Anthesis PROVISION

Quick Guide to Choosing an ESG Framework For the Food & Beverage Sector

Introduction

To future-proof a food and beverage company in 2022, you cannot bypass the world of ESG (Environmental, Social, Governance). The world of ESG reporting has evolved rapidly over the last few years to include a wide range of disclosure standards and frameworks that allow retailers, investors, consumers and other stakeholders (such as banks and insurance) to compare performance. We are beginning to see ESG disclosure become a prerequisite for accessing capital and insurance, and it's even being mandated in some countries for large organizations.

Frameworks covered in this guide include:

Global Reporting Initiative	GRI
Sustainability Accounting Standards Board	SASB
Climate Disclosure Project	CDP
Task Force on Climate-Related Financial Disclosures	TCFD

How do I Choose a Framework?

Each framework and standard is designed for unique sets of stakeholders. Understanding which one is right for you will depend on multiple factors such as who your audience is, what's motivating you to think about ESG disclosure and what resources you have that can be dedicated to it. In the "What we're seeing" section under each framework's description we've provided some helpful insights into who's using it and when you should consider it for your ESG reporting.

Let's dive in.

Tip: If you haven't started ESG reporting yet (don't worry you're not alone) don't reinvent the wheel - align to one of the following global reporting frameworks. This will save you time and headaches down the road and make your reporting more credible and accessible.

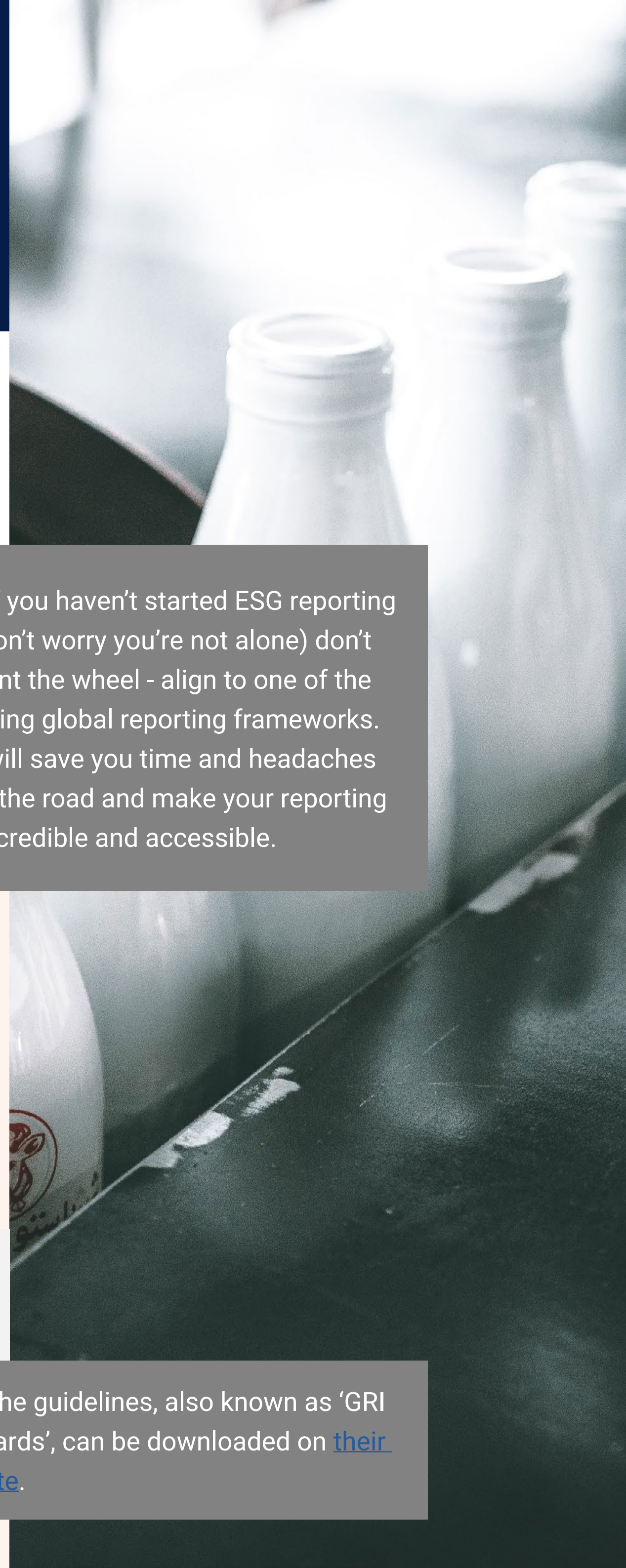
GRI | Global Reporting Initiative

The GRI was the first corporate sustainability standard in the world - and is the most widely used for reporting.

