



SUSTAINABILITY ACCOUNTING STANDARD  
SERVICES SECTOR

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# RESTAURANTS

## Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #SV0203

Prepared by the  
Sustainability Accounting Standards Board®

December 2014  
Provisional Standard

# RESTAURANTS

## Sustainability Accounting Standard

### About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

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## INTRODUCTION

# Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for Restaurants.

SASB 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's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context— to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

## Industry Description

Companies in the Restaurants industry prepare meals, snacks, and beverages to customers' orders for immediate on- and off-premises consumption. Broadly divided into three sub-categories, the restaurant industry includes limited-service eating places, casual family full-service eating places, and upscale family full-service eating places. Limited-service restaurants provide services to customers who order and pay before eating. Fast-food restaurants represent the largest share of the limited-service restaurants segment. Upscale full-service restaurants are distinguished from limited service restaurants by food quality and higher prices.

# Guidance for Disclosure of Material Sustainability Topics in SEC Filings

## 1 . Industry-Level Sustainability Disclosure Topics

For the Restaurants industry, SASB has identified the following sustainability disclosure topics:

- Energy & Water Management
- Food & Packaging Waste Management
- Food Safety
- Nutritional Content
- Fair Labor Practices
- Supply Chain Management & Food Sourcing

## 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.”<sup>1,2</sup>

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICs industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires 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 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.”<sup>2</sup>

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.”<sup>2</sup>

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- 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.

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<sup>1</sup> TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

<sup>2</sup> C.F.R. 229.303(item 303)(a)(3)(ii).

### 3 . Sustainability Accounting Standard Disclosures in Form 10-K

#### a . Management's Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**<sup>3</sup>

#### b . Other Relevant Sections of Form 10-K

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

*Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.*

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

#### c . Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via <http://www.sasb.org/approach/conceptual-framework/>.

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<sup>3</sup> 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."

# Guidance on Accounting of Material Sustainability Topics

For sustainability disclosure topics in the Restaurants industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-20<sup>4</sup>—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the [Sustainable Industry Classification System \(SICS™\)](#). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

## Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),<sup>5</sup> for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

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<sup>4</sup> 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."

<sup>5</sup> Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than \$10 million in assets.

# Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);<sup>6</sup>
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically, this disclosure would be limited to risks and opportunities associated with these entities).

## Reporting Format

### Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that 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 users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

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<sup>6</sup> See US GAAP consolidation rules (Section 810).  
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Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) company-owned and (2) franchise restaurants	Quantitative	Number	SV0203-A
Number of employees at (1) company-owned and (2) franchise locations	Quantitative	Number	SV0203-B

## Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

## Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

## Estimates

SASB recognizes that scientifically-based estimates, such as the reliance on certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

## Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

## Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

# Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

## Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

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The following sections contain the disclosure guidance associated with each accounting metric such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

# Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy & Water Management	Total energy consumed, percentage grid electricity, percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	SV0203-01
	Total water withdrawn, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m <sup>3</sup> ), Percentage (%)	SV0203-02
Food & Packaging Waste Management	Amount of waste, percentage food waste, percentage diverted	Quantitative	Metric tons (t), Percentage (%)	SV0203-03
	Total weight of packaging, percentage made from recycled or renewable materials, percentage that is recyclable or compostable	Quantitative	Metric tons (t), Percentage (%)	SV0203-04
Food Safety	Percentage of restaurants inspected by a food safety oversight body, percentage receiving critical violations	Quantitative	Percentage (%)	SV0203-05
	Number of recalls, total amount of food product recalled <sup>7</sup>	Quantitative	Number, Metric tons (t)	SV0203-06
	Number of confirmed foodborne illness outbreaks, percentage resulting in CDC investigation <sup>8</sup>	Quantitative	Number, Percentage (%)	SV0203-07
Nutritional Content	Percentage of meal options consistent with the <i>Dietary Guidelines for Americans</i> or foreign equivalent, sales from these options	Quantitative	Percentage (%), U.S. Dollars (\$)	SV0203-08
	Percentage of children's meal options consistent with national dietary guidelines for children or foreign equivalent, sales from these options	Quantitative	Percentage (%), U.S. Dollars (\$)	SV0203-09
	Number of child advertising impressions made, percentage promoting products that meet national dietary guidelines for children or foreign equivalent	Quantitative	Number, Percentage (%)	SV0203-10

<sup>7</sup> Note to **SV0203-06** – Disclosure shall include a description of notable recalls and corrective actions implemented in response to events.

<sup>8</sup> Note to **SV0203-07** –The registrant shall discuss foodborne illness outbreaks that were investigated by the CDC and corrective actions implemented in response to events.

