STANDARD-SETTING PROJECT

Alternative Products in the Food & Beverage Sector

RECOMMENDED CHANGES TO THE SASB MEAT, POULTRY & DAIRY; PROCESSED FOODS; AND FOOD RETAILERS & DISTRIBUTORS STANDARDS

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Prepared by the Sustainability Accounting Standards Board®
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Overview

Following the planned consolidation of the Value Reporting Foundation into the International Financial Reporting Standards (IFRS) Foundation on June 30, 2022, stewardship of the SASB Standards will pass from the SASB Standards Board to the International Sustainability Standards Board (ISSB). These recommended changes represent changes to the Meat, Poultry & Dairy, Processed Foods, and Food Retailers & Distributors Standards that the SASB Standards Board would have pursued through the publication of exposure drafts, including an invitation to comment, if there were sufficient time to advance the project through the next phases of its due process as outlined in the SASB Rules of Procedure.

The SASB Standards Board has published these recommended changes for consideration by the ISSB, and for market participants interested in the continued improvements to the SASB Standards. Any future updates to the SASB Standards will subjected to ISSB due process prior to being finalized.

Key changes recommended by the Board:

- The addition of a new disclosure topic, Product Innovation, and three corresponding metrics in the Meat, Poultry & Dairy and the Processed Foods Standards intended to capture risks and opportunities associated with companies’ management of alternative protein products.
- The addition of a new disclosure topic, Product Portfolio Diversification, in the Food Retailers & Distributors Standard intended to capture risks and opportunities associated with companies’ management of alternative protein products.
Basis for Conclusions on Recommended Changes to the Meat, Poultry & Dairy; Processed Foods; and Food Retailers & Distributors Standards
Introduction

The basis for conclusions accompanies, but is not part of, the “Recommended Changes to the Meat, Poultry & Dairy, Processed Foods, and Food Retailers & Distributors Standards” as part of the Alternative Products in Food & Beverage standard-setting project. The basis for conclusions summarizes the considerations and rationale of the SASB Standards Board (the Board) in developing the recommended changes. Individual Board members gave greater weight to some factors than to others.

The basis for conclusions is organized as follows:

a) Summary of recommended changes
b) How were the recommendations developed?
c) Why was the project added to the standard-setting agenda?
d) What is the basis for the Board’s recommended changes to the Standards?

Summary of recommended changes

The Board recommends adding a new disclosure topic, Product Innovation, to the Meat, Poultry & Dairy (MP) and Processed Foods (PF) Standards. The disclosure topic will have three corresponding metrics in the MP Standard and the PF Standard. The Board also recommends adding a new disclosure topic, Product Portfolio Diversification, and three corresponding metrics to the Food Retailers & Distributors (FR) Standard. The Board recommends adding a disclosure topic to these three industries to capture the risks and opportunities associated with protein product diversification, which the Board believes will improve the completeness and decision-usefulness of the Standards.

The Board also recommends a minor revision to the industry description in the Food Retailers & Distributors Standard to provide additional clarity on the scope of the industry.

Recommended new disclosure topic: Product Innovation

The proposed new Product Innovation disclosure topic captures the risks and opportunities associated with protein product diversification.

The proposed establishment of the Product Innovation disclosure topic in the MP and PF Standards would include the addition of three new corresponding metrics:

- Revenue from (1) conventional animal products and (2) alternative protein products
- Total amount spent on protein diversification
- Discussion of strategy to diversify protein products
Recommended new disclosure topic: Product Portfolio Diversification

The proposed new Product Portfolio Diversification disclosure topic would capture the risks and opportunities associated with protein product diversification in the FR industry, both within private-label brands and at a store level.

The proposed establishment of the Product Portfolio Diversification disclosure topic in the FR Standard would include the addition of three new corresponding metrics:

- Revenue from (1) conventional animal products and (2) alternative protein products for (a) private-label and (b) non-private-label products
- Total number of (1) conventional animal products and (2) alternative protein products sold
- Discussion of strategy to diversify protein products

How were the recommendations developed?

As a general practice, the Board and technical staff actively monitor topics identified in each industry Standard by assessing corporate disclosures and the effectiveness of the relevant Standards at capturing performance on the issue in a decision-useful manner. Technical staff also monitor industry developments and solicit input from market participants and subject matter experts on the need for standard setting.

Since the research project was added to the agenda, the technical staff has conducted research and engaged in consultations with stakeholders and subject matter experts, including the SASB Standards Advisory Group, to support development of the recommended changes. Throughout the course of this project, the technical staff contacted 47 market participants and held consultations with 33 of them—24 companies, six investors, and three subject matter experts—as well as attended a roundtable with 12 investors and 11 companies. The companies included large-cap companies, mid-cap companies, and small-cap start-ups. Staff consulted with a variety of investors, including fundamental equity analysts and environmental, social, and governance (ESG) and stewardship team members.

The research and consultation conducted by the technical staff led to a series of deliberations (discussed below) by the Board on key issues, considerations, and challenges related to the development of the recommended changes. Additional information related to the standard-setting process that the Board follows to maintain and update the SASB Standards can be found on the SASB Standards website, in the Rules of Procedure, and/or in the Conceptual Framework. Additional project-specific information can be found on the Alternative Products in Food & Beverage project webpage on the SASB Standards website.
Why was the project added to the standard-setting agenda?

The Board and technical staff actively monitored the continued growth of products made with alternative proteins\(^1\) in the Food & Beverage industry prior to the addition of the research project to the Board’s standard-setting agenda in February 2020. This included assessing corporate disclosures and the effectiveness of the relevant Standards at capturing performance on the issue, monitoring developments in the sector, and soliciting input from market participants.

In recent years there has been increasing focus from investors, companies, subject matter experts, and society on the environmental impacts of food systems and agriculture, with a particular focus on meat production. Consumers are changing their diets and eating more alternative proteins because of concerns about the environmental impacts of animal products, animal welfare, and personal health, leading to increased company and investor focus on protein diversification.

Companies in the MP, FR, and PF industries are the foundational businesses responsible for providing consumers access to sustainable proteins and addressing consumer demand. These industries also produce conventional animal products that have significant environmental impacts, such as greenhouse gas (GHG) emissions, water use, and water pollution, as well as ecological impacts. To reduce these impacts and capture the business opportunities associated with alternative protein products, companies are diversifying their protein sources and products through product innovation and product diversification.

The current Standards in the Food & Beverage sector address direct environmental impacts such as GHG emissions, water usage, and land-use impacts. However, they do not include disclosure requirements on protein diversification specifically.

