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[Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements

Volume B26—Restaurants

Comments to be received by 29 July 2022

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Introduction

This volume is part of Appendix B of [draft] IFRS S2 Climate-related Disclosures and is an integral part of that [draft] Standard. It has the same authority as the other parts of that [draft] Standard.

This volume sets out the requirements for identifying, measuring and disclosing information related to an entity's significant climate-related risks and opportunities that are associated with specific business models, economic activities and other common features that characterise participation in this industry.

The industry-based disclosure requirements are derived from SASB Standards (see paragraphs B10–B12 of [Draft] IFRS S2 *Climate-related Disclosures*). Amendments to the SASB Standards, described in paragraph B11, are marked up for ease of reference. New text is underlined and deleted text is struck through. The metric codes used in SASB Standards have also been included, where applicable, for ease of reference. For additional context regarding the industry-based disclosure requirements contained in this volume, including structure and terminology, application and illustrative examples, refer to Appendix B paragraphs B3–B17.

Restaurants

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 full-service eating places, and upscale 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. Full-service restaurants offer more service, food for consumption primarily on-premise, and typically reflect higher quality food and prices.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-RN-130a.1
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m ³), Percentage (%)	FB-RN-140a.1
Supply Chain Management & Food Sourcing	Percentage of food purchased that (1) meets environmental and social sourcing standards and (2) is certified to third-party environmental and/or social standards	Quantitative	Percentage (%) by cost	FB-RN-430a.1
	Percentage of (1) eggs that originated from a cage-free environment and (2) pork that was produced without the use of gestation crates	Quantitative	Percentage (%) by number, Percentage (%) by weight	FB-RN-430a.2
	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	Discussion and Analysis	n/a	FB-RN-430a.3

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) company-owned and (2) franchise restaurants	Quantitative	Number	FB-RN-000.A
Number of employees at (1) company-owned and (2) franchise locations	Quantitative	Number	FB-RN-000.B

Energy Management

Topic Summary

Restