SUSTAINABILITY ACCOUNTING STANDARD
CONSUMPTION II SECTOR

FOOD RETAILERS & DISTRIBUTORS
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #CN0401

Prepared by the
Sustainability Accounting Standards Board®

September 2015
Provisional Standard

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FOOD RETAILERS & DISTRIBUTORS
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 78 industries in 10 sectors.
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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Food Retailers & Distributors industry.

SASB Sustainability Accounting Standards are comprised of (1) disclosure guidance and (2) accounting standards on 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 the Form 10-Q, Form S-1, and Form 8-K.

SASB Standards identify sustainability topics at an industry level, which may constitute material information—depending on a company’s specific operating context—for a company within that industry. SASB Standards are intended to provide guidance to company management, which is ultimately responsible for determining which information is material and should therefore be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB Standards provide companies with standardized sustainability metrics designed to communicate performance on industry level sustainability topics. When making disclosure on sustainability topics, companies can use SASB Standards to help ensure that disclosure is standardized and therefore decision-useful, relevant, comparable, and complete.

SASB Standards are intended to constitute “suitable criteria” as defined by AT 101.23 - .321 and referenced in AT 7012, as having the following attributes:

- **Objectivity**—Criteria should be free from bias.
- **Measurability**—Criteria should permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- **Completeness**—Criteria should be sufficiently complete so that those relevant factors that would alter a conclusion about subject matter are not omitted.
- **Relevance**—Criteria should be relevant to the subject matter.

Industry Description

Food Retailers & Distributors industry consists of companies engaged in wholesale and retail sales of an array of food, beverage, and agricultural products. Store formats include retail supermarkets, 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. These companies operate mainly in North America but source products from all over the world. Products sold include

1. http://pcaobus.org/Standards/Attestation/Pages/AT101.aspx#at_101_fn7
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.

Note: The standards discussed below are for “pure-play” food retail and distribution companies. Many major food retailers also have pharmacy operations and manufacture private-label processed foods. SASB has separate standards for the Drug Retailers & Convenience Stores (CN0402) and Processed Foods (CN0103) industries. Companies involved in drug retail and food manufacturing should also consider the disclosure topics and metrics outlined in these other standards.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the Food Retailers & Distributors industry, SASB has identified the following sustainability disclosure topics:

- Air Emissions from Refrigeration
- Energy & Fleet Fuel Management
- Food Waste Management
- Data Security
- Food Safety
- Product Health & Nutrition
- Product Labeling & Marketing
- Fair Labor Practices
- Management of Environmental & Social Impacts in the Supply Chain

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.” 3,4

SASB has attempted to identify those sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what information should be disclosed within the context of Regulation S-K and other guidance.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to 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

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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."

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.”

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC, based on probability and magnitude, can be applied to the topics included within this standard:

- 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.

- 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
For purposes of comparability and usability, companies should consider making disclosure on sustainability topics in the MD&A, in a sub-section titled “Sustainability Accounting Standards Disclosures.”

b. Other Relevant Sections of Form 10-K
In addition to the MD&A section, it may be relevant for companies to disclose sustainability information in other sections of Form 10-K, including, but not limited to:

- 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

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5 SEC [Release Nos. 33-8056, 34-45321; FR-61] Commission Statement about Management’s Discussion and Analysis of Financial Condition and Results of Operations: “We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing.”
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](http://www.sasb.org/approach/conceptual-framework/).

**Guidance on Accounting for Sustainability Topics**

For each sustainability topic included in the Food Retailers & Distributors Industry Sustainability Accounting Standard, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein;

As appropriate—and consistent with Rule 12b-20⁶—when disclosing a sustainability topic identified by this Standard, 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 **relative performance** with respect to its peers;
- 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 (SICSTM)](http://www.sasb.org/approach/conceptual-framework/). If a registrant generates significant revenue from multiple

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⁶ 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.”
industries, SASB recommends that it also consider sustainability topics that SASB has identified for those industries and disclose the associated SASB accounting metrics.

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.

Users of the SASB Standards

The SASB Standards are intended to provide guidance 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),7 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. 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.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities that are consolidated for financial reporting purposes as defined by accounting principles generally accepted in the United States for consistency with other accompanying information within SEC filings;8
- 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 the effect of sustainability topics on the company’s financial condition or operating performance (typically, this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Estimates

SASB recognizes that scientifically based estimates, such as the reliance on certain conversion factors or the exclusion of de minimis values, may occur for certain quantitative disclosures. Where appropriate, SASB does not

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7 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.

8 See US GAAP consolidation rules (Section 810).
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.

### Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”) and be consistent with the corresponding financial data reported within the registrant’s SEC filings. Should accounting metrics, activity metrics and technical protocols in this standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with the SEC Regulation G.

### 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 they 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 an investor relying on SASB accounting metrics 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.9

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

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<table>
<thead>
<tr>
<th>ACTIVITY METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of (1) retail locations and (2) distribution centers</td>
<td>Quantitative</td>
<td>Number</td>
<td>CN0401-A</td>
</tr>
<tr>
<td>Total area of (1) retail space and (2) distribution centers</td>
<td>Quantitative</td>
<td>Square meters (m²)</td>
<td>CN0401-B</td>
</tr>
<tr>
<td>Number of vehicles in commercial fleet</td>
<td>Quantitative</td>
<td>Number</td>
<td>CN0401-C</td>
</tr>
<tr>
<td>Ton-miles travelled</td>
<td>Quantitative</td>
<td>Ton-miles</td>
<td>CN0401-D</td>
</tr>
</tbody>
</table>

**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 reliance on data from third-party reporting systems and technologies, 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.