In February 2020, the chair of the Board announced a research project, *Alternative Meat & Dairy*, with the objective of evaluating whether standard setting should be pursued in any of the industries in the Food & Beverage sector to address this topic. The research project found that consumers are changing their diets and consumption habits in favor of more environmentally friendly products. Therefore, protein producers and food retailers are adjusting their business models in response to this changing consumer demand. Both companies and investors told staff during consultations that the market for alternative protein products is likely to continue growing, though the implications for each industry will be different. Examples of changing management strategies include pursuing R&D expenditures to remain competitive in the MP industry and reducing the environmental impact of supply chains in the FR industry.

\(^1\)Alternative proteins, as defined here, range from cultured or cell-based meat to alternative options that are developed with the intention of replacing traditional meat products. Read more in paragraphs 36 and 37.
At its public meeting held in May 2021, the Board voted in favor of initiating a standard-setting project with the objective of determining whether the MP Standard and the FR Standard could be more complete through the inclusion of a topic of product innovation or protein diversification. In September 2021, the Board voted in favor of adding the PF Standard to the scope of the standard-setting project. The Board’s decisions were based on the evidence gathered by staff during research and consultation for the Alternative Meat & Dairy research project, which consisted of evidence of reduced environmental impacts associated with alternative protein products, evidence of investor interest in the topic, and evidence of financial impacts for companies in these three industries.

What is the basis for the Board’s recommended changes to the Standards?

In developing these recommended changes to the Standards, the Board considered three key categories of evidence. As described in greater detail below, these inputs are evidence that (1) alternative protein products have fewer environmental impacts than conventional animal products do, (2) protein diversification is a financially impactful issue in the MP, PF, and FR industries, and (3) protein diversification is of interest to investors.

Evidence of environmental impacts associated with protein diversification

The production of livestock and conventional animal products is linked to significant environmental impacts. Global livestock is estimated to contribute 14.5 percent of anthropogenic GHG emissions, according to a study by the Food and Agriculture Organization of the United Nations. Cattle production in Brazil has been linked to deforestation and was a leading cause of the 2019 forest fires in the Amazon. According to a lifecycle assessment performed by the Good Food Institute, alternative protein products can achieve a 30 to 90 percent reduction in GHG emissions, an 87 to 96 percent reduction in water use, and a 47 to 99 percent reduction in land use, compared with the conventional meat products they are meant to replace. Additional lifecycle analyses by Kellogg’s and Impossible Foods also found a reduction in environmental impacts associated with alternative protein products, as compared with those associated with conventional animal products. Kellogg’s found that its alternative protein products by Morningstar Farms have a carbon footprint that is 58 percent lower and use 64 percent less water than similar breakfast

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products made with meat.\textsuperscript{5} Impossible Foods found that its products reduced overall water consumption by 87 percent.\textsuperscript{6} Initial research on cultured meat from Future Meat Technologies states that lab-grown products will use 99 percent less land, consume 96 percent less water, and emit 80 percent fewer greenhouse gases than conventional products.\textsuperscript{7}

Evidence of financial impact

The management of protein diversification risks and opportunities has significant financial implications for companies in the MP, PF, and FR industries. These include the revenue opportunities associated with the growing demand for alternative protein products and the investments required to expand alternative protein product portfolios.

Revenue opportunities

Research and consultation suggest that the growth potential of alternative protein products represents significant revenue opportunities for companies in the MP, PF, and FR industries.

The plant-based meat market reached approximately $4.3 billion in 2020,\textsuperscript{8} according to one study, compared with roughly $1.22 trillion\textsuperscript{9} for the global conventional meat market. While estimates vary, it is expected that the conventional meat market will have a compound annual growth rate (CAGR) of 1.6 percent,\textsuperscript{10} compared with a 14 percent\textsuperscript{11} CAGR of plant-based meat over the next three or four years, with cultured meat expected to have a CAGR of 41 percent until 2040.\textsuperscript{12} A.T. Kearney expects that conventional meat will make up only 40 percent of the global meat market in 2040, with novel vegan meat replacements and cultured meat products accounting for the remaining 25 percent and 35 percent, respectively.\textsuperscript{13} Nestlé, a large-cap Swiss food and beverage corporation, noted that 30 percent of sales in 2018 were from innovative products, and plant-based products made up $205 million in sales.\textsuperscript{14}


\textsuperscript{11}Plant-Based Meat Market by Source,” MarketsandMarkets.


The alternative dairy market is also outpacing the global conventional dairy market. Currently, plant-based milks account for 14 percent of the milk category in the United States and 13 percent globally. Plant-based milk sales grew by 6 percent in 2019, while conventional milk sales declined by 3 percent in 2019 in the United States. This growth disparity between alternative protein and conventional products is present in the yogurt and cheese categories as well.

**Investment expenses**

Many MP companies are investing in expanding their product portfolio to include more alternative protein products. According to the Farm Animal Investment Risk and Return (FAIRR), nine out of the top 10 MP companies had launched, bought, or collaborated on a plant-based meat (alternative protein) brand by the end of 2019. JBS, a large-cap global meat company that invested in the alternative protein space, now offers 10 plant-based products in the United States and experienced a 300 percent increase in sales of these products in 2019. Tyson, a large-cap American poultry company, entered the alternative protein space in 2019, has appointed an executive vice president of alternative proteins, and disclosed in published market research that up to 70 percent of consumers could be interested in alternative meat and dairy products. In 2020, Cargill, a large-cap American food company, made investments of $100 million in a pea protein company and $12 million in an Israeli cultured meat start-up. Maple Leaf, a mid-cap Canadian packaged meat company, has disclosed a goal of becoming the "world’s most sustainable protein company" and has invested in a new manufacturing facility for alternative products in the United States.

Many PF companies are investing significantly to expand their alternative protein product offerings. For example, Nestlé has disclosed that 10 percent of its R&D employees are now dedicated to alternative meat and dairy products. The company also invested 100 million Swiss francs into a new

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17 The Farm Animal Investment Risk and Return (FAIRR) initiative is an investor network that aims to put factory farming on the ESG agenda and advocates for transparent supply chain policies within the food sector.


production facility in China focused on alternative products.24 Unilever, a large-cap British consumer goods company, has committed to achieving 1 billion euros in sales of plant-based products by 2027 to “help people transition towards healthier diets and to help reduce the environmental impact of the global food chain.”25 Conagra Brands, a large-cap American packaged-foods company, has also invested in developing plant-based products through its Gardein brand, as it believes that the plant-based meat market could reach a 15 percent share of the meat market, indicating an opportunity of $30 billion in the United States alone.26

Many FR companies are also investing in the alternative protein product space. Tesco, a large-cap British food retailer, has targeted a 300 percent sales increase of plant-based meat alternatives by 2025 as part of its plan to halve the environmental impact of the average UK shopping basket. Sainsbury’s, a mid-cap food retailer in the UK, launched a private-label plant-based brand in 2020 after a 65 percent increase in sales of plant-based products year over year. Kroger, an American large-cap food retailer, also launched plant-based products in 2019 and was selling 80 plant-based products under its Simple Truth brand as of 2020.27

Evidence of investor interest

In weighing whether the MP, PF, and FR Standards should be updated, the Board noted significant evidence of investor interest regarding protein diversification strategies as demonstrated through investor feedback provided to the technical staff during consultations.