The type and scope of disclosure: The GRI provides reporting organizations a comprehensive principle-based framework that takes a deep dive into a corporation's economic, environmental, and social practices and measures the corporation's sustainability contributions, whether positive or negative. It also takes into consideration the impact organizational activities and decisions have on key stakeholders. The Materiality Principle helps companies select relevant, impactful "material topics" to report. Each of GRI's 34 topic-specific Standards include required and recommended disclosures.

What we're seeing: In the food & beverage industry, it is not uncommon to see large retailers and manufacturers include a GRI Index at the end of their annual sustainability reports. Many companies use the GRI Standards as a stepping-stone for other reporting standards, as other ESG reporting standards following similar methodologies. In a study conducted by the Centre for Sustainability Excellence, 60% of the top 10 ESG performing companies apply the GRI Standards.

Tip: The guidelines, also known as 'GRI standards', can be downloaded on their website.



SASB

The SASB Standards were designed to ensure that providers of financial capital have access to comparable, consistent and reliable data to inform investment and stewardship decisions.

The type and scope of disclosure: SASB provides standards for 77 industries across 11 sectors. SASB Standards enable businesses to identify, manage and communicate financially-material sustainability information to their investors. Each standard identifies the subset of sustainability issues reasonably likely to impact financial performance and long-term enterprise value of the typical company in an industry. On average, each standard has six disclosure topics and 13 accounting metrics. Each standard also includes technical protocols for compiling data and activity metrics for normalization. Approximately 75% of the accounting metrics in the SASB Standards are quantitative.

What we're seeing: With SASB you're able to dive deeper on sector-specific information with a financial lens, which is why we're seeing it requested by financial institutions related to capital raises and M&A activity. You will often find SASB reports appended to annual sustainability reports, or listed as separate reports on company websites.

CDP

CDP is a popular reporting framework that companies use to disclose environmental information to their stakeholders (investors, customers and employees).

The type and scope of disclosure: CDP focuses primarily on climate impacts and includes disclosures on carbon emissions, water usage, and deforestation. Each year, the CDP takes the information supplied through its annual reporting process and scores companies based on their environmental transparency and action. CDP maintains this data in an open database and proclaims to hold the world's most comprehensive collection of self-reported environmental data. The scores can be kept private or made public by companies.

What we're seeing: More and more large retail and food service companies are requesting CDP and giving credit to companies who complete it. Over 200+ companies worldwide are using CDP's supply chain program to collect relevant and comparable environmental data from their suppliers. CDP is becoming a tool for major retailers to help inform supply chain risk and impact.

TCFD

TCFD was created by the Financial Stability Board in recognition that Climate Change presents a significant risk to the global financial sector.

The type and scope of disclosure: TCFD is a guidance framework to help companies disclose climate related financial risk to investors, lenders and insurers. TCFD is made up of 11 disclosure topics divided into four pillars: governance, strategy, risk management, and metrics and targets. While TCFD was developed for financial institutions, it is being adopted by investors to assess the performance of their own portfolios.

What we're seeing: We only identified one North American based food and beverage company listed in the TCFD report database – Coca Cola - but did find a few large publicly traded multinationals such as Nestle and Unilever. If you're a small or medium sized privately held business, we'd suggest you focus on GRI, SASB or CDP for now. Publicly traded companies should be closely monitoring investor expectations for TCFD disclosures.

GRI or SASB?

GRI and SASB co-published a report in 2021 "A Practical Guide to Sustainability Reporting Using GRI and SASB Standards" explaining how and why the GRI and SASB standards may be used concurrently. If you are looking for a detailed understanding of the similarities and differences of these reporting frameworks it's a good place to start.

What we're seeing: A 2021 study by GRI and SASB found that the food and beverage industry was one of the top 3 industries with the highest proportion of respondents using both sets of standards - with 60% of food and beverage companies using both GRI and SASB.

But if you want to choose one Framework over the other, we recommend GRI if you want your reporting to appeal to a broad stakeholder base and SASB if your ESG reporting audience is focused on financial stakeholders (investors and other providers of financial capital).

Conclusion

As you can tell, choosing the right sustainability reporting framework ultimately comes down to what information your stakeholders need and what your organizational goals are. For some companies, that may mean incorporating a combination of frameworks into your reporting.

Still not sure which one is best for your company? We can walk you through the steps we take with clients to ensure they make the right choice when it comes to choosing the right ESG reporting and disclosure framework.

Get in Touch →

Tip: The good news is that several of these reporting organizations are collaborating to make this process easier by aligning their approaches.