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

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Fair Labor Practices	(1) Voluntary and (2) involuntary employee turnover rate for restaurant employees	Quantitative	Percentage (%)	SV0203-11
	Average hourly wage for restaurant employees, by region; percentage of employees earning minimum wage	Quantitative	U.S. Dollars (\$), Percentage (%)	SV0203-12
	Amount of legal and regulatory fines and settlements associated with labor law violations <sup>9</sup>	Quantitative	U.S. Dollars (\$)	SV0203-13
	Amount of tax credit received for hiring through enterprise zone programs	Quantitative	U.S. Dollars (\$)	SV0203-14
Supply Chain Management & Food Sourcing	Percentage of food purchased that meets environmental and social sourcing standards, percentage third-party certified	Quantitative	Percentage (%) by cost of goods sold	SV0203-15
	(1) Percentage of eggs purchased from cage-free sources and (2) percentage of pork purchased from gestation crate-free sources <sup>10</sup>	Quantitative	Percentage (%), Percentage by weight (%)	SV0203-16
	Discussion of strategy to manage environmental and social risks within the supply chain	Discussion and Analysis	n/a	SV0203-17

<sup>9</sup> Note to **SV0203-13** – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

<sup>10</sup> Note to **SV0203-16** - Disclosure shall include a description of any additional animal welfare standards used by the registrant.

# Energy & Water Management

## Description

The Restaurants industry relies on energy and water for value creation. Fast-food restaurants in particular tend to have long hours of operations and allocate larger portions of operating expenditures to utilities. Purchased electricity represents a major share of energy sources used in the Restaurants industry. It is becoming increasingly important for companies that rely on electricity consumption for their operations to manage overall energy efficiency, reliance on different types of energy and associated risks, and access to alternative energy sources. At the same time, water is becoming a scarce resource around the world, due to increasing consumption caused by population growth and rapid urbanization as well as reduced supplies due to climate change. Depending on the location, water scarcity can pose a risk to operations, and as a result, it is a growing concern for the Restaurants industry. Water and energy efficiency measures in company-owned stores can directly impact the bottom line. However, companies that can also influence energy and water management at their franchise locations will have a more significant impact on reducing indirect environmental impact.

## Accounting Metrics

### SV0203-01. Total energy consumed, percentage grid electricity, percentage renewable

- .01 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.
- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
  - The scope includes only energy consumed by entities owned or controlled by the organization.
  - The scope includes energy from all sources including direct fuel usage, purchased electricity, and heating, cooling, and steam energy.
- .02 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 disclose purchased grid electricity consumption as a percentage of its total energy consumption.
  - The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.
- .03 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.

.04 The renewable portion of the electricity grid mix that is outside of the control or influence of the registrant is excluded from disclosure.<sup>11</sup>

.05 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

- For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
  - Energy from hydro sources that are certified by the Low Impact Hydropower Institute.
  - Energy from biomass sources is limited to sources that are considered “eligible renewables” according to the Green-e Energy National Standard Version 2.4 or that are eligible for a state Renewable Portfolio Standard.

.06 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).

#### **SV0203-02. Total water withdrawn, percentage in regions with High or Extremely High Baseline Water Stress**

.07 The registrant shall disclose the amount of water (in cubic meters) that was withdrawn from fresh water sources for use in operations.

- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association [definition](#).
- Water obtained from a water utility can be assumed to meet the definition of fresh water.

.08 Using the World Resources Institute’s (WRI) Water Risk Atlas tool, Aqueduct (publicly available online [here](#)), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

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<sup>11</sup> SASB recognizes that RECs reflect the environmental attributes of renewable energy that have been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix, absent the market for RECs.

.09 If water usage in a portion of a registrant's operations is not metered in such a manner that allows for precise measurement, estimation is acceptable.

- In such a case, the registrant shall disclose the estimation methodology and the percentage of operations for which it was employed.

# Food & Packaging Waste Management

## Description

Restaurants produce waste in two main forms: food and packaging. Food waste includes ingredients, waste created during cooking, such as oil, and waste of the final product. Packaging waste includes packaging received from suppliers and packaging disposed by consumers in the restaurant areas. Food waste results in loss of resources, such as water, energy, land, labor, and capital, and produces greenhouse gas (GHG) emissions as a result of decomposition. Moreover, food ingredient deliveries to restaurants are a significant source of packaging waste. In addition, limited-service restaurants make heavy use of disposable tableware for serving customers. Municipal and federal regulations around packaging are likely to continue evolving and push companies to improve the recyclability of the packaging they use. Companies that are able to stay ahead of regulations will not only see a positive impact on brand image, but will likely reduce their cost of compliance. Companies that are able to reduce waste through various methods, including food recovery, diverting waste from landfills, and packaging reclamation programs, can reduce waste handling costs and improve operational efficiency.