The Board considered the feedback provided by investors during consultations held in 2021 for the Alternative Meat & Dairy research project, as well as during consultations held in 2022 for the Alternative Products standard-setting project. Throughout dozens of consultations, investors consistently expressed their belief that the transition away from conventional animal protein products and toward alternative protein products will likely affect enterprise value, and that information related to protein diversification will be decision-useful in their evaluation of companies in the MP, PF, and FR industries. ESG analysts, sell-side investors, and buy-side investors all expressed similar opinions regarding which aspects of this transition were the most financially impactful and prevalent, placing importance on revenue gained from a diverse product portfolio as well as the overall investment companies make in protein diversification.

The Board also considered the technical staff’s analysis of earnings call transcripts of companies that operate within the MP, PF, and FR industries. This analysis found that nearly every company mentioned opportunities for growth through the introduction of alternative protein products to its current portfolio in these earnings calls. From 2019 to 2021, the staff’s analysis found that investors

24 Appetite for Disruption, FAIRR.


26 Nunes, “Conagra Brands Has Big Plans for Meat Alternatives.”

27 Appetite for Disruption, FAIRR.
from UBS, AllianceBernstein, Goldman Sachs, JP Morgan Chase, Barclays, Morgan Stanley, HSBC, Credit Suisse, and others inquired about the growth of alternative protein products, ongoing interest from consumers, and whether this was a sustainable versus a short-term trend. In the first half of 2021 earnings call, Nestlé reported market share gains of 40 percent in the first half of the year, claiming that almost 60 percent of consumers are taking sustainability into consideration in their purchasing decisions. Furthermore in 2021, Danone disclosed in its investor-oriented reporting that its plant-based business grew by 15 percent in 2020, with most of the growth occurring in the second half of the year.

Lack of consensus regarding terminology

Throughout the life of this project, the Board has considered the challenges associated with a lack of market consensus around the terminology used to categorize and describe alternative products. Currently, companies report using a variety of metrics and targets using different terms and calculation methodologies. During consultations, both companies and investors consistently told the technical staff that standardized metrics regarding protein diversification would be beneficial. Overall, the Board believes that updated SASB Standards could play an important role in standardizing how companies communicate with their investors on this topic.

As the sector has grown, there has been an increase in consumer demand for several different types of products, including
- products that are meant to emulate and replace conventional animal products, such as poultry, beef, or pork;
- cultured or cell-based meat grown in a lab, which reduces the environmental impacts associated with animal raising; and
- whole “plant-based” products, such as tofu or seitan, that provide protein but do not mimic meat or dairy.

The main challenge is that there is currently no market alignment on how to provide consistent, comparable definitions of these products. For example, with the aforementioned term “plant-based,” some companies use it to include products such as fruits and vegetables, while others use it to refer to only those ingredients that contain protein, such as soy.

A second challenge is that many companies in the West categorize soy products as alternative protein products. However, while an ingredient such as soy might be considered an “alternative” in some Western countries, it is already incorporated into consumer diets in others. Therefore, the use of the term “alternative” to describe plant-based products such as tofu and lentils may be problematic in a global context, though research and consultations indicate the term is increasingly widely accepted in the sector, including in Asia.

Rationale for terminology: “alternative protein products” and “conventional animal products”

As described more fully below, the Board recommends that the updated Standards include metrics with two principal product categories: alternative protein products and conventional...
animal products. During consultations, staff asked market participants whether an updated Standard should also include a “plant-based” category for protein products. Investor feedback on the decision-usefulness of the plant-based category was mixed. Some investors indicated they would find disclosures regarding plant-based products to be decision-useful, while others felt that “alternative protein products” is the category of new products that is most likely to (1) be relevant to enterprise value creation and (2) assist companies in reducing the environmental impacts of their product portfolios.

Based on market feedback, the Board recommends that the terminology for what has frequently been referred to as “plant-based meat products” be defined as “alternative protein products.” Further, the Board determined that a plant-based category of products should not be included in an updated Standard, as it may not accurately demonstrate performance on protein diversification strategy and the term may lack comparability.

Lack of consensus regarding health and nutrition

Research and consultations indicated that many companies frame the discussion on protein diversification as helping to provide sustainable, healthy diets, citing the fact that many consumers believe that plant-based products are healthier than conventional animal products. Some companies indicated that the transition of protein should be away from animal proteins toward a variety of more sustainable products with additional nutritional considerations, such as products that lead to increased fiber consumption. Further, some market participants noted that alternative protein products often have a higher content of fat and sodium than similar conventional animal products.

During consultations, investors told the technical staff that they did not find the framing of nutrition as part of protein diversification particularly relevant. Rather, they reiterated their interest in information related to how companies are reducing the environmental impacts of conventional animal products and how companies are positioned to capture growing consumer demand through protein diversification strategies.

Rationale for recommended new disclosure topics

The Board deliberated the appropriate disclosure topic scope and structure to reflect the nature of impacts and management approaches used for issues around the environmental impacts of conventional animal products and protein diversification for the MP, PF, and FR industries. Conventional animal products are tied to several environmental impacts, such as GHG emissions, water usage, and land usage.

Version 2018-10 of the MP, PF, and FR Standards contain disclosure topics specific to GHG emissions and water usage. While protein diversification touches on each of these topics, research and consultation suggest that the way in which companies respond to consumer demand for alternative protein products is through product innovation or product diversification.
The Board recommends that the new disclosure topic of Product Innovation be captured in the MP and PF Standards and that the new disclosure topic of Product Diversification be captured in the FR Standard. Both would be mapped to the Product Design & Lifecycle Management general issue category of the SASB Standards, within the Business Model & Innovation sustainability dimension. Based on the evidence gathered during research and consultations throughout the course of this project, the Board believes that these disclosure topics meet the criteria for topic selection in the SASB Conceptual Framework, namely that the disclosure topic is financially impactful, of interest to users of corporate disclosures for financial decision-making purposes, prevalent across the MP, PF, and FR industries, and actionable by companies.

