritional value, which can lead to health issues such as higher levels of cholesterol, increased risk of heart disease, and higher levels of obesity. Processed food producers are recognizing the risk of consumers' shifting preferences and increased awareness of the health consequences of products. Together with new regulations or taxes on processed foods such as snack foods, changing consumer demand has the ability to influence industry profitability and remains a risk for industry participants. Addressing shifting diet trends and producing products that address consumers' health and nutritional concerns can create new opportunities in the food industry and long-term value for shareholders.

Accounting Metrics

CN0103-10. Revenue from products labeled and/or marketed to promote health and nutrition attributes

.55 The registrant shall disclose the total revenue (in U.S. dollars) received from the sale of its products that are labeled and/or marketed to promote health and nutrition attributes, including:

- Products that contain labels and other written, printed, or graphic matter on the article itself or on any containers and wrappers or otherwise accompanying the article, consistent with 21 U.S.C. § 321(m), which promote health and nutrition attributes.
- Products for which the registrant communicates, delivers, and exchanges products that promote health and nutrition attributes, consistent with the American Marketing Association's definition of marketing.

.56 Products are considered to promote health and nutrition attributes when labeling or marketing contains claims that:

- Additives (e.g., artificial sweeteners, colors, preservatives, and industrially produced trans fats) have been eliminated.
- Fat, saturated fat, sodium, and cholesterol are equal to or less than the requirements for the use of the term "healthy" and related terms, prescribed by the FDA's Food Labeling Guide, available [here](#).
- Beneficial nutrients (e.g., vitamins A and C, calcium, iron, protein, and fiber) meet or exceed the requirements for the use of the term "healthy" and related terms, prescribed by the FDA's Food Labeling Guide, available [here](#).
- A relative claim, such as "light," "reduced," or "less" can be made regarding the product's added sugar content, consistent with the FDA's Food Labeling Guide, available [here](#).

Note CN0103-10

.57 The registrant shall discuss the use of other strategies, such as portion control, to address public health concerns.

- Disclosure shall include the products for which such a strategy has been implemented as well as a discussion of the rationale for using portion control.

.58 The registrant shall discuss whether strategies are related to or associated with a health and nutrition initiative or strategy (e.g., WHO Global Strategy on Diet, Physical Activity and Health, Healthy Weight Commitment Foundation, or the Alliance for a healthier Generation), including regional, national, international, or industry-specific programs.

CN0103-11. Revenue from products that meet Smart Snacks in School criteria or foreign equivalent

.59 The registrant shall disclose the total revenue (in U.S. dollars) received from the sale of its products that meet the Smart Snacks in School criteria or a foreign equivalent.

- The Smart Snacks in School criteria are defined by the Healthy, Hunger-Free Kids Act of 2010, as codified by 7 CFR Section 210.11, available [here](#).

.60 The scope of disclosure shall include all products that meet the general nutrition standards of the Hunger-Free Kids Act of 2010 or foreign equivalent, and is not limited to the revenue derived from the sale of products on school campuses or during the school day.

.61 The registrant shall disclose when foreign equivalents have been used in place of the Smart Snacks in School criteria, where foreign equivalents include, but are not limited to:

- England's Nutritional Standards and Requirements for School Food
- Canada's School Food Guidelines for School Food Providers, Second Edition
- Mexico's General Guidelines for Dispensing and Distribution of Processed Foods and Beverages in the National Education System

CN0103-12. Description of the process to identify and manage products and ingredients of consumer concern

.62 The registrant shall discuss its process to identify and manage products and ingredients of consumer concern, including, but not limited to, artificial colors, flavors, sweeteners, preservatives, and other ingredients or additives as described by the FDA, available [here](#).

- The scope of disclosure shall focus on food ingredients, additives, and novel foods, but should include potential synergistic effects of ingredients or products as relevant.

.63 Relevant efforts to discuss include, but are not limited to, risk assessments, participation in long-term health studies, completion of toxicological screens, procedures for receiving and reviewing consumer concerns,

labeling of novel food items, and phasing out, substituting, or using alternative materials for ingredients of concern.