## Accounting Metrics

### SV0203-03. Amount of waste, percentage food waste, percentage diverted

.10 The amount of total waste shall be calculated in metric tons, where waste is defined as anything for which the registrant has no further use and which would otherwise be discarded or released into the environment.

- The scope shall include any Subtitle D Solid Waste as defined by the Resource Conservation and Recovery Act (RCRA) (40 CFR § 261.2), including municipal solid wastes, such as durable goods, non-durable goods, containers and packaging, food wastes and yard trimmings, and miscellaneous inorganic wastes.
- The scope shall be limited to waste handled within the registrant's facilities, such as food waste, packaging received from suppliers, and waste discarded in facilities by customers.
- The scope of disclosure excludes food and packaging waste that is discarded off-site by customers.

.11 The registrant shall disclose the percentage of waste that comprises food waste, where:

- Food waste includes any substance, whether processed, semi-processed, or raw, which is intended for human consumption, and includes drinks, chewing gum, and any substance that has been used in the manufacture, preparation, or treatment of food for which the registrant has no further use and would otherwise be discarded or released into the environment.<sup>12</sup>
- The scope excludes cosmetics, tobacco, or substances used only as drugs.
- The scope includes any food-grade wastes associated with food or the manufacture, preparation, treatment, processing, and cooking of food, including cooking oil.

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<sup>12</sup> This definition is consistent with World Resources Institute's FLW Protocol.



- The scope excludes inedible parts, which are the components associated with a food in a particular food supply chain that are not intended to be consumed by humans.
- .12 The percentage diverted shall be calculated as the weight of waste material that was reused plus the weight recycled or remanufactured (through treatment or processing) by the registrant, plus the amount sent externally for further reuse, recycling, or remanufacturing, divided by the total weight of waste material, where:
- Reused materials are defined as those recovered products or components of products that are used for the same, or a substantially similar, purpose as that for which they were conceived.
- For the purposes of this disclosure, donation of surplus food to social service agencies and/or charitable organizations, including for human or animal consumption, shall be considered reused, consistent with the EPA Waste Hierarchy.
    - Recycled and remanufactured materials are defined as waste materials that have been reprocessed or treated by means of production or manufacturing processes and made into a final product or a component for incorporation into a product.
  - For the purposes of this disclosure, the composting of materials shall be considered recycling, consistent with the EPA Waste Hierarchy.
  - 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 to primary recycled materials).
    - Portions of products and materials that are disposed of in landfills are not considered recycled. Only the portions of products that are directly incorporated into new products, co-products, or by-products shall be included in the percentage recycled.
    - Materials sent for further recycling include those materials that are transferred to a third party for the express purpose of reuse, recycling, or refurbishment.
    - Materials incinerated, including for energy recovery, are not considered reused or recycled. 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.
    - For the purposes of this disclosure, cooking oil that is recycled for energy use is considered recycled waste.
- .13 The registrant shall describe the estimation methods used to calculate the amount of waste, percentage food waste, and percentage diverted, including the frequency of waste audits and the percentage of restaurants audited.

**SV0203-04. Total weight of packaging, percentage made from recycled or renewable materials, percentage that is recyclable or compostable**

- .14 The registrant shall disclose the total weight of packaging purchased by the registrant, in metric tons, where:
- Packaging includes any packaging intended to be given to customers (i.e., take-out food packaging) as well as corrugated cardboard and other secondary packaging materials used by the registrant behind the counter.
  - The scope shall include entities owned or controlled by the organization as well as franchise locations.
- .15 The registrant shall disclose the percentage of packaging (by weight) made from recycled or renewable materials, where:
- Recycled materials are defined as materials that have been recovered or otherwise diverted from the waste stream. Recycled materials include recycled raw materials as well as used, reconditioned, and remanufactured components, consistent with the FTC Green Guides. Recycled content can be either pre-consumer or post-consumer waste.
  - Renewable materials are defined as those that either increase in quantity or otherwise renew over a short (i.e., economically relevant) period of time, such that if the rate of extraction takes account of limitations in the reproductive capacity of the resource, renewables can provide yields over an infinite time horizon.
- .16 The percentage is calculated as the total weight of packaging made from recycled or renewable materials divided by the total weight of all packaging used by the registrant.
- .17 For packaging materials that contain both recycled and virgin parts, or which are made from both renewable and nonrenewable resources, the registrant shall classify a portion of the material as recycled or renewable based on an estimate of the weight of each portion. Alternatively, the registrant may exclude that item from consideration as recycled or renewable, but should include it in the total weight of packaging materials.
- .18 The registrant shall disclose the percentage of packaging (by weight) that is recyclable or compostable, where:
- Recyclable is defined as able to be reprocessed for the material's original purpose or for other purposes. A product or package is recyclable if it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program for reuse or use in manufacturing or assembling another item, consistent with the FTC Green Guides.
  - Reusable is defined as a durable packaging product that is able to be reused multiple times for the original purpose for which it was conceived.
  - For the purposes of this disclosure, reusable shall be considered recyclable.
  - Compostable is defined as the ability of a material to undergo degradation by biological processes to yield CO<sub>2</sub>, water, inorganic compounds, and biomass at a rate consistent with other known