Rationale for recommended new disclosure topic: Product Innovation (MP and PF Standards)

MP and PF companies, through product innovation, create alternative protein products that both meet consumer demand and are associated with reduced environmental impacts, compared with those from conventional animal products. As noted above, investors are interested in better understanding how companies are positioned to respond to shifting consumer demand and reduce the environmental impacts of their product portfolios. This includes the following:

- Companies’ current portfolio of protein products
- Companies’ future positioning regarding protein product diversification
- Companies’ strategies around protein product diversification

The proposed establishment of the Product Innovation disclosure topic in the MP and PF Standards includes the addition of three new corresponding metrics:

- Revenue from (1) conventional animal products and (2) alternative protein products
- Total amount spent on protein diversification
- Discussion of strategy to diversify protein products

The Board’s rationale for these metrics is discussed in greater detail below.

Rationale for recommended new disclosure topic: Product Portfolio Diversification (FR Standard)

FR companies meet growing consumer demand and manage the environmental impacts of conventional animal products through offering alternative protein products that reduce the environmental impacts of their supply chain in two ways: (1) private-label protein product innovation and (2) alternative protein products available in stores.

The key concepts the Board recommends to include in the updated Standard:

- Companies’ ability to provide protein products that meet consumer demand and reduce the environmental impacts of protein products
- Companies’ strategies around protein product diversification, including increasing consumer awareness and impact on driving consumer choice
The proposed establishment of the Product Portfolio Diversification disclosure topic in the FR Standard includes the addition of three new corresponding metrics:

- **Revenue from (1) conventional animal products and (2) alternative protein products for (a) private-label and (b) non-private-label products**
- **Total number of (1) conventional animal products and (2) alternative protein products sold**
- **Discussion of strategy to diversify protein products**

**Rationale for recommended new metric: Revenue from (1) conventional animal products and (2) alternative protein products (MP and PF Standards)**

The Board recommends adding a metric to measure revenue from (1) conventional animal products and (2) alternative protein products in the MP and PF Standards. The metric is intended to measure an entity’s current protein product positioning and provide insight into an entity’s unique risk profile, which will vary on the basis of its portfolio of protein products.

During consultations, some companies in the PF industry indicated concerns with this metric. PF companies noted that they collect data based on ingredients sourced, as opposed to products sold. Thus, a metric based on ingredients sourced that are conventional meat or plant-based might be more cost effective to report. Investors, however, argued that it isn’t clear which products contain specific ingredients. Moreover, sourcing information does not provide insight into the weighting of product portfolios between conventional animal products and alternative protein products.

The Board also considered that a few companies in the PF industry stated that the categories proposed are limiting, as many companies operate entirely within the alternative protein products category. Therefore, 100 percent of their revenue stems from a single category, which fails to give investors insight into product development strategies. However, investors have stated that even a figure indicating that 100 percent of a company’s revenue stems from alternative protein products is helpful, as it provides insight into the risk profile of the company and the ways in which its products are or are not diversified.

**Rationale for recommended new metric: Total amount spent on protein diversification (MP and PF Standards)**

The Board recommends adding a metric requesting the total amount spent on protein diversification during the reporting period in the MP and PF Standards. This metric is intended to provide further information on whether and how MP and PF companies are positioned to capture future growth opportunities associated with alternative protein products.

During consultations, investors told staff that MP and PF companies, more so than FR companies, consistently need to innovate to maintain and capture market share. So the Board considered a
metric that is intended to be forward-looking and that provides users with an understanding of how MP and PF companies are diversifying protein products.

Rationale for recommended new metric: *Revenue from (1) conventional animal products and (2) alternative protein products for (a) private-label and (b) non-private-label products* (FR Standard)

The Board recommends adding a metric to measure revenue from (1) conventional animal products and (2) alternative protein products for (a) private-label and (b) non-private-label products in the FR Standard. This metric is intended to provide investors with insight into how companies in the FR industry manage protein diversification through two different business segments: (1) private-label and (2) non-private label. The recommended change improves completeness in the FR Standard through additional nuance, as market participants indicated that private-label products are an increasingly important business line for retailers.

During consultations, market participants noted that FR companies play a role in providing consumers with a choice of products. The Board considered that investors stated an interest in understanding both how well a company provides consumers with protein options at a store-level and the breakdown of protein products by private label, as these data points indicate how well positioned a FR company is in providing consumers with a diverse set of protein product options.

Rationale for recommended new metric: *Total number of (1) conventional animal products and (2) alternative protein products sold* (FR Standard)

The Board recommends adding a metric to measure the total number of (1) conventional animal products and (2) alternative protein products sold in the FR Standards. This metric is intended to provide investors with insight into a retailer’s positioning to address consumer preferences of conventional animal products and alternative protein products.

During consultations, investors specifically noted that total sales of each product category may not provide accurate information about a company’s level of exposure to these two protein categories because FR companies sell such a broad variety of products. The Board also considered that there is a significant price disparity between alternative protein products and conventional animal products.

Rationale for recommended new metric: *Discussion of strategy to diversify protein products* (MP, PF, and FR Standards)

The Board recommends adding a metric requesting a discussion of strategies to diversify protein products in the MP, PF, and FR Standards. This metric is intended to provide qualitative information on how entities are approaching the topic of protein diversification, including (1)
whether a company has metrics or targets related to alternative protein product sales, (2) a
discussion of the risks and opportunities associated with each of the protein categories, and (3)
nutritional and environmental considerations.

The proposed change also includes disclosures capturing marketing and consumer education
practices. Investors and companies indicated that retailers have a growing responsibility to
educate consumers on new products, including alternative protein products, and educate on the
impacts of these products, including nutritional information and environmental information.

During consultations, participants indicated that both qualitative and quantitative information
regarding protein diversification strategies is necessary to provide a complete picture of company
performance. As companies have different strategies related to diversifying proteins, market
participants indicated that qualitative information that provides additional context to the
quantitative metrics would be decision-useful.

Rationale for revision of the FR industry description

Based on feedback received during the project, the Board recommends that the FR industry
description be revised to remove a sentence stating that retailers with private-label products
should report business activities related to their private-label products under the PF standard.
The PF industry includes several disclosure topics and related metrics regarding the
manufacturing of food products.

During consultations, FR companies suggested that they do not generally have control over the
manufacturing process of private-label products; thus, many elements of the PF Standard may
not be relevant in capturing risks and opportunities related to the management of private-label
products. Additionally, an analysis by technical staff of current disclosures found that no retailers
currently report to the PF Standard, indicating that these companies may not find the disclosure
topics relevant to their operations. The Board therefore recommends that the FR industry
description be revised to remove a sentence regarding this matter.
Recommended Changes to the Meat, Poultry & Dairy Standard

About the Recommended Changes

These recommended changes are presented for consideration by the International Sustainability Standards Board (ISSB) and other market participants interested in the continued development of the SASB Standards. This version is not intended for implementation.

The below does not include the entirety of the Standard. The following Summary of Recommended Changes to the Meat, Poultry & Dairy Standard reflects the complete set of disclosure topics and associated metrics for this industry, after incorporating the recommended changes. The table is followed by the recommended new Product Innovation disclosure topic and corresponding metrics.

Prepared by the Sustainability Accounting Standards Board

May 2022
# Summary of Recommended Changes to the Meat, Poultry & Dairy Standard

## Recommended Changes to Sustainability Disclosure Topics & Accounting Metrics

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<td>Greenhouse Gas Emissions</td>
<td>Gross global Scope 1 emissions</td>
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<td>Metric tons (t) CO₂-e</td>
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<td>(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable</td>
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<td>Gigajoules (GJ), Percentage (%)</td>
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<td>Water Management</td>
<td>(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress</td>
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<td>Thousand cubic meters (m³), Percentage (%)</td>
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<td>Description of water management risks and discussion of strategies and practices to mitigate those risks</td>
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<td>Number of incidents of non-compliance with water quality permits, standards, and regulations</td>
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<td>Land Use &amp; Ecological Impacts</td>
<td>Amount of animal litter and manure generated, percentage managed according to a nutrient management plan</td>
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<td>Metric tons (t), Percentage (%)</td>
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<td>Percentage of pasture and grazing land managed to Natural Resources Conservation Service (NRCS) conservation plan criteria</td>
<td>Quantitative</td>
<td>Percentage (%) by hectares</td>
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<td>Animal protein production from concentrated animal feeding operations (CAFOs)</td>
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<td>Metric tons (t)</td>
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</tr>
<tr>
<td></td>
<td>Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances</td>
<td>Quantitative</td>
<td>Rate</td>
<td>FB-MP-250a.1</td>
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<tr>
<td></td>
<td>Percentage of supplier facilities certified to a Global Food Safety Initiative (GFSI) food safety certification program</td>
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<td>Percentage (%)</td>
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<td>(1) Number of recalls issued and (2) total weight of products recalled 28</td>
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<td>Number, Metric tons (t)</td>
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<tr>
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<td>Discussion of markets that ban imports of the entity’s products</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>FB-MP-250a.4</td>
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28Note to FB-MP-250a.3 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.
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<td>Discussion of strategy to diversify protein products</td>
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<tr>
<td></td>
<td>Discussion of strategy to manage opportunities and risks to feed sourcing and livestock supply presented by climate change</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>FB-MP-440a.3</td>
</tr>
</tbody>
</table>
Product Innovation

Topic Summary

Companies in the Meat, Poultry & Dairy industry face increasing risks and opportunities associated with the environmental impacts that stem from product development. Consumers are focusing more on the environmental impacts of the animal-based products they eat and are changing their diets based on the environmental impacts of these products. As consumers increasingly incorporate alternative protein products into their diets, opportunities arise for meat, poultry, and dairy companies that develop such products to capture a share of a growing market. Conversely, companies that fail to innovate in this area risk losing market share. Incorporating sustainability considerations in product innovation can contribute to a company’s long-term growth and competitiveness, particularly in the context of the transition to a lower-carbon economy.

Accounting Metrics

FB-MP-410b.1 Revenue from (1) conventional animal products and (2) alternative protein products

1 The entity shall disclose the revenue from products sold during the reporting period that are (1) conventional animal products and (2) alternative protein products.

1.1 Conventional animal products are defined as products that contain conventional meat or dairy ingredients, including but not limited to meat, poultry, dairy, and eggs.

1.2 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products using plant-based, fermentation-enabled, and cultivated meat technologies, including the following:

1.2.1 Plant-based technique, which is defined as the mixing of various plant-based ingredients to recreate the taste and texture of a conventional animal product.

1.2.2 Cultivated meat, which is defined as cultivating animal cells directly and arranging these in the same or similar structure as animal tissues to mimic conventional animal products.

1.2.3 Precision fermentation, which is defined as using microbial hosts or genetically modifying yeast to produce a functional ingredient in a product or blend.

1.2.4 Biomass fermentation, which is defined as leveraging the rapid growth and high protein content of certain microorganisms to generate microbial biomass that can be used as one of several or a main food product ingredient.

1.2.5 If the entity uses alternative technologies to produce alternative proteins, the entity shall disclose the technology used.

1.2.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.
1.3 The entity may provide a breakdown of alternative protein products by ingredients used and/or by technology instead of an aggregate number.

1.4 For products that contain both conventional animal ingredients and alternative protein ingredients, the entity shall include the revenue from those products in the protein category where the majority, by weight, of ingredients are classified. For products that contain roughly equivalent amounts of both conventional animal ingredients and alternative protein ingredients, the entity shall include the revenue from those products in a third “blended” protein category.

FB-MP-410b.2 Total amount spent on protein diversification

1 The entity shall disclose the total amount it spent on business activities directly associated with protein diversification during the reporting period.

1.1 Protein diversification is defined as the transformation of existing and future portfolio composition by shifting away from traditional animal products toward alternative protein ingredients and products.

2 Business activities may include, but are not limited to, the creation new products or expansion of product lines, including:

2.1 Research and development expenses related to alternative protein products.

2.2 Capital expenditures intended to increase the entity’s capacity to produce alternative protein products.

2.3 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products and that are developed using one of the following techniques or technologies:

2.3.1 Plant-based technique, which is defined as the mixing of various plant-based ingredients to recreate the taste and texture of a conventional animal product.

2.3.2 Cultivated meat, which is defined as cultivating animal cells directly and arranging these in the same or similar structure as animal tissues to mimic conventional animal products.

2.3.3 Precision fermentation, which is defined as using microbial hosts or genetically modifying yeast to produce a functional ingredient in a product or blend.

2.3.4 Biomass fermentation, which is defined as leveraging the rapid growth and high protein content of certain microorganisms to generate microbial biomass that can be used as one of several or a main food product ingredient.

2.3.5 If the entity uses alternative technologies to produce alternative proteins, the entity shall disclose the technology used.

2.3.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.
FB-MP-410b.3 Discussion of strategy to diversify protein products

1 The entity shall discuss its strategy to diversify its protein product portfolio.

1.1 Strategies to diversify a protein product portfolio may include transitioning from conventional animal products to alternative protein products, where:

1.1.1 Conventional animal products are defined as products that contain conventional meat or dairy ingredients, including but not limited to meat, poultry, dairy, and eggs.

1.1.2 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products using plant-based, fermentation-enabled, and cultivated meat technologies.

1.2 Alternative protein products are further defined as products that are developed using one of the following techniques or technologies:

1.2.1 Plant-based technique, which is defined as the mixing of various plant-based ingredients to recreate the taste and texture of a conventional animal product.