**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.”

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>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Emissions from Refrigeration</td>
<td>Gross global Scope 1 emissions from refrigerants</td>
<td>Quantitative</td>
<td>Metric tons CO₂-e</td>
<td>CN0401-01</td>
</tr>
<tr>
<td></td>
<td>Percentage of refrigerants consumed with zero ozone-depleting potential</td>
<td>Quantitative</td>
<td>Percentage (%) by weight</td>
<td>CN0401-02</td>
</tr>
<tr>
<td></td>
<td>Average refrigerant emissions rate</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>CN0401-03</td>
</tr>
<tr>
<td>Energy &amp; Fleet Fuel Management</td>
<td>Operational energy consumed, percentage grid electricity, percentage renewable energy</td>
<td>Quantitative</td>
<td>Gigajoules (GJ), Percentage (%)</td>
<td>CN0401-04</td>
</tr>
<tr>
<td></td>
<td>Fleet fuel consumed, percentage renewable</td>
<td>Quantitative</td>
<td>Gigajoules (GJ), Percentage (%)</td>
<td>CN0401-05</td>
</tr>
<tr>
<td>Food Waste Management</td>
<td>Amount of food waste generated, percentage diverted from the waste stream</td>
<td>Quantitative</td>
<td>Metric tons (t), Percentage (%)</td>
<td>CN0401-06</td>
</tr>
<tr>
<td>Data Security</td>
<td>Discussion of management approach to identifying and addressing data security risks</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>CN0401-07</td>
</tr>
<tr>
<td></td>
<td>Number of data security breaches, percentage involving customers’ personally identifiable information (PII), number of customers affected(^{10})</td>
<td>Quantitative</td>
<td>Number, Percentage (%)</td>
<td>CN0401-08</td>
</tr>
<tr>
<td>Food Safety</td>
<td>High-risk food safety violation rate</td>
<td>Quantitative</td>
<td>Rate</td>
<td>CN0401-09</td>
</tr>
<tr>
<td></td>
<td>Number of food-safety-related recalls, number of units recalled, percentage for private-label products(^{11})</td>
<td>Quantitative</td>
<td>Number, Percentage (%)</td>
<td>CN0401-10</td>
</tr>
<tr>
<td>Product Health &amp; Nutrition</td>
<td>Revenue from products labeled and marketed to promote health and nutrition attributes</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>CN0401-11</td>
</tr>
<tr>
<td></td>
<td>Description of the process to identify and manage products and ingredients of concern and emerging dietary preferences</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>CN0401-12</td>
</tr>
</tbody>
</table>

\(^{10}\) Note to CN0401-08—Disclosure shall include a description of corrective actions implemented in response to data security incidents or threats.

\(^{11}\) Note to CN0401-10—The registrant shall discuss notable recalls such as those that affected a significant number of customers or those related to serious illness, injury, or fatality.
Table 1. Sustainability Disclosure Topics & Accounting Metrics (cont.)

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Labeling &amp; Marketing</strong></td>
<td>Notices of violations received for non-conformance with regulatory labeling and/or marketing codes</td>
<td>Quantitative</td>
<td>Number</td>
<td>CN0401-13</td>
</tr>
<tr>
<td></td>
<td>Amount of legal and regulatory fines and settlements associated with food marketing and/or labeling ¹²</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>CN0401-14</td>
</tr>
<tr>
<td></td>
<td>Revenue from products labeled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>CN0401-15</td>
</tr>
<tr>
<td><strong>Fair Labor Practices</strong></td>
<td>Average hourly wage and percentage of in-store employees earning minimum wage</td>
<td>Quantitative</td>
<td>U.S. Dollars ($), Percentage (%)</td>
<td>CN0401-16</td>
</tr>
<tr>
<td></td>
<td>Percentage of active workforce covered under collective bargaining agreements</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>CN0401-17</td>
</tr>
<tr>
<td></td>
<td>Number and total duration of work stoppages ¹³</td>
<td>Quantitative</td>
<td>Number, Days</td>
<td>CN0401-18</td>
</tr>
<tr>
<td></td>
<td>Amount of legal and regulatory fines and settlements associated with (1) labor law violations and (2) employment discrimination ¹⁴</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>CN0401-19</td>
</tr>
<tr>
<td><strong>Management of Environmental &amp; Social Impacts in the Supply Chain</strong></td>
<td>Discussion of strategy to manage environmental and social risks within the supply chain</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>CN0401-20</td>
</tr>
<tr>
<td></td>
<td>Revenue from products third-party certified to an environmental and/or social sustainability sourcing standard</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>CN0401-21</td>
</tr>
<tr>
<td></td>
<td>(1) Percentage of eggs sold from cage-free sources and (2) percentage of pork sold from gestation-crate-free sources ¹⁵</td>
<td>Quantitative</td>
<td>Percentage (%) by revenue</td>
<td>CN0401-22</td>
</tr>
<tr>
<td></td>
<td>Description of strategies to reduce the environmental impact of packaging</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>CN0401-23</td>
</tr>
</tbody>
</table>

¹² Note to CN0401-14—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

¹³ Note to CN0401-18—Disclosure shall include a description of the root cause of the stoppage, the impact on operations, and corrective actions taken.

¹⁴ Note to CN0401-19—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

¹⁵ Note to CN0401-22—Disclosure shall include a description of any additional animal welfare standards used by the registrant.
Air Emissions from Refrigeration

Description

Emissions of refrigeration chemicals from equipment used to store and display perishable foods create unique regulatory risks for the industry. Substances that leak from refrigeration equipment can impact the environment through two primary channels: First, internationally regulated hydrochlorofluorocarbons (HCFCs) can damage Earth’s ozone layer; second, many common HCFCs and hydrofluorocarbons are highly potent greenhouse gases (GHGs) that heighten the industry’s exposure to future climate-change-related GHG regulation. Emissions of GHG and ozone-depleting substances introduce industry-specific regulatory risks. Regulators can assess penalties to companies that violate emissions standards, while companies may be required to upgrade or replace equipment to reduce their emissions or replace existing refrigerants with costlier alternatives.

Accounting Metrics

CN0401-01. Gross global Scope 1 emissions from refrigerants

.01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride) that originated from the use of refrigerants.

- Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO2-e), calculated in accordance with published 100-year time horizon global warming potential (GWP) factors.

- 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.