compostable materials and that leaves no visible, distinguishable, or toxic residue. Compostable plastics are further defined by ASTM Standard D6400, 2004—Standard Specification for Compostable Plastics.

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

### ***Additional References***

EPA [Waste Hierarchy](#)

Summary of the [EPA Municipal Solid Waste Program](#)

# Food Safety

## Description

Both food preparation methods and quality of ingredients can impact food safety. Restaurant food safety could also be compromised due to the breadth of the supply chain. The global nature of the industry as well as the franchising model make it difficult for restaurant companies to ensure the safety of their food supplies. Failure to monitor the quality of supplied products may increase a company's risk of supply disruptions as well as negative publicity. Food safety issues, such as foodborne illness concerns, in either company-owned or franchise-operated locations can affect the core of a restaurant's reputation. Reputational damage from food safety issues tends to have a long-term impact, and affect a company across most of its locations. Companies that adhere to the industry standards for food preparation and safety are likely to be better positioned to protect shareholder value.

## Accounting Metrics

### **SV0203-05. Percentage of restaurants inspected by a food safety oversight body, percentage receiving critical violations**

- .20 The registrant shall disclose the percentage of restaurants that were inspected for food safety, calculated as the total number of restaurants that were inspected at least once during the fiscal year, divided by the total number of restaurants in operation during the fiscal year, where:
- The scope of inspections covers those carried out by a health and/or food safety oversight body, including any local, county, state, or national health organization with jurisdiction over compliance with health codes and regulations.
- .21 The registrant shall disclose the percentage of inspected restaurants receiving critical violations, calculated as the total number of inspected restaurants that received any critical violations during the fiscal year, divided by the total number of restaurants that were inspected during the fiscal year, where:
- Critical 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.
  - The scope of disclosure shall include both company-owned and franchise locations.
- .22 The registrant may choose to discuss its approach to assuring food safety in its operations in regions where inspections are not routinely conducted.

### **SV0203-06. Number of recalls, total amount of food product recalled**

- .23 The registrant shall disclose the total number of food-safety related recalls, including those that are voluntary and involuntary, where:
- Food-safety related recalls are defined as those that occur when there is reason to believe that a food may cause consumers to become ill.

- Involuntary recalls are those required by government agencies (e.g., the FDA or USDA<sup>13</sup> in the U.S., or the China Food and Drug Administration in China).
- Voluntary recalls are those initiated by a food manufacturer or distributor in order to take foods off the market.

.24 The registrant shall disclose the total amount (in metric tons) of food product that was recalled during the fiscal year.

- The scope of disclosure shall include both company-owned and franchise locations.

.25 The registrant may choose to disclose, in addition to the total number of food-related recalls, the percentage of recalls that were (1) voluntarily and (2) involuntarily issued.

Note to **SV0203-06**

.26 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.

.27 For such recalls the registrant should provide:

- Description and cause of the recall issue
- The total amount of the item recalled
- The cost to remedy the issue (in U.S. dollars)
- Whether the recall was voluntary or involuntary
- Corrective actions
- Any other significant outcomes (e.g., legal proceedings or customer fatalities)

**SV0203-07. Number of confirmed foodborne illness outbreaks, percentage resulting in CDC investigation**

.28 The registrant shall disclose the total number of incidents of confirmed foodborne illness outbreak associated with its restaurant, where:

- Foodborne illness is defined as sickness resulting from different disease-causing microbes or pathogens, poisonous chemicals, or other toxins that can contaminate foods.
- Foodborne illness outbreak is defined as two or more cases of foodborne illness occurring during a limited period of time with the same organism, and that are associated with either:
  - The same food-service operation, such as a restaurant, or

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<sup>13</sup> The FDA has jurisdiction over all food, with the exception of meat, poultry, and egg products, for which the USDA has jurisdiction.

- The same food product
  - In the case of botulism, a single case is considered an outbreak due to the severity of the illness and the possibility that a source food may cause others to become seriously ill.
  - Confirmed foodborne illness outbreaks are defined as those that were investigated by state, local, and territorial public health officials and found to be valid cases of foodborne illness outbreak.
  - The scope of disclosure shall include both company-owned and franchise locations.
- .29 The registrant shall disclose the percentage of foodborne illness outbreaks that resulted in Center for Disease Control and Prevention (CDC) investigation, calculated as the total number of confirmed foodborne illness outbreaks that reached the level of severity resulting in CDC investigation divided by the total number of confirmed foodborne illness outbreaks that occurred within the CDC’s jurisdiction.
- Outbreaks that resulted in investigation by the CDC may include those that involve large numbers of people, severe or unusual illness, or widespread outbreaks that affect many states at once.
  - The scope excludes those investigations that were conducted exclusively at the local or state level and successfully concluded.
- .30 The registrant may choose to discuss its approach to ensuring food safety in restaurants, such as internal food-safety audits, implementation of the Council to Improve Foodborne Outbreak Response (CIFOR) [Foodborne Illness Response Guidelines for Owners, Operators, and Managers of Food Establishments](#), or other measures to assure compliance with the U.S. Food and Drug Administration’s (FDA) Food Code or the foreign equivalent:
- The 2009 edition of the [Food Code](#) was released jointly by the FDA, the CDC of the U.S. Department of Health and Human Services (HHS), and the Food Safety and Inspection Service of the USDA.
  - “Foreign equivalent” refers to national health programs in non-U.S. countries. Examples include the General Principles of Food Law (Regulation EC/178/2002) in the E.U., which is overseen and implemented by the European Food Safety Authority, and the National Food Safety Standards in China, which are published by the Chinese Ministry of Health.

Note to **SV0203-07**

- .31 The registrant shall discuss foodborne illness outbreaks that were investigated by the CDC and corrective actions implemented in response to events.
- .32 For such outbreaks the registrant should provide:
- Description and cause of the foodborne illness outbreak
  - The cost to remedy the issue (in U.S. dollars)
  - Corrective actions
  - Any other significant outcomes (e.g., legal proceedings or customer fatalities)

- The scope of disclosure shall include both company-owned and franchise locations

### ***Definitions***

Definitions and general regulatory information on food recalls can be found [here](#).

### ***Additional References***

In the U.S., food safety is regulated by the CDC, the FDA, and local public health departments. Local laws regulate the frequency and content of inspections, and therefore the specific definitions of a critical violation may vary. General information on foodborne illness and disease is available at the Centers for Disease Control and Prevention [website](#).

In China, food safety in the restaurant industry is ensured by the [China Food and Drug Administration](#). The National Food Safety Standards in China are published by the Chinese Ministry of Health. Information can be found [here](#).

In the E.U., the E.U. Food Safety Authority assess and communicates risks associated with the food chain. Individual E.U. Member States may also have other legislation and controls with respect to food safety. Inspections are carried out at the country level.

# Nutritional Content

## Description

The “obesity epidemic” in the U.S. has put the Restaurant industry under a spotlight. In addition to displaying calorie counts, restaurants are increasingly pressured to improve the nutritional content of menu offerings. Demand in the Restaurant industry is increasingly driven by consumer preferences for healthier choices. Companies that are able to offer more nutritious menu options are likely to capture new markets for health-conscious consumers and improve market share with mainstream consumers. A higher share of nutritious options may have a beneficial effect on a company’s reputation and revenue growth in the long term.

## Accounting Metrics

### **SV0203-08. Percentage of meal options consistent with the *Dietary Guidelines for Americans* or foreign equivalent, sales from these options**

- .33 The registrant shall disclose the percentage of meal options that are consistent with the [Dietary Guidelines for Americans](#) or a foreign equivalent dietary guideline, where:
- Foreign equivalent dietary guidelines should be understood to be national health programs in non-U.S. countries for which the generally accepted dietary guidelines differ from the above. Foreign equivalents shall be applied to the calculation of percentages of meal options and sales in the countries in which they apply. Examples include the Food-Based Dietary Guidelines in Europe and Food-Based Dietary Guidelines in China.
- .34 The percentage is calculated as the number of possible combinations of meal options that are consistent with one-third of the daily nutritional values in the Dietary Guidelines for Americans (or foreign equivalent), divided by the total number of possible combinations of meal options.
- For limited-service restaurants, a meal option includes an entrée, side, and beverage.
  - For full-service restaurants, a meal option includes an entrée and a beverage.
  - For restaurants where choices are generally à la carte, the registrant should use a consistent approach for calculating meal options using menu items generally paired together as meals.
  - In determining possible meal combinations, the registrant shall use menu items that are commonly paired together by customers, advertised together as combinations, or are placed together as a specially promoted meal combination.
  - When calculating the nutritional content of a meal option, the registrant shall use the nutritional content for the standard menu items that are served to the customer by default, without a request for item or ingredient substitutes or additions.
- .35 The registrant shall disclose the sales, in U.S. dollars, from combinations of meal options that are consistent with the Dietary Guidelines for Americans (or foreign equivalent), where:



- The scope of disclosure shall include sales from both company-owned and franchise locations.

.36 If meal options in a portion of a registrant's operations are not tracked in such a manner that allows for precise measurement, estimation is acceptable.

- In such a case, the registrant shall disclose the estimation methodology used to calculate the sales of combinations of meal options, and the percentage of operations for which it was employed.

**SV0203-09. Percentage of children's meal options consistent with national dietary guidelines for children or foreign equivalent, sales from these options**

.37 The registrant shall disclose the percentage of children's meal options that are consistent with national dietary guidelines for children, where:

- A children's meal option is one that is directly targeted at children aged 2-11 years old.
- National dietary guidelines for children in the U.S. are defined by the USDA [National School Lunch](#) standards.
- Foreign equivalent dietary guidelines for children should be understood to be national health programs in non-U.S. countries for which the generally accepted dietary guidelines differ from the above. Foreign equivalents shall be applied to the calculation of percentages of meal options and sales in the countries in which they apply. Examples include the Food-Based Dietary Guidelines in Europe and Food-Based Dietary Guidelines in China.

.38 The percentage shall be calculated as the number of potential children's meal combinations that are consistent with national dietary guidelines for children or foreign equivalent, divided by the total number of potential children's meal combinations.

- For limited-service restaurants, a meal option includes an entrée, side, and beverage.
- For full-service restaurants, a meal option includes an entrée and a beverage.
- For restaurants that generally serve à la carte items, the registrant may use a consistent approach for calculating meal options using menu items generally paired together as meals.
- In determining meal options, the registrant shall use children's menu items that are commonly paired together by customers, advertised together as combinations, or are placed together as a specially promoted meal combination.
- When determining the nutritional content of combinations of children's meal options, the registrant shall use the nutritional content for the standard menu items that are served to the customer by default, without a request for item or ingredient substitutes or additions.

- .39 The registrant shall disclose the sales, in U.S. dollars, from combinations of children's meal options that are consistent with the National School Lunch program or foreign equivalent, where:
- The scope of disclosure shall include sales from both company-owned and franchise locations.
- .40 If children's meal options in a portion of a registrant's operations are not tracked in such a manner that allows for precise measurement, estimation is acceptable.
- In such a case, the registrant shall disclose the estimation methodology used to calculate the sales of combinations of children's meal options, and the percentage of operations for which it was employed.

**SV0203-10. Number of child advertising impressions made, percentage promoting products that meet national dietary guidelines for children or foreign equivalent**

- .41 The registrant shall disclose the total number of advertising impressions made on children, where:
- An advertising impression is a measure of the number of times an advertisement is seen, heard, watched, or read.
  - Children are defined as age 12 and under, consistent with the Children's Food and Beverage Initiative (CFBAI) definition.
- .42 The scope includes advertising impressions made through media such as television, radio, print, internet, interactive games (including advergames), tablets, smartphones, video games, computer games, DVDs and word-of-mouth. The registrant shall disclose the estimation methods used to calculate the number of advertising impressions made on children, including its method for collecting such data. Reasonable estimation methods for the number of impressions include but are not limited to:
- Total number of ads viewed, average webpage visits per month, average monthly unique website visitors
  - The child audience share of each media used for advertisements
  - Gross rating points and target ratios
  - The target audience based on the media plan, and targeted index by age that may be tracked by third-party services
- .43 The registrant shall disclose the percentage of advertising impressions made on children that promote products which meet the [National School Lunch Program standards](#) or foreign equivalent.
- Foreign equivalent dietary guidelines for children should be understood to be national health programs in non-U.S. countries for which the generally accepted dietary guidelines differ from the above. Foreign equivalents shall be applied to the calculation of percentages of advertising impressions made on children in the countries in which they apply. Examples include the Food-Based Dietary Guidelines in Europe and Food-Based Dietary Guidelines in China.

.44 The percentage is calculated as the total number of child advertising impressions promoting products that meet the National School Lunch Program or foreign equivalent, divided by the total number of child advertising impressions made.

### ***Additional References***

The *Dietary Guidelines for Americans* are jointly issued and updated every five years by the [Department of Agriculture \(USDA\)](#) and the [Department of Health and Human Services \(HHS\)](#).

In the E.U., [Food-Based Dietary Guidelines](#) give an indication of what a person should be eating in terms of foods rather than nutrients, and provide a basic framework to use when planning meals or daily menus.

The latest version of the Chinese Food-Based Dietary Guidelines was compelled by Chinese Nutrition Society in 2007, and proclaimed by the Ministry of Health in early 2008.

Ge K, "The transition of Chinese dietary guidelines and food guide pagoda," [Asia Pac J Clin Nutr.](#) 2011: 20(3), pp. 439-46.

# Fair Labor Practices

## Description

The Restaurant industry is labor-intensive, and many of the staff are low-skilled, part-time, or seasonal workers. It is among top job creators and is an entry point for young and migrant workers to join the workforce. Restaurant employees in franchised or licensed locations may be employed by a third party. In addition, since many chains exist across continents, ensuring consistent labor standards can be a challenge. This issue pertains to restaurant employees in both company-owned and franchise locations. Labor issues at franchises do affect brand image because customers cannot make a distinction between company-owned and franchised restaurants. Companies able to properly manage human capital by offering competitive wages, safe working environments and other opportunities for professional growth will likely improve employee morale while reducing turnover rates and the associated administrative costs involved in employee acquisition and training.

## Accounting Metrics

### SV0203-11. (1) Voluntary and (2) involuntary employee turnover rate for restaurant employees

- .45 The registrant shall disclose employee turnover of restaurant employees in registrant-owned restaurants as a percentage, where:
- Turnover shall be calculated and disclosed separately for voluntary and involuntary departures.
  - The scope of disclosure excludes corporate staff and executives. All calculations are based on the numbers of restaurant employees (i.e., those employees that work on-site in the restaurant).
  - The scope of this disclosure excludes franchise restaurants.
- .46 The registrant shall calculate the voluntary turnover percentage as the total number of employee-initiated voluntary separations (such as resignations, retirement, etc.) during the fiscal year, divided by the total number of employees during the fiscal year.
- .47 The registrant shall calculate the involuntary turnover percentage as the total number of registrant-initiated separations (such as dismissal, downsizing, redundancy, non-renewal of contract, etc.) during the fiscal year, divided by the number of employees during the fiscal year.

### SV0203-12. Average hourly wage for restaurant employees, by region; percentage of employees earning minimum wage

- .48 The registrant shall disclose the average hourly wage, in U.S. dollars, for restaurant employees for each geographic region for which it conducts segment financial reporting<sup>[1]</sup>, where:
- Restaurant employees are defined as non-manager employees earning an hourly wage

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<sup>[1]</sup> As determined by FASB Accounting Standards Codification Topic 280, *Segment Reporting*.

- The scope of disclosure excludes salaried and corporate employees
  - The scope of disclosure includes employees of company-owned and franchise locations
- .49 The average hourly wage is calculated as the total restaurant employee wages, including tips, for the fiscal year, divided by the number of hours worked by restaurant employees during the fiscal year.
- .50 The registrant shall disclose the percentage of restaurant employees that earn minimum wage before tips, where:
- Minimum wage is defined as the local or prevailing minimum wage applicable for each worker.
  - For countries or regions with no prevailing minimum wage requirement, the 10<sup>th</sup> percentile hourly wage, in U.S. dollars, of all wage earners in that country or region shall be used for this disclosure, including in the calculation of the percentage of staff that earns minimum wage and in the calculation of the average prevailing minimum wage.
- .51 The registrant may choose to disclose the average prevailing minimum wage, weighted on an hours-worked basis, for each geographic region for which it conducts segment financial reporting.
- .52 The registrant may choose to discuss its sensitivity to future adjustments in minimum wage.
- The discussion should include what percentage of its employees would be affected by an increase in the federal minimum wage.

**SV0203-13. Amount of legal and regulatory fines and settlements associated with labor law violations**

- .53 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with labor law 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.
- .54 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).
- .55 The scope of disclosure shall include fines and settlements associated with company-owned and franchise locations.

**Note to SV0203-13**

- .56 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.
- .57 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.

**SV0203-14. Amount of tax credit received for hiring through enterprise zone programs**

.58 The registrant shall disclose the amount of tax credit, in U.S. dollars, received for hiring in enterprise zone programs, where:

- Enterprise zone programs include those at the local, state, and national level, where companies can qualify for a variety of subsidies if located within an enterprise zone.
- Tax credits for hiring include employment and job creation tax credits, and any other type of tax exemptions that relate to hiring of restaurant employees that were received through an enterprise zone program.
- The scope shall include credits received for company-owned and franchise locations.

# Supply Chain Management & Food Sourcing

## Description

Industry trends suggest that supply chain management is crucial for restaurant companies to protect their reputations and improve revenues. Sourcing from suppliers that have high quality standards, employ environmentally sustainable farming methods, and honor labor rights will better position companies to protect shareholder value. Sourcing quality ingredients to maintain consistency and level of quality across different locations can be operationally challenging. This problem is exacerbated by the global nature of the industry. Demand from food and beverage industries, including restaurants, drives and shapes agricultural production, indicating that actions by industry players have larger impacts on society. Therefore, sustainable and ethical sourcing by industry players is necessary to ensure continued future supply and to minimize lifecycle impacts of company operations. By increasing the amount of food supply sourced in conformance with environmental and social standards, as well as conformance with animal welfare standards and best practices, restaurant operators will be able to maintain food quality, manage food safety issues, enhance their reputation, and expand their market share.

## Accounting Metrics

### **SV0203-15. Percentage of food purchased that meets environmental and social sourcing standards, percentage third-party certified**

- .59 The registrant shall disclose the percentage of its food purchased (by cost of goods sold) that meets sourcing standards that encompass both environmental and social guidelines.
- Environmental and social sourcing standards include, but are not limited to, protection of natural resources, fair treatment of workers and community, animal health and welfare, food quality and safety, and resource efficiency.
- .60 The percentage is calculated as the total cost of goods, in U.S. dollars, of food and food products purchased that meet environmental and social standards, divided by the total cost of food and food products purchased.
- The scope of disclosure shall include food sourced for company-owned and franchise locations.
  - The scope of this disclosure includes those industry programs, guidelines, and criteria that include both environmental and social standards for a food item.
- .61 Examples of food-sourcing standards that encompass environmental and social best practices include, but are not limited to, the following:
- Global Roundtable for Sustainable Beef: Principles & Criteria for Defining Global Sustainable Beef
  - Marine Stewardship Council\*
  - Roundtable on Sustainable Palm Oil (RSPO)\*
  - Roundtable on Responsible Soy (RTRS)\*

- Rainforest Alliance Certified: Bananas, Cattle, Cocoa, Coffee, Palm Oil, and Tea\*
- Fair Trade Certified: various products\*
- IDH's Sustainability Initiative Fruits and Vegetables (SIFAV)
- Sustainable Agriculture Initiative (SAI) Platform, Principles & Practices for the Sustainable Production of Arable and Vegetable Crops, Coffee, Dairy, and Fruit

.62 The registrant shall disclose the percentage of its food procured (by cost of goods sold) that has been third-party certified to an environmental and/or social sourcing standard, where:

- The percentage is calculated as the cost of goods sold, in U.S. dollars, of food and food products purchased that are third-party certified to an environmental and/or social sourcing standard, divided by the total cost of goods sold of food and food products purchased.
- The scope of this disclosure includes third-party certifications that are based on either environmental or social best practices, or both, because some leading programs are narrowly focused on a single environmental or social attribute.

.63 Examples of third-party certification programs include, but are not limited to, the organizations noted above with an asterisk as well as USDA Certified Organic, Certified Naturally Grown, and American Grassfed Certified beef, among others.

.64 The registrant shall indicate to which standards its food supply is certified.

**SV0203-16. (1) Percentage of eggs purchased from cage-free sources and (2) percentage of pork purchased from gestation crate-free sources**

.65 The registrant shall disclose the percentage of eggs purchased from cage-free sources as the number of eggs purchased from cage-free sources divided by the total number of eggs purchased, 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.

.66 The registrant shall disclose the percentage of pork purchased (by weight) from gestation crate-free sources as the weight of pork purchased from gestation crate-free sources divided by the total weight of pork purchased, 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.

.67 The scope of disclosure shall include eggs and pork purchased for company-owned and franchise locations.

**Note to SV0203-16**

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



.69 The registrant shall describe its animal welfare standards, where:

- Animal welfare standards include policies for beef, pork, and poultry conditions, including:
  - Animal treatment and handling
  - Housing and transportation conditions
  - Slaughter facilities and procedures
  - Use of antibiotics and hormones

.70 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.

#### **SV0203-17. Discussion of strategy to manage environmental and social risks within the supply chain**

.71 The registrant shall discuss its strategy to manage environmental and social risks and constraints in its supply chain for food and food products, where:

- Examples of potential environmental and social supply chain risks and constraints may include impacts on crop production due to climate change (e.g., changing temperatures, water stress, etc.), price impacts on beef due to grain pricing or regulatory limits on methane emissions, increased transportation costs due to climate change regulations that affect fuel availability and pricing, labor rights and immigration reform that affects food prices and availability, international trade barriers, resistance to and regulation of the use of genetically modified organisms, and/or varying levels of food safety oversight in a global market.

.72 The registrant shall discuss its approach to reducing supply chain risk and mitigating constraints, which may include screening, codes of conduct, audits, and/or certifications, among others.

.73 The registrant shall discuss its recovery/contingency plan, including considerations such as alternate suppliers, product or ingredient substitution, and revised menu options, among others.

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