1.2.2 Cultivated meat, which is defined as cultivating animal cells directly and arranging these in the same or similar structure as animal tissues to mimic conventional animal products.

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1.2.4 Biomass fermentation, which is defined as leveraging the rapid growth and high protein content of certain microorganisms to generate microbial biomass that can be used as one of several or a main food product ingredient.

1.2.5 If the entity uses alternative technologies to produce alternative proteins, the entity shall disclose the technology used.

1.2.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.

1.3 The entity shall disclose any goals or performance targets it has regarding protein product diversification and analyze its performance against those targets.

1.4 Relevant disclosure on protein diversification strategies includes, but is not limited to:

1.4.1 Sales or revenue targets related to alternative protein products and the progress made toward achieving those targets.

1.4.2 Expenses related to mergers and acquisitions of companies producing alternative protein products completed during the reporting period.

1.4.3 Total investment in alternative protein companies external to the entity.
1.4.4  Total marketing expenses associated with alternative protein products.

The discussion shall include how the entity’s protein diversification strategy relates to any environmental goals it has set.

2.1  Environmental goals include, but are not limited to, goals or targets related to reductions of greenhouse gas emissions (GHGs), water or land usage, biodiversity loss, and/or deforestation.

2.2  The discussion shall include the role of alternative protein products in helping the entity reach its environmental goals.

2.3  The entity may discuss its use of lifecycle assessment (LCA) analysis in the context of its strategy to meet its environmental goals.

2.3.1  An LCA may include global warming potential (GWP), eutrophication potential (EP), acidification potential (AP), land use, water use, energy consumption, or fossil fuel depletion.

2.3.2  The entity shall disclose the methodology used to conduct its LCA.
Recommended Changes to the Processed Foods Standard

About the Recommended Changes

These recommended changes are presented for consideration by the International Sustainability Standards Board (ISSB) and other market participants interested in the continued development of the SASB Standards. This version is not intended for implementation.

The below does not include the entirety of the Standard. The following Summary of Recommended Changes to the Processed Foods Standard reflects the complete set of disclosure topics and associated metrics for this industry, after incorporating the recommended changes. The table is followed by the recommended new Product Innovation disclosure topic and corresponding metrics.

Prepared by the Sustainability Accounting Standards Board

May 2022
### Summary of Recommended Changes to the Processed Food Standard

#### Recommended Changes to Sustainability Disclosure Topics & Accounting Metrics

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<tr>
<td>Energy Management</td>
<td>(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable</td>
<td>Quantitative</td>
<td>Gigajoules (GJ), Percentage (%)</td>
<td>FB-PF-130a.1</td>
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<tr>
<td>Water Management</td>
<td>(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress</td>
<td>Quantitative</td>
<td>Thousand cubic meters (m³), Percentage (%)</td>
<td>FB-PF-140a.1</td>
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<tr>
<td></td>
<td>Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations</td>
<td>Quantitative</td>
<td>Number</td>
<td>FB-PF-140a.2</td>
</tr>
<tr>
<td></td>
<td>Description of water management risks and discussion of strategies and practices to mitigate those risks</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>FB-PF-140a.3</td>
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<tr>
<td>Food Safety</td>
<td>Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances</td>
<td>Quantitative</td>
<td>Rate</td>
<td>FB-PF-250a.1</td>
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<tr>
<td></td>
<td>Percentage of ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognized food safety certification program</td>
<td>Quantitative</td>
<td>Percentage (%) by cost</td>
<td>FB-PF-250a.2</td>
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<tr>
<td></td>
<td>(1) Total number of notices of food safety violation received, (2) percentage corrected</td>
<td>Quantitative</td>
<td>Number, Percentage (%)</td>
<td>FB-PF-250a.3</td>
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<tr>
<td></td>
<td>(1) Number of recalls issued and (2) total amount of food product recalled29</td>
<td>Quantitative</td>
<td>Number, Metric tons (t)</td>
<td>FB-PF-250a.4</td>
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<tr>
<td>Health &amp; Nutrition</td>
<td>Revenue from products labeled and/or marketed to promote health and nutrition attributes</td>
<td>Quantitative</td>
<td>Reporting currency</td>
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<tr>
<td></td>
<td>Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>FB-PF-260a.2</td>
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<tr>
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<td>Percentage (%)</td>
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<tr>
<td></td>
<td>Revenue from products labeled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>FB-PF-270a.2</td>
</tr>
</tbody>
</table>

29Note to FB-PF-250a.4—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.

30Note to FB-PF-270a.1—Disclosure shall include the applicable dietary guideline and methodology used to estimate advertising impressions.
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<thead>
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<th>Accounting Metric</th>
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<tr>
<td><strong>Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes</strong></td>
<td>Quantitative</td>
<td>Number</td>
<td>FB-PF-270a.3</td>
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<tr>
<td><strong>Packaging Lifecycle Management</strong></td>
<td>(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable</td>
<td>Quantitative</td>
<td>Metric tons (t), Percentage (%)</td>
<td>FB-PF-410a.1</td>
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<tr>
<td></td>
<td>Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle</td>
<td>Discussion and Analysis</td>
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<tr>
<td><strong>Product Innovation</strong></td>
<td><strong>Revenue from (1) conventional animal products and (2) alternative protein products</strong></td>
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<td></td>
<td><strong>Total amount spent on protein diversification</strong></td>
<td>Quantitative</td>
<td>Reporting currency</td>
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<td></td>
<td><strong>Discussion of strategy to diversify protein products</strong></td>
<td>Discussion and Analysis</td>
<td>n/a</td>
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<td><strong>Environmental &amp; Social Impacts of Ingredient Supply Chain</strong></td>
<td><strong>Percentage of food ingredients sourced that are certified to third-party environmental and/or social standards, and percentages by standard</strong></td>
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<td>Percentage (%) by cost</td>
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<tr>
<td></td>
<td></td>
<td>Quantitative</td>
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<td></td>
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<td>Percentage (%) by cost</td>
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</tr>
<tr>
<td></td>
<td><strong>List of priority food ingredients and discussion of sourcing risks due to environmental and social considerations</strong></td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>FB-PF-440a.2</td>
</tr>
</tbody>
</table>

31Note to FB-PF-270a.4—The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.
Product Innovation

Topic Summary
Processed food companies face increasing risks and opportunities associated with the environmental impacts that stem from product development. Consumers are focusing more on the environmental impacts of the animal-based products they eat and are changing their diets based on the environmental impacts of these products. As consumers increasingly incorporate alternative protein products into their diets, opportunities arise for processed foods companies that develop such products to capture a share of a growing market. Incorporating environmental considerations in product innovation can contribute to a company’s long-term growth, low-carbon transition, and competitiveness. Further, environmental externalities such as climate or disease could impact an entity’s ability to source certain ingredients or affect prices, and thus product innovation can help reduce risk.

Accounting Metrics

FB-PF-410b.1 Revenue from (1) conventional animal products and (2) alternative protein products

1 The entity shall disclose the revenue from products sold during the reporting period that are (1) conventional animal products and (2) alternative protein products.

1.1 Conventional animal products are defined as products that contain conventional meat or dairy ingredients, including but not limited to meat, poultry, dairy, and eggs.

1.2 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products using plant-based, fermentation-enabled, and cultivated meat technologies, including:

1.2.1 Plant-based technique, which is defined as the mixing of various plant-based ingredients to re-create the taste and texture of a conventional animal product.

1.2.2 Cultivated meat, which is defined as cultivating animal cells directly and arranging these in the same or similar structure as animal tissues to mimic conventional animal products.

1.2.3 Precision fermentation, which is defined as using microbial hosts or genetically modifying yeast to produce a functional ingredient in a product or blend.

1.2.4 Biomass fermentation, which is defined as leveraging the rapid growth and high protein content of certain microorganisms to generate microbial biomass that can be used as one of several or a main food product ingredient.

1.2.5 If the entity uses alternative technologies to produce alternative proteins, the entity shall disclose the technology used.
1.2.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.

1.3 The entity may provide a breakdown of alternative protein products by ingredients used and/or by technology instead of an aggregate number.

1.4 For products that contain both conventional animal ingredients and alternative protein ingredients, the entity shall include the revenue from those products in the protein category where the majority, by weight, of ingredients are classified. For products that contain roughly equivalent amounts of both conventional animal ingredients and alternative protein ingredients, the entity shall include the revenue from those products in a third “blended” protein category.

FB-PF-410b.2 Total amount spent on protein diversification

1 The entity shall disclose the total amount it spent on business activities directly associated with protein diversification during the reporting period.

1.1 Protein diversification is defined as the transformation of existing and future portfolio composition by shifting away from traditional animal products toward alternative protein ingredients and products.

2 Business activities may include, but are not limited, to the creation new products or expansion of product lines, including:

2.1 Research and development expenses related to alternative protein products.

2.2 Capital expenditures intended to increase the entity’s capacity to produce alternative protein products.

2.3 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products and that are developed using one of the following techniques or technologies:

2.3.1 Plant-based technique, which is defined as the mixing of various plant-based ingredients to recreate the taste and texture of a conventional animal product.

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2.3.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.

FB-PF-410b.3 Discussion of strategy to diversify protein products

1 The entity shall discuss its strategy to diversify its protein product portfolio.

1.1 Strategies to diversify a protein product portfolio may include transitioning from conventional animal products to alternative protein products, where:

1.1.1 Conventional animal products are defined as products that contain conventional meat or dairy ingredients, including but not limited to meat, poultry, dairy, and eggs.

1.1.2 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products using plant-based, fermentation-enabled, and cultivated meat technologies.

1.2 Alternative protein products are further defined as products that are developed using one of the following techniques or technologies:

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1.2.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.

1.3 The entity shall disclose any goals or performance targets it has regarding protein product diversification and analyze its performance against those targets.

1.4 Relevant disclosure on protein diversification strategies includes, but is not limited to:

1.4.1 Sales or revenue targets related to alternative protein products and the progress made toward achieving those targets.
1.4.2 Expenses related to mergers and acquisitions of companies producing alternative protein products completed during the reporting period.

1.4.3 Total investment in alternative protein companies external to the entity.

1.4.4 Total marketing expenses associated with alternative protein products.

2 The discussion shall include how the entity’s protein diversification strategy relates to any environmental goals it has set.

2.1 Environmental goals include, but are not limited to, goals or targets related to reductions of greenhouse gas emissions (GHGs), water or land usage, biodiversity loss, and/or deforestation.

2.2 The discussion shall include the role of alternative protein products in helping the entity reach its environmental goals.

2.3 The entity may discuss its use of lifecycle assessment (LCA) analysis in the context of its strategy to meet its environmental goals.

2.3.1 An LCA may include global warming potential (GWP), eutrophication potential (EP), acidification potential (AP), land use, water use, energy consumption, or fossil fuel depletion.

2.3.2 The entity shall disclose the methodology used to conduct its LCA.
Recommended Changes to the Food Retailers & Distributors Standard Industry Description

About the Recommended Changes

These recommended changes are presented for consideration by the International Sustainability Standards Board (ISSB) and other market participants interested in the continued development of the SASB Standards. This version is not intended for implementation.

The below does not include the entirety of the Standard. The following Summary of Recommended Changes to the Food Retailers & Distributors Standard Industry Description reflects the recommended revised industry description.

Prepared by the Sustainability Accounting Standards Board

May 2022
Summary of Recommended Changes to the Food Retailers & Distributors Industry Description

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

Note: The standard discussed below is for “pure-play” food retail and distribution companies. Many major food retailers also have pharmacy operations and other retail operations, and may manufacture private-label processed foods. SASB has separate Standards for the Drug Retailers and Multiline and Specialty Retailers & Distributors, and Processed Foods industries. Companies involved in multiple lines of business should also consider the disclosure topics and metrics outlined in these other Standards.
Recommended Changes to the Food Retailers & Distributors Standard

About the Recommended Changes

These recommended changes are presented for consideration by the International Sustainability Standards Board (ISSB) and other market participants interested in the continued development of the SASB Standards. This version is not intended for implementation.

The below does not include the entirety of the Standard. The following Summary of Recommended Changes to the Food Retailers & Distributors Standard reflects the complete set of disclosure topics and associated metrics for this industry, after incorporating the recommended changes. The table is followed by the recommended new Product Portfolio Diversification disclosure topic and corresponding metrics.

Prepared by the Sustainability Accounting Standards Board

May 2022
### Summary of Recommended Changes to the Food Retailers & Distributors Standard

**Recommended Changes to Sustainability Disclosure Topics & Accounting Metrics**

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\(^{32}\)Note to FB-FR-150a.1—Disclosure shall include the quantification methods used to calculate the amount of food waste generated.

\(^{33}\)Note to FB-FR-230a.1—Disclosure shall include a description of corrective actions implemented in response to data breaches.

\(^{34}\)Note to FB-FR-250a.2—Disclosure shall include notable recalls such as those that affected a significant number of customers or those related to serious illness, injury, or fatality.
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<sup>35</sup>Note to FB-FR-270a.2—The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

<sup>36</sup>Note to FB-FR-310a.3—Disclosure shall include a description of the reason for each work stoppage, impact on operations, and any corrective actions taken.