- .64 The registrant shall discuss any significant complaints, such as those resulting in lawsuits, relating to products of consumer concern and any efforts to mitigate the relating future risks
- .65 The registrant may choose to discuss implementation of relevant food ingredient and additive standards, such as those under the CODEX Alimentarius International Food Standards of the Food and Agriculture Organization (FAO) and the World Health Organization (WHO), available [here](#).

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Product Labeling & Marketing

Description

Companies in the Processed Foods industry have come under scrutiny for misleading consumers about the contents of processed foods, asserting undue influence on children to consume nutrient-poor foods, and lacking transparency surrounding the use of genetically modified organisms (GMO) in food products. These practices have been linked to externalities including increasing rates of childhood obesity and diabetes. In the U.S. and abroad, these externalities have manifested into numerous lawsuits and public outcry for further regulation. Settlements resulting in significant fines and reputational harm show the importance of registrants being careful and transparent when labeling and marketing their products. Firms that proactively address public and governmental concerns regarding the misleading use of marketing and labeling, promote healthier products to children, and transparently label the GMO content of products will be better positioned in the event of further regulations and/or market shifts in demand, and will benefit from enhanced brand reputation.

Accounting Metrics

CN0103-13. Number of child advertising impressions made, percent promoting products meeting the Children's Food and Beverage Initiative (CFBAI) Uniform Nutrition Criteria

.66 The registrant shall disclose the total number of advertising impressions made on children, where:

- An advertising impression is a measure of the number of times an advertisement is seen, heard, watched, or read.
- Children are defined as age 12 and under, consistent with the Children's Food and Beverage Initiative (CFBAI).

.67 The scope includes advertising impressions made through media such as television, radio, print, Internet, interactive games (including advergames), tablets, smartphones, video games, computer games, DVDs, and word of mouth, consistent with the CFBAI.

.68 The registrant shall disclose the estimation methods used to calculate the number of advertising impressions made on children, 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 in television, radio, and print advertising.
- Average visits per month, average page visits per month, and targeted index by age for company-owned websites.
- Total number of ads viewed and child audience share on third-party websites, advergames, tablets, smartphones, video games, and computer games.

.69 The registrant shall disclose the percentage of advertising impressions made on children that promote products which meet the [CFBAI's Uniform Nutritional Criteria](#).

.70 The percentage is calculated as the total number of child advertising impressions promoting products that meet the [CFBAI Uniform Nutritional Criteria](#) divided by the total number of child advertising impressions made.

CN0103-14. Percentage of product portfolio labeled as (1) GMO and (2) non-GMO

.71 The registrant shall disclose the percentage (by revenue) of its product portfolio that is labeled as (1) containing Genetically Modified Organism (GMO) and (2) free of GMOs, where:

- GMOs are defined as organisms, with the exception of human beings, in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination, consistent with E.U. Directive 2001/18/EC.

.72 The scope of disclosure includes GMOs that are defined by, or subject to, the following:

- E.U. Directive 2001/18/EC;
- Regulation EC 1829/2003;
- Maine HP 0490 LD 718;
- Vermont H. 112 Act 0120;
- Connecticut House Bill 6527; or
- Other U.S. state or federal regulation, as enacted.

.73 The registrant shall calculate the percentage of its product portfolio that is labeled: (1) GMO as the total revenue received from products that are labeled as containing GMOs divided by the total revenue received from products in this portfolio; and (2) non-GMO as the total revenue received from products that are labeled as free of GMOs divided by the total revenue received from products in this portfolio.

CN0103-15. Notices of violations received for non-conformance with regulatory labeling and/or marketing codes

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

- A labeling- and/or marketing-related non-conformance, consistent with the United States Fair Packaging and Labeling Act (Title 15, Chapter 39) and the Federal Trade Commission (FTC) Act (Title 15 Chapter 2), includes products with labels that are misbranded or use deceptive acts of advertising.
- Incidences include, but are not limited to, the FDA's Untitled Letters, Warning Letters, or foreign equivalents and the FTC's cease-and-desist orders, civil penalties, corrective advertising remedies, or foreign equivalents.
- A database of Warning Letters is available [here](#), and Untitled Letters are available [here](#).

.75 The scope of disclosure includes non-conformances that are subject to regulations including, but not limited to, the following:

- The Federal Food and Drugs Act of 1906 (Title 21, Chapter 1)
- The Federal Food Drug and Cosmetic Act (Title 21, Chapter 9)
- The Fair Packaging and Labeling Act (Title 15, Chapter 39)
- The Federal Trade Commission Act (Title 15, Chapter 2)
- Other U.S. state or federal and foreign regulations, as enacted

.76 The registrant may disclose any other non-conformances with third-party, industry, or internal codes on labeling and/or marketing.

CN0103-16. Amount of legal and regulatory fines and settlements associated with marketing and/or labeling practices

.77 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 Federal Food and Drugs Act of 1906 and the Nutrition Labeling and Education Act of 1990, among others.

.78 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 CN0103-16

.79 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.

.80 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.

Packaging Lifecycle Management

Description

Packaging represents major business and environmental risks and opportunities for processed food companies throughout various lifecycle stages including material design, transportation, and disposal. Environmental benefits can include reducing the resources needed for packaging materials, reducing GHG emissions in transportation, and reducing the amount of solid waste consumers send to landfills. Containers and packaging waste contributes significantly to annual amounts of waste in the U.S. and globally. While many processed food companies do not manufacture their own containers and packaging, they face the responsibilities and reputational risks associated with the negative externalities that their products' containers create. Processed foods companies can influence the design of their packaging, which can help reduce their environmental footprint. The sustainability performance of packaging depends largely on the type, use, and ultimate disposal of materials, however, companies that effectively manage the sustainability characteristics and weight of their product packaging are likely to be better positioned to capture market shifting consumer demand, and avoid regulation, while also potentially reducing input and transportation costs.

Accounting Metrics

CN0103-17. Total weight of packaging sourced and (1) percentage made from recycled or renewable materials and (2) percentage that is recyclable or compostable

.81 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.

.82 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.

.83 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.

.84 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

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.

.85 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 reused 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 CO₂, water, inorganic compounds, and biomass at a rate consistent with other known compostable materials, and that leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

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

N0103-18. Description of strategies to reduce the environmental impact of packaging throughout its lifecycle

.87 The registrant shall discuss its strategies to reduce the environmental impact of packaging throughout 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.

.88 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.

- .89 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. The efficiency and health of product packaging should be discussed in terms of LCA functional unit service parameters (i.e., time, extent, and quality of function).

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

Concerns over climate change, water scarcity, land use, impacts on biodiversity, and labor conditions in supply chains are shaping the competitive landscape of the Processed Foods industry. Companies in this industry utilize significant amounts of agricultural inputs that are susceptible to shifts in weather patterns, and many are produced in areas affected by drought. At the same time, agricultural products with negative environmental externalities can affect crop yields and the ecosystem on which agriculture production depends. Processed food companies are exposed to risks of supply chain disruptions, input price increases, regulatory compliance costs, and reputational damage associated with environmental and social externalities from raw material sourcing. Climate change, water scarcity, environmental degradation, and land-use restrictions present risks to a company's long-term ability to source key materials and ingredients. At the same time, companies are continually competing on ethical sourcing practices and certifications for their products in order to improve and maintain brand reputation. Responsible sourcing practices have the potential to offer companies opportunities to capture growing demand from socially conscious consumers while also ensuring a steady supply of inputs. Companies can proactively address risks by engaging with key suppliers to implement environmentally and socially sustainable agricultural and animal-farming practices in order to generate a more resilient supply of key ingredients.

Accounting Metrics

CN0103-19. Percentage of food ingredients sourced from regions with High or Extremely High Baseline Water Stress

- .90 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of food ingredients sourced from regions with High or Extremely High Baseline Water Stress.
- .91 The scope of food ingredients shall include those items grown by a tier-1 supplier or third party that are sourced for eventual sale.
- .92 The percentage is calculated as the total cost of goods sold, in U.S. dollars, of food ingredients sourced from regions with High or Extremely High Baseline Water Stress divided by the total cost of food ingredients sourced.
- .93 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.
- .94 For the registrant's sources that are unknown and cannot be directly measured, estimation is acceptable and shall be disclosed as such.