  - The registrant shall consider the CDP Climate Change Questionnaire as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.

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


- The scope includes all direct emissions of GHGs resulting from the use of commercial stationary and mobile refrigerants in retail locations, distribution centers, and its transportation fleet.

- For the purposes of this disclosure, the scope excludes direct emissions of GHGs from the combustion of fossil fuels, non-refrigerant process emissions, and other sources.
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”).16


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.

The registrant shall calculate the Scope 1 GHG emissions from refrigerants using the U.S. Environmental Protection Agency (EPA) GHG Inventory Guidance: Direct Fugitive Emissions from Refrigeration, Air Conditioning, Fire Suppression, and Industrial Gases, November 2014.

- The registrant shall calculate Scope 1 GHG emissions from each piece of equipment that uses refrigerants and each type of emission (installation, operation, and disposal).

- The registrant shall calculate separate emissions totals for each type of refrigerant used by multiplying the emissions of each refrigerant by the refrigerant’s global warming potential factor (GWP) from Table 1 “Global Warming Potentials” or Table 2 “GWPs for Refrigerant Blends” in the EPA GHG Inventory Guidance.

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.

The registrant may choose to disclose their total Scope 1 GHG emissions, in addition to its Scope 1 GHG emissions from refrigerants, 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. However, primary disclosure shall be according to the guidelines described above.

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16 “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.

17 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 further detailed in CDSB Proposals for Boundary Setting in Mainstream Reports.
.08 The registrant should discuss the calculation methodology for its emissions disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

.09 The registrant should consult the most recent version of each document referenced in this standard at the time disclosure occurs.

**CN0401-02. Percentage of refrigerants consumed with zero ozone-depleting potential**

.10 The registrant shall calculate the percentage of the refrigerants consumed in its operations that have zero ozone-depleting potential (ODP) as the amount (by weight) of refrigerants consumed in its operations that have zero ODP, divided by the total amount (by weight) of refrigerants consumed in its operations.

- Consumption of refrigerants is defined as the amount of refrigerant charged into the registrant’s commercial refrigeration equipment during the fiscal year.

.11 ODP is defined as the number that refers to the amount of ozone depletion caused by a substance, where ozone depletion is defined as a chemical destruction of the stratospheric ozone layer beyond natural reactions.

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

- A list of all ozone-depleting substances (ODS) and their ODPs is available [here](#).

.12 The scope includes all commercial stationary and mobile refrigerants used by the registrant in retail locations, distribution centers, and transportation fleet.

**CN0401-03. Average refrigerant emissions rate**

.13 The registrant shall disclose its average annual emissions rate of refrigerants, which is calculated as the amount of refrigerant charge that is lost from the store’s commercial refrigeration equipment and systems.

.14 The scope includes all commercial stationary and mobile refrigerants used by the registrant in retail locations, distribution centers, and transportation fleet.

.15 The registrant shall calculate its average refrigerant emissions rate as the average of the annual emissions rates from all of the registrant’s stationary and mobile refrigerant sources (i.e., individual retail locations, distribution centers, and commercial fleets), where the individual annual emissions rate as a percentage is calculated as:

- The amount of refrigerant emitted over the period of one year divided by the “system refrigerant charge,” multiplied by 100.
• The amount of refrigerant emitted over the period of one year is equal to the amount of refrigerant charge lost from the store's commercial refrigeration equipment.

• “System refrigerant charge” is defined as the total weight, in pounds, of refrigerants that are charged into a store, distribution center, or a fleet’s commercial refrigeration equipment.

**Additional References**

EPA [Green Chill Store Certification Program Guidance](http://www.epa.gov)
EPA [Ozone Layer Protection Glossary](http://www.epa.gov)
Energy & Fleet Fuel Management

Description

Food retailer and distributor companies operate retail and distribution facilities that consume significant amounts of energy, particularly purchased electricity. Food retail and distribution facilities are typically more energy-intensive than other types of commercial spaces. Energy is used primarily for refrigeration, heating, ventilation, and air-conditioning (HVAC) and for lighting. Additionally, many operators in this industry own transportation fleets powered by fossil fuels. Fossil fuel–based electricity production and transportation fuel consumption contribute to environmental impacts including air pollution and climate change. Although use of purchased electricity is unlikely to present direct regulatory risks, it could have a financial effect on company value through its impact on operating costs. Conversely, energy efficiency and fuel efficiency can lower operating costs and generate financial benefits given the industry’s narrow profit margins.

Accounting Metrics

**CN0401-04. Operational energy consumed, percentage grid electricity, percentage renewable energy**

.16 The registrant shall disclose its total operational energy consumption from all sources as an aggregate figure in gigajoules or their multiples.

- The scope includes energy purchased from sources external to the registrant or produced by the registrant itself (self-generated).
- The scope includes only energy consumed by entities owned or controlled by the registrant.
- The scope includes energy from all sources, including purchased electricity and heating, cooling, and steam energy.
- The scope of disclosure excludes fuel that is consumed by the registrant’s fleet vehicle operations.

.17 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).

.18 The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.

.19 The registrant shall disclose renewable energy consumption as a percentage of its total 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 of the control or influence of the registrant is excluded from disclosure.\(^\text{18}\)
- Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, consistent with EPA definitions, 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 or that are eligible for a state Renewable Portfolio Standard.
- Energy from biomass sources is limited to that from materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered “eligible renewables” according to the Green-e Energy National Standard Version 2.5 (2014), and materials that are eligible for a state Renewable Portfolio Standard.

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 (for energy data including electricity from solar or wind energy).

**CN0401-05. Fleet fuel consumed, percentage renewable**

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.
- The scope excludes fuel consumed in the transportation of the registrant’s goods by third parties.

\(^{18}\) SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid.
The registrant shall disclose the actual amount of fuel that its vehicles consumed rather than a figure based on the design parameters of the vehicles (i.e., rated fuel economy multiplied by vehicle miles traveled).

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 that meets the following requirements:
  - 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.

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).

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).