<sup>37</sup>Note to FB-FR-310a.4—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.
Product Portfolio Diversification

Topic Summary
Consumers are increasingly focusing on the environmental impacts of the foods they eat—especially conventional animal products—and are changing their diets based on these impacts. Food retailers face risks and opportunities in responding to these shifting consumer preferences. By diversifying their offerings accordingly, they can remain competitive, retain existing customers, and attract new customers. Further, many retailers partner with food manufacturers to produce private-label products and thus face increasing risks and opportunities associated with the environmental impacts that stem from product development. Product development innovations focused on reducing the environmental footprint are a key component in ensuring companies’ private-label offerings can maintain and grow their share of an evolving market. Further, companies’ exposure to environmental risks may affect the pricing and availability of key ingredients, and thus product innovation can reduce risk.

Accounting Metrics

FB-FR-410a.1 Revenue from (1) conventional animal products and (2) alternative protein products by (a) private-label products and (b) non-private-label products

1 The entity shall disclose the revenue from products sold during the reporting period that are (1) conventional animal products and (2) alternative protein products.

1.1 Conventional animal products are defined as products that contain conventional meat or dairy ingredients, including but not limited to meat, poultry, dairy, and eggs.

1.2 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products using plant-based, fermentation-enabled, and cultivated meat technologies, including:

1.2.1 Plant-based technique, which is defined as the mixing of various plant-based ingredients to re-create the taste and texture of a conventional animal product.

1.2.2 Cultivated meat, which is defined as cultivating animal cells directly and arranging these in the same or similar structure as animal tissues to mimic conventional animal products.

1.2.3 Precision fermentation, which is defined as using microbial hosts or genetically modifying yeast to produce a functional ingredient in a product or blend.

1.2.4 Biomass fermentation, which is defined as leveraging the rapid growth and high protein content of certain microorganisms to generate microbial biomass that can be used as one of several or a main food product ingredient.

1.2.5 If the entity uses alternative technologies to produce alternative proteins, the entity shall disclose the technology used.
1.2.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.

1.3 The entity may provide a breakdown of alternative protein products by ingredients used and/or by technology instead of an aggregate number.

1.4 For products that contain both conventional animal ingredients and alternative protein ingredients, the entity shall include the revenue from those products in the protein category where the majority, by weight, of ingredients are classified. For products that contain roughly equivalent amounts of both conventional animal ingredients and alternative protein ingredients, the entity shall include the revenue from those products in a third “blended” protein category.

2 The entity shall disclose the revenue from alternative protein products that are (a) private-label products and (b) non-private-label products.

2.1 Private label products are products that are produced for sale under the entity’s proprietary brand of products.

2.2 Non-private-label products are any products sold in stores that are not the entity’s proprietary brand of products.

FB-FR-410a.2 Total number of (1) conventional animal products and (2) alternative protein products sold

1 The entity shall disclose the total aggregate number of products sold during the reporting period that are (1) conventional animal products and (2) alternative protein products.

1.1 Conventional animal products are defined as products that contain conventional meat or dairy ingredients, including but not limited to meat, poultry, dairy, and eggs.

1.2 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products using plant-based, fermentation-enabled, and cultivated meat technologies, including:

1.2.1 Plant-based technique, which is defined as the mixing of various plant-based ingredients to recreate the taste and texture of a conventional animal product.

1.2.2 Cultivated meat, which is defined as cultivating animal cells directly and arranging these in the same or similar structure as animal tissues to mimic conventional animal products.

1.2.3 Precision fermentation, which is defined as using microbial hosts or genetically modifying yeast to produce a functional ingredient in a product or blend.

1.2.4 Biomass fermentation, which is defined as leveraging the rapid growth and high protein content of certain microorganisms to generate microbial biomass that can be used as one of several or a main food product ingredient.
1.2.5 If the entity uses alternative technologies to produce alternative proteins, the entity shall disclose the technology used.

1.2.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.

FB-FR-410a.3 Discussion of strategy to diversify protein products

1 The entity shall discuss its strategy to diversify its protein product portfolio.

1.1 Strategies to diversify a protein product portfolio may include transitioning from conventional animal products to alternative protein products, where:

1.1.1 Conventional animal products are defined as products that contain conventional meat or dairy ingredients, including but not limited to meat, poultry, dairy, and eggs.

1.1.2 Alternative protein products are defined as products that are analogous to conventional animal products or intended to mimic conventional animal products using plant-based, fermentation-enabled, and cultivated meat technologies.

1.2 Alternative protein products are further defined as products that are developed using one of the following techniques or technologies:

1.2.1 Plant-based technique, which is defined as the mixing of various plant-based ingredients to recreate the taste and texture of a conventional animal product.

1.2.2 Cultivated meat, which is defined as cultivating animal cells directly and arranging these in the same or similar structure as animal tissues to mimic conventional animal products.

1.2.3 Precision fermentation, which is defined as using microbial hosts or genetically modifying yeast to produce a functional ingredient in a product or blend.

1.2.4 Biomass fermentation, which is defined as leveraging the rapid growth and high protein content of certain microorganisms to generate microbial biomass that can be used as one of several or a main food product ingredient.

1.2.5 If the entity uses alternative technologies to produce alternative proteins, the entity shall disclose the technology used.

1.2.6 The scope of alternative protein products excludes whole plant-based protein products and products made by conventional fermentation, including but not limited to tofu, seitan, tempeh, lentils, and beans.

1.3 The entity shall disclose any goals or performance targets it has regarding protein product diversification and analyze its performance against those targets.

1.4 Relevant disclosure on protein diversification strategies includes, but is not limited to:
1.4.1 Total amount spent on protein diversification, including the amount spent on research &
development, capital expenditures, mergers and acquisitions, and external investments in
companies focused on the development of alternative protein products.

1.4.2 Sales or revenue targets related to alternative protein products and the progress made toward
achieving those targets.

1.4.3 Total marketing expenses associated with alternative protein products.

1.4.4 Discussion of strategies to educate consumers on alternative protein products.

2 The discussion shall include how its protein diversification strategy relates to the entity’s environmental goals.

2.1 Environmental goals include, but are not limited to, goals or targets related to reductions of greenhouse
gas emissions (GHGs), water or land usage, biodiversity loss, and/or deforestation.

2.2 The discussion shall include the role of alternative protein products in helping the entity reach its
environmental goals.

2.3 The entity may discuss its use of lifecycle assessment (LCA) analysis in the context of its strategy to meet
its environmental goals.

2.3.1 An LCA may include global warming potential (GWP), eutrophication potential (EP), acidification
potential (AP), land use, water use, energy consumption, or fossil fuel depletion.

2.3.2 The entity shall disclose the methodology used to conduct its LCA.