CN0103-20. Percentage of food ingredients sourced that are certified to third-party environmental and/or social standards

.95 The registrant shall disclose the percentage, on a cost of goods sold (COGS) basis, of food ingredients sourced that have been certified to third-party environmental and/or social standards, where:

- Environmental standards include, but are not limited to, protection of primary forests, maintenance of surface- and ground-water quality, and implementation of integrated pest management solutions or an Organic System Plan.
- Social Standards include, but are not limited to, fair compensation of employees, training of agrochemical applicators, continual monitoring of health and safety risks associated with applications of agrochemicals, and absence of harmful child-labor practices.
- Standards that include both social and environmental criteria contain measures that incorporate both social and environmental requirements, as mentioned above.

.96 The percentage shall be calculated as the COGS that are certified to a third-party environmental and/or social standard, divided by the total COGS.

.97 The scope of disclosure includes third-party certifications that are based on either environmental or social best practices or both.

.98 The scope of food ingredients shall include those items grown by a tier-1 supplier or third party that are sourced for eventual sale. Where environmental and/or social certifications include, but are not limited to:

- Roundtable on Sustainable Palm Oil (RSPO)
- Roundtable on Responsible Soy (RTRS)
- Rainforest Alliance
- Fair Trade USA
- Fair Trade International
- UTZ Certified
- Bon Sucro
- USDA Organic
- SA8000

.99 The registrant should indicate to which standards its food supply is certified.

CN0103-21. Suppliers' social and environmental responsibility audit compliance: (1) major non-conformance rate and associated corrective action rate, and (2) minor non-conformance rate and associated corrective action rate

.100 The registrant shall disclose its suppliers' compliance with external social and environmental audit standards or internally developed supplier code(s) of conduct, based on the number of non-conformances identified.

- The registrant may limit its disclosure to those suppliers that, in aggregate, account for greater than, or equal to, 80 percent of its supplier sourcing that is directly related to manufacturing.

.101 The registrant shall calculate and disclose the major non-conformance rate as the total number of priority non-conformances identified in the supply chain divided by the number of facilities audited.

- Major non-conformances are the highest severity of nonconformance and require escalation by auditors. Priority non-conformances confirm the presence of underage child workers (below the legal age for work or apprenticeship), forced labor, health and safety issues that can cause immediate danger to life or serious injury, and environmental practices that can cause serious and immediate harm to the community. Major non-conformance includes material breach or systemic breaking of code requirement or law. Issues representing an immediate danger must be corrected as soon as practical, but not longer than 90 days after discovery.
- In equivalent codes of conduct, major non-conformances may also be referred to as "zero tolerance" issues, "critical non-conformance," or "core violations."

.102 The registrant shall calculate and disclose the minor non-conformance rate as the total number of minor non-conformances identified in the supply chain divided by the number of facilities audited.

- A minor non-conformance by itself doesn't indicate a systemic problem with the management system. It is typically an isolated or random incident and represents a low risk to workers and the environment.

.103 The registrant shall calculate and disclose its corrective action rate for major non-conformances as the number of corrective action plans completed within 90 days to address major non-conformances divided by the total number of priority non-conformances that have been identified.

.104 The registrant shall calculate and disclose its corrective action rate for minor non-conformances as the number of corrective action plans completed within 90 days to address minor non-conformances divided by the total number of minor non-conformances that have been identified.

.105 A corrective action is defined as the implementation of practices or systems to eliminate any non-conformance and ensure there will be no reoccurrence of the non-conformance, and verification that the corrective action has taken place.

.106 The registrant shall disclose the standards to which it has measured social and environmental responsibility audit compliance.

- For internally developed supplier code(s) of conduct, the registrant shall disclose the public location where such code(s) can be viewed.

CN0103-22. List of priority food ingredients and discussion of sourcing risks due to environmental and social considerations

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

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

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

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

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

.110 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.

.111 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.