The registrant may choose to disclose the number of vehicles in its fleet that are not powered by petroleum or diesel as well as the vehicle types (including, but not limited to, electric vehicles and liquefied natural gas (LNG) vehicles).
Food Waste Management

Description
The Food Retailers & Distributors industry generates food waste at various stages of operation. Food waste includes edible or otherwise useful food that does not reach consumers, as well as foods that spoil or are damaged during transportation or stocking or while on store shelves. Food loss and waste represent a loss of resources used in food production, which include land, water, labor, energy, and agricultural chemicals, as well as contribute to food insecurity. Additionally, food waste can generate GHG emissions during landfill decomposition. Effective food waste management can present financial opportunities to reduce costs associated with inventory loss, as well as help improve food security by more efficiently diverting food resources to beneficial purposes.

Accounting Metrics
CN0401-06. Amount of food waste generated, percentage diverted from the waste stream

The registrant shall calculate the aggregate amount of food waste generated, in metric tons, at all of its retail locations, where:

- Food waste is defined as food and inedible parts for which the registrant has no further use and which would otherwise be discarded or released into the environment
  - Food is defined per the global Food Loss & Waste Protocol Accounting & Reporting Standard (hereafter “FLW Standard”) as any substance, whether processed, semi-processed, or raw, that is intended for human consumption, including drinks, chewing gum, and any substance that has been used in the manufacture, preparation, or treatment of food.
  - Inedible parts are defined per the FLW Standard as the components associated with a food in a particular food supply chain that the registrant does not intend for human consumption.
- The scope includes any food-grade wastes associated with food or the manufacture, preparation, treatment, processing, and cooking of food, including cooking oil.
- The scope of food waste includes donations of food (e.g., food donated to social service agencies and/or charitable organizations) that is safe for human consumption but is no longer able to be sold.
- The scope excludes cosmetics, tobacco, or substances used only as drugs.
- The scope excludes waste from food that is taken off-site by customers.
- The scope excludes packaging materials, such as boxes, wrapping, or plastic containers.
  - Where packaging is not separated from food prior to its disposal, the registrant shall obtain an estimate for the amount of food waste exclusive of the packaging material based on the FLW Standard.
The registrant may choose to additionally disclose the weight of food waste that is comprised of inedible parts.

- Should the registrant choose to disclose the amount of inedible parts separately from the amount of food, the registrant should quantify these two material types according to the FLW Standard which provides guidance on separating and categorizing material types, and guidance on quantifying material types (food and inedible parts) separately.

- The registrant should describe the sources or frameworks that were used to categorize a material as food or as associated inedible parts, including any assumptions used to define whether a material was “intended” for human consumption or not, as well as whether estimates were made to separately quantify the food (or associated inedible parts), the approach used, all conversion and proxy factors, and related sources.

The percentage diverted shall be calculated as the total weight of food waste that has been diverted from the waste stream divided by the total weight of food waste generated, where food waste is considered diverted if it has been removed from the food supply chain but:

- Donated to social service agencies and/or charitable organizations;
  - The registrant may choose to disclose the percentage of the total food waste generated that was donated.

- Used as feed for animals (directly or after processing);

- Converted for use in bio-based industrial products such as fibers for packaging material, bioplastics, or raw material to make biodiesel, soaps, or cosmetics;

- Broken down via bacteria in the absence of oxygen to generate biogas and nutrient-rich matter (i.e., codigested);

- Broken down via bacteria in oxygen-rich environments to be used as soil amendment (i.e., composted);

- Converted via microbes into alcohols in the absence of oxygen to produce metabolic waste products (i.e., fermented);

- Applied to land through spreading, spraying, injecting, or incorporating onto or below the surface of land; and/or

- Left in a field or tilled into the soil.

For the purposes of this disclosure, cooking oil that is recycled for energy use is considered diverted.
For the purposes of this disclosure, the following disposal methods are not considered to be diversion from the waste stream:

- Landfilling, which is defined as sending material to an area of land or an excavated site that is specifically designed and built to receive wastes.

- Incineration, including for energy recovery, which is defined as combusting solid and liquid material in controlled incineration facilities. Energy recovery is defined as the use of combustible waste as a means to generate energy through direct incineration, with or without other waste, but with recovery of the heat.

- Open burning, which is defined as burning in the open without a chimney or a stack.

- Dumping to land or sea, which is defined as abandoning material on land or disposing in the sea, including open dumps.

- Disposal via sewer and wastewater treatment plants, which is defined as sending material down the sewer, with or without processing or treatment first. Sewage may go to an advanced wastewater treatment plant or be discharged without processing.

Materials sent for further recycling include those materials that are transferred to a third party for the express purpose of reuse, recycling, or refurbishment.

The scope of recycled and remanufactured products includes primary recycled materials, co-products (outputs of equal value to primary recycled materials), and by-products (outputs of lesser value than primary recycled materials).

The registrant shall use the requirements of the FLW Standard to describe the quantification methods used to calculate the amount of food waste, the amount of food waste diverted from the waste stream, and other approaches used (e.g., for calculating the inedible proportion, excluding packaging, sampling, and/or scaling up of the data).

Additional References

Food Loss & Waste Protocol Accounting and Reporting Standard coordinated by World Resources Institute (WRI) in collaboration with the Consumer Goods Forum (CGF), Food and Agriculture Organization of the United Nations (FAO), FUSIONS, UNEP, the World Business Council for Sustainable Development (WBCSD), and WRAP.
Data Security

Description

Through electronic payment transactions and the sharing of personal financial data, food retailers establish a relationship of trust with consumers. Data breaches can occur through breaches of the physical payment technology, called point-of-sales breaches, as well as through attacks on cybersecurity. Data breaches that result in the theft or loss of customers’ private data can undermine their trust in a company’s ability to securely manage their data. This loss of confidence could result in reduced customer foot traffic, lower revenues, and diminished brand value. Retailers with strong technological and managerial systems to avoid and respond to data breaches can position themselves favorably with customers and reduce potential litigation and costs associated with data breaches.

Accounting Metrics

CN0401-07. Discussion of management approach to identifying and addressing data security risks

.37 The registrant shall identify vulnerabilities in its information systems that pose a data security threat, where:

- A data security threat is defined as any circumstance or event with the potential to adversely impact organizational operations (including mission, functions, image, or reputation), organizational assets, individuals, other organizations, or the nation through an information system via unauthorized access, destruction, disclosure, modification of information, and/or denial of service.

- Vulnerability is defined as a weakness in an information system, system security procedures, internal controls, or implementation that could be exploited by a data security threat source.

.38 The registrant shall describe how it addresses the threats and vulnerabilities it has identified, including, but not limited to, operational procedures, management processes, selection of business partners, employee training, or use of technology.

.39 The registrant should discuss trends it has observed in type, frequency, and origination of attacks to its data security and information systems.

.40 Disclosure shall be additional but complementary to the disclosure of preparation, detection, containment, and post-incident activity according to the SEC’s CF Disclosure Guidance: Topic No. 2, Cybersecurity.

- At a minimum, this includes disclosing when the costs or other consequences associated with one or more known incidents—or the risk of potential incidents—represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant’s results of operations, liquidity, or financial condition or would cause reported financial information to not necessarily be indicative of future operating results or financial condition (e.g., reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

.41 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant’s ability to maintain data privacy and security.
The registrant may choose to describe the degree to which its management approach is aligned with an external standard or framework for managing data security, such as:


CN0401-08. Number of data security breaches, percentage involving customers’ personally identifiable information (PII), number of customers affected

The registrant shall calculate and disclose the total number of data security breaches, which are defined as instances of unauthorized acquisition, access, use, or disclosure of protected information.

The scope of disclosure shall be limited to data security breaches, cybersecurity risks, and incidents that resulted in the registrant’s business processes deviating from its expected outcomes for confidentiality, integrity, and availability.

- The scope of disclosure shall include incidents of unauthorized acquisition or acquisition without valid authorization, resulting from deficiencies or failures of people, processes, or technology.

- The scope of disclosure shall exclude disruptions of service due to equipment failures.

The registrant shall disclose the percentage of data security breaches in which customers’ personally identifiable information (PII) was breached, where:

- PII is defined as any information about an individual that is maintained by an entity, including (1) any information that can be used to distinguish or trace an individual’s identity, such as name, Social Security number, date and place of birth, mother’s maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.

- The scope of disclosure is limited to breaches in which customers were notified of the breach, either as required by state law or voluntarily by the registrant.

- Disclosure shall include incidents in which encrypted data were acquired with an encryption key that was also acquired.

- The registrant may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation until the law enforcement agency determines that such notification does not compromise the investigation.

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.46 The registrant shall disclose the total number of customers who were affected by data breaches, which includes all those whose personal data was compromised in a data breach.

.47 Disclosure shall be additional but complementary to the SEC’s CF Disclosure Guidance: Topic No. 2, Cybersecurity.

- At a minimum, this includes instances in which the costs or other consequences associated with one or more known incidents—or the risk of potential incidents—represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant’s results of operations, liquidity, or financial condition, or would cause reported financial information to not be necessarily indicative of future operating results or financial condition (e.g., theft of intellectual property, reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

Note to CN0401-08

.48 The registrant shall describe the corrective actions taken in response to specific incidents, such as changes in operations, management, processes, products, business partners, training, or technology.

.49 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant’s ability to maintain data privacy and security.

.50 The registrant should disclose its policy for disclosing data breaches to affected customers in a timely manner.
Food Safety

Description
Maintaining product quality and safety is crucial for this consumer-facing industry, as contamination by pathogens, hazardous substances, or spoilage can present human health risks. Contamination can occur at any stage in the food value chain, including food production, processing, transportation, distribution, and retailing. While food retail companies may not be directly responsible for a given food safety incident, they may ultimately be held accountable by consumers and can experience financial ramifications, damage to brand value, lower revenues, and increased costs associated with recalls, lost inventory, or litigation. Measures to prevent spoilage and contamination include temperature control, frequent food inspection, and supplier selection.

Accounting Metrics
CN0401-09. High-risk food safety violation rate

.51 The registrant shall disclose the rate at which high-risk food safety violations occur, calculated as the total number of inspected locations that received any high-risk violations during the fiscal year divided by the total number of food safety inspections that were conducted at the registrant’s retail locations and distribution centers during the fiscal year, where:

- High-risk violations are defined as violations that, if left uncorrected, directly relate to the transmission of foodborne illnesses, the adulteration of food products, and/or the contamination of food-contact surfaces. High-risk violations are also known as “critical” violations.

- The scope includes food safety inspections conducted by local health departments, state health departments, or other relevant agencies that govern food safety at retail locations and distribution center warehouses.

.52 The registrant should disclose the number of U.S. Department of Agriculture (USDA) or Food and Drug Administration (FDA) notices of violation (NOV) it received at its retail locations or distribution centers.

- USDA NOVs 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.

- FDA NOVs include, but are not limited to, Untitled Letters, Warning Letters, Section 305 Notices (Citations), or Administrative Detention. 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.
CN0401-10. Number of food-safety-related recalls, number of units recalled, percentage for private-label products

.53 The registrant shall disclose the total number of food-safety-related recalls, including those that were initiated voluntarily by the registrant or at the request of the FDA, where:

- Food-safety-related recalls are defined as removal or correction of a marketed product that occurs when there is reason to believe that a food may cause consumers to become ill, and that the FDA considers to be in violation of the laws it administers and against which the agency would initiate legal action.
  - Removal means the physical removal of a device from its point of use to some other location for repair, modification, adjustment, relabeling, destruction, or inspection.
  - Correction means repair, modification, adjustment, relabeling, destruction, or inspection of a product without its physical removal to some other location.
- The scope includes all food-safety-related recalls, whether initiated by the FDA (or other government agency) or voluntarily by the registrant.
- The scope of recalls excludes market withdrawals, which are defined as a registrant’s removal or correction of a distributed product that involves a minor violation that would not be subject to legal action by the FDA or that involves no violation (e.g., normal stock rotation practices).

.54 The registrant shall disclose the total number of units of food product that were subject to a recall during the fiscal year.

.55 The registrant shall disclose the percentage of the total number of units recalled that were for private-label products.

- Private-label products include store-brand products packaged for sale with the retailer’s name, whether manufactured by the retailer or by another manufacturer.

.56 The registrant may choose to disclose, in addition to the total number of food-safety-related recalls, the percentage of recalls that were (1) voluntarily, (2) FDA requested and (3) FDA mandated.

.57 The registrant may choose to disclose the percentage of the total number of units recalled that were part of Class I recalls, where Class I recalls is defined as a situation in which there is a reasonable probability that the use of, or exposure to, a violative product will cause serious adverse health consequences or death.

Note to CN0401-10

.58 The registrant shall discuss notable recalls such as those that affected a significant number of customers or those related to serious illness, injury, or fatality.
For such recalls, the registrant should provide:

- Description and cause of the recall issue
- The total amount or units of the item recalled
- The registrant’s cost to remedy the issue (in U.S. dollars)
- Whether the recall was initiated voluntarily by the registrant or at the request of the FDA
- Corrective actions
- Any other significant outcomes (e.g., legal proceedings or customer fatalities)

Additional References

In the U.S., food safety is regulated by the CDC, the FDA, the USDA, and local public health departments. Local laws regulate the frequency and content of inspections, and therefore the specific definitions of a high-risk violation may vary.
Product Health & Nutrition

Description

Increasing consumer awareness of food content and nutritional value, and the impact these can have on health, is shaping the industry’s competitive landscape. Demand for food products that are made with natural (nonsynthetic) ingredients or that are certified to be organic, low-fat, low-sugar, fresh, or made without genetically modified organisms (GMOs) has driven industry growth in recent years. Although the links between consumer health and certain foods, such as those that are genetically modified, are not well established, consumers have nonetheless shown preferences for food categories that are perceived to be healthier. Food retailers recognize the risks and opportunities presented by consumers’ shifting preferences, and diverse products with improved health attributes are now offered at most retail stores.

Accounting Metrics

CN0401-11. Revenue from products labeled and marketed to promote health and nutrition attributes

.60 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, where:

- Products that are labeled to promote health and nutrition attributes contain labels and other written, printed, or graphic matter on the article itself, on any containers and wrappers, or otherwise accompanying the article, consistent with the definition of labeling provided by 21 U.S.C. § 321(m), that promote health and nutrition attributes.

- Consistent with the American Marketing Association’s definition of marketing, products are considered to be marketed to promote health and nutrition attributes when the registrant communicates, delivers, and exchanges offerings that promote the product’s health and nutrition attributes.

.61 A product shall also be considered to be within the scope of disclosure if its 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 as 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 as prescribed by the FDA’s Food Labeling Guide, available here.

- Relative claims, 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.

.62 The scope excludes products that are organic, GMO-free, and gluten-free.
CN0401-12. Description of the process to identify and manage products and ingredients of concern and emerging dietary preferences

.63 The registrant shall discuss its process to identify and manage products and ingredients of consumer, academic, non-governmental, regulatory, or other concern in the products it sells, including, but not limited to, the use of additives, portion sizes, and product content certifications.

.64 The registrant shall discuss efforts to identify health concerns, the products related to those health concerns, and resulting risks, including those associated with the use of artificial colors, flavors, sweeteners, preservatives, and other ingredients or additives as described by the FDA (available here), if applicable.

- 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.

- 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.

.65 The registrant shall describe how identified concerns are managed and risks are communicated.

- 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) as a strategy to manage ingredients and products of concern.

.66 The registrant shall discuss the use of portion control, efforts taken to improve the nutritional content of the products it sells, and/or other measures taken to address consumer concerns, trends, and preferences.

- The registrant may choose to discuss whether strategies are related to or associated with a formal 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.

.67 The registrant shall discuss its use of certification programs that address consumer concerns and preferences over ingredients, additives, and potential allergens, where such certifications include, but are not limited to:

- USDA Organic
- Non-GMO Project Verified
- Certified Gluten-Free

.68 The registrant should discuss any significant complaints it received related to its products’ ingredients, such as those resulting in lawsuits or relating to products and/or ingredients of consumer concern, and any efforts to mitigate the related future risks.
Product Labeling & Marketing

Description
Communication with consumers through product labeling and marketing is an important facet of food retail. The accuracy and depth of information presented in food labeling is of growing importance to shoppers and regulators alike. The sale of private-label products manufactured for food retail companies makes product labeling and marketing especially relevant. Consumers today expect more detailed information about product ingredients and production methods, including genetically modified content, and this information can inform purchasing decisions. These issues can affect the competitive landscape of the industry, as companies may be subject to litigation or criticism resulting from making misleading statements or failing to adapt to consumer demand for increased labeling transparency. These factors can have an impact on companies’ brand value and revenue growth. Additionally, regulations addressing the accurate labeling of products and their ingredients present the risk of penalties or litigation for food retail companies.

Accounting Metrics
CN0401-13. Notices of violations received for non-conformance with regulatory labeling and/or marketing codes

.69 The registrant shall disclose the number of notices it has received that substantiate a violation of product 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 as well as 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.

- The scope includes marketing for all products and labeling of the registrant’s private-label products.

- Private-label products include store-brand products packaged for sale with the retailer’s name, whether manufactured by the retailer or by another manufacturer.

.70 The scope of disclosure includes instances of non-conformance with 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

.71 The registrant may choose to disclose any other non-conformances with third-party, industry, or internal codes for labeling and/or marketing.

CN0401-14. Amount of legal and regulatory fines and settlements associated with food marketing and/or labeling

.72 The registrant shall disclose the amount (excluding legal fees), in U.S. dollars, 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.

.73 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 CN0401-14

.74 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.

.75 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.

CN0401-15. Revenue from products labeled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO

.76 The registrant shall disclose its revenue (in U.S. dollars) from products that are labeled as (1) containing GMOs 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.

- The scope of disclosure includes all products offered for sale by the registrant.

.77 The registrant should disclose the revenue from its products that are labeled as (1) containing GMOs and (2) non-GMO in markets subject to GMO labeling regulation, including, but not limited to:

- Maine HP 0490 LD 718;

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

.73 For the purposes of this disclosure, products that are third-party certified to standards for which non-GMO is inherent to the certification (such as USDA Organic certification) shall be considered to be labeled “non-GMO.”
Fair Labor Practices

Description
The Food Retailers & Distributors industry employs many low-wage workers, including women and minorities. Low average wages in the industry, which help companies maintain low prices for products, may result in labor-related risks. Worker dissatisfaction with wages and benefits, combined with high unionization rates, have led to employee strikes at major food retail companies, resulting in business disruption. Additionally, companies in the industry have been involved in gender and racial discrimination cases, sometimes resulting in costly financial settlements. Companies may benefit from a taking a long-term perspective on managing workers, including their pay and benefits, in a way that protects workers’ rights and enhances their productivity while strengthening the company’s reputation and brand value.

Accounting Metrics

CN0401-16. Average hourly wage and percentage of in-store employees earning minimum wage

.79 The registrant shall disclose the average hourly wage, in U.S. dollars, for in-store and distribution center employees.

- In-store employees are classified in the Bureau of Labor Statistics (BLS) Standard Occupation Classification under the Food and Beverage Stores subsector (NAICS 445) and includes butchers and meat cutters; cashiers; first-line supervisors/managers of retail sales workers; food preparation workers; and stock clerks and order fillers.

- Distribution center employees are classified in the Bureau of Labor Statistics (BLS) Standard Occupation Classification under the Warehousing and Storage subsector (NAICS 493) and includes industrial truck and tractor operators; laborers and freight, stock, and material movers; shipping, receiving, and traffic clerks; stock clerks and order fillers; and transportation, storage, and distribution managers

- The scope of disclosure excludes corporate employees.

.80 The average hourly wage is calculated as the total in-store and distribution center employee wages, excluding overtime wages, for the fiscal year, divided by the number of hours worked, excluding overtime hours, by in-store and distribution center employees during the fiscal year.

.81 The registrant shall disclose the percentage of in-store and distribution center employees that earn minimum wage, where:

- Minimum wage is defined as the local minimum wage applicable for each worker.

- For countries or regions with no minimum wage requirement, the 10th percentile hourly wage, in U.S. dollars, of all wage earners in that country or region shall be used for this disclosure, including for the calculation of the percentage of staff that earns minimum wage and the calculation of the average prevailing minimum wage.
The registrant shall disclose the minimum wage for each geographic region for which it conducts segment financial reporting.

The registrant should discuss the sensitivity of its costs and profit margins to future adjustments in minimum wage, including:

- The likelihood of a minimum wage increase in the regions where the registrant operates, and the regions in which this is more likely to occur.
- The percentage of its current retail and distribution center employees whose salaries are near the current minimum wage, and whose salaries may necessitate an increase given a change in minimum wage regulations.
- The magnitude of the financial impact that a minimum wage increase would likely have on the registrant.

**CN0401-17. Percentage of active workforce covered under collective bargaining agreements**

The registrant shall disclose the percentage of its employees in the active workforce who were covered under collective bargaining agreements during any part of the fiscal year, where:

- Active workforce is defined as the maximum number of unique employees employed at any time during the fiscal year.
- The scope includes all employees employed by the registrant, including full-time, part-time, and temporary employees.

**CN0401-18. Number and total duration of work stoppages**

The registrant shall disclose the number of work stoppages and total duration, in worker-days idle, of work stoppages involving 1,000 or more workers and lasting one full shift or longer.

- Worker-days idle is calculated as the product of days idle and number of employees involved.

The scope of disclosure includes work stoppage due to disputes between labor and management, including strikes and lockouts.

**Note to CN0401-18**

The registrant shall describe the reason for each work stoppage (as stated by labor), the impact on operations, and any corrective actions taken as a result.
CN0401-19. Amount of legal and regulatory fines and settlements associated with (1) labor law violations and (2) employment discrimination

.88 The registrant shall disclose separately the amount (excluding legal fees) of all fines or settlements associated with labor law violations and the amount associated with employment discrimination violations, including, but not limited to, violations of the Fair Labor Standards Act, such as those relating to wages, work hours, overtime, and meal and rest breaks.

- Employment discrimination includes discrimination on the basis of age, disability, compensation, genetic information, harassment, national origin, pregnancy, race/color, religion, retaliation, sex, and sexual harassment, and is prohibited by the laws enforced by the U.S. Equal Employment Opportunity Commission (EEOC), including the Age Discrimination in Employment Act (ADEA), the Americans with Disabilities Act, the Rehabilitation Act, the Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, the Genetic Information Nondiscrimination Act (GINA), and the Pregnancy Discrimination Act (PDA).

.89 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 CN0401-19

.90 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., improper working conditions, unfair compensation, etc.) of fines and settlements.

.91 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 operations, management, processes, products, business partners, training, or technology.
Management of Environmental & Social Impacts in the Supply Chain

Description

Food retailers and distributors source merchandise from the agricultural sector and processed foods manufacturers. These suppliers face a myriad of sustainability-related challenges that include resource conservation, water scarcity, animal welfare, fair labor practices, and climate change. These are issues that, when poorly managed, can affect the price and availability of food. Additionally, consumers are increasingly concerned with the production methods, origins, and externalities associated with the foods they purchase, which may affect a company’s reputation. Many of these products are prepackaged, and more efficient packaging can help reduce transportation costs. Companies that can address product supply risks by assessing and engaging with suppliers, implementing sustainable sourcing guidelines, and enhancing supply chain transparency will likely be better positioned to protect shareholder value.

Accounting Metrics

CN0401-20. Discussion of strategy to manage environmental and social risks within the supply chain

.92 The registrant shall discuss its strategy to manage environmental and social risks that are present within its food and food products supply chain, where environmental and social supply chain risks may include:

- Impacts on crop and livestock production due to climate change (e.g., changing temperatures, water stress, etc.) that may affect cost and availability of produce, meat, poultry, dairy, and processed foods products;
- Animal feed price increases resulting from environmental and social factors and/or tightening environmental regulations that may have price impacts on meat, poultry, and dairy;
- Fuel economy regulation that could result in increased transportation costs;
- Labor rights and immigration reforms that affect food prices and availability;
- International trade barriers and/or varying levels of food safety oversight in a global market;
- Limits on harvesting of fish that could affect the supply of seafood products; and/or
- Animal welfare, human rights, or related supply chain incidents that may result in reputational damage.

.93 The registrant should identify which products or product lines present risks to its operations, the risks that are represented, and the strategies the registrant uses to mitigate such risks.
The registrant shall discuss its approach to managing its environmental and social supply chain risks and mitigating constraints, which may include screening, codes of conduct, audits, and/or certifications, among other strategies.

- For environmental risks, relevant strategies to discuss include the diversification of suppliers, supplier training programs on environmental best management practices, and audits or certifications of suppliers’ environmental practices.

- For social risks, relevant strategies to discuss include supplier engagement on labor and human rights issues and maintenance of a supply chain code of conduct.

**CN0401-21. Revenue from products third-party certified to an environmental and/or social sustainability sourcing standard**

The registrant shall disclose its revenue, in U.S. dollars, from products third-party certified to environmental or social sustainability criteria, where a product is considered to meet these criteria if:

- It has achieved certification through a government program, such as USDA Organic or other federal certifications.

- It has achieved certification to a third-party environmental or social sustainability standard, including, but not limited to, those covering the protection of natural resources, fair treatment of workers and community, food quality and safety, sustainable agriculture and production, and resource efficiency.

- It has achieved a certification relating to animal welfare, such as Animal Welfare Approved, Global Animal Partnership, Certified Humane, and Humane Farm Animal Care.

Food-sourcing standards that encompass environmental and/or social criteria include, but are not limited to, those for dairy products, palm oil, beef, poultry, seafood, fruit, processed foods, and coffee, such as the following certification programs:

- Marine Stewardship Council

- Global Aquaculture Alliance’s (GAA) Best Aquaculture Practice (BAP)

- International Seafood Sustainability Foundation

- Roundtable on Sustainable Palm Oil (RSPO)

- Roundtable on Responsible Soy (RTRS)

- Rainforest Alliance Certified (for bananas, cattle, cocoa, coffee, palm oil, and tea)

- UTZ Certified (for coffee, cocoa, and tea)

- Fair Trade Certified
• USDA Certified Organic
• Certified Naturally Grown
• American Grassfed Certified Beef
• SA8000

.97 The registrant should disclose, on a percentage of revenue basis, the standards to which its products are certified, including the following where relevant:

• A breakdown of the certifications by product category (e.g., meat, produce, packaged goods, etc.)
  • A product category is defined as a particular group of related products that offer a similar general functionality.

• A breakdown by certification type (i.e., based on the topic or scope of the standard), where certification types can include animal welfare, working conditions, organic, sustainable fishing or harvesting, etc.

CN0401-22. (1) Percentage of eggs sold from cage-free sources and (2) percentage of pork sold from gestation-crate-free sources

.98 The registrant shall disclose the percentage (by revenue) of eggs sold from cage-free sources as the revenue from eggs sold from cage-free sources divided by the total revenue from eggs sold, where:

• Eggs from cage-free sources include those laid by hens that have sufficient space to bathe and forage freely and are not confined in battery cages or other aviary systems designed to confine birds.

.99 The registrant shall disclose the percentage (by revenue) of pork sold from gestation-crate-free sources as the revenue from pork sold from gestation-crate-free sources divided by the total revenue from pork sold, where:

• Pork from gestation-crate-free sources includes pork from pigs that were not confined by individual crates that prevent them from turning around during pregnancy.

Note to CN0401-22

.100 Disclosure shall include a description of any additional animal welfare standards used by the registrant.

.101 The registrant shall describe its animal welfare standards, where animal welfare standards include policies for cattle, hog, and poultry conditions, including:

• Animal treatment and handling

• Housing and transportation conditions
• Slaughter facilities and procedures

• Use of antibiotics and hormones

.102 Animal welfare standards can include certifications for animal treatment conditions (such as whether animals are free of cages, gestation crates, hormones, and antibiotics), such as Animal Welfare Approved, Global Animal Partnership, Certified Humane, and Humane Farm Animal Care.

**CN0401-23. Description of strategies to reduce the environmental impact of packaging**

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

.104 Relevant disclosure may include, but is not limited to, the following:

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

• 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 [Global Protocol on Packaging Sustainability 2.0](#) metrics for Packaging Weight and Optimization and/or Assessment and Minimization of Substances Hazardous to the Environment.

.105 The registrant should discuss its strategies as they relate to primary, secondary, and tertiary packaging of its private-label products as well as the packaging of products from its vendors, where:

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

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

• Tertiary packaging is designed to contain one or more articles or packages, or bulk material, for the purposes of transport, handling, and/or distribution. Tertiary packaging is also known as “distribution” or “transport” packaging.

• Private-label products include store-brand products packaged for sale with the retailer’s name, whether manufactured by the retailer or by another manufacturer.
.106 The registrant may choose to discuss its use of Life Cycle Assessment (LCA) analysis in the context of its approach to environmental impact reduction and maximization of product efficiency, including weight reduction and transportation efficiency.

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

**Additional References**

Consumer Reports [Greener Choices Eco-Labels](http://www.consumerreports.org/greenerchoices/)

ISO 18601:2013 Packaging and the environment [definitions](http://www.iso.org/iso/home/standards/industrial_technology/22000_series/18601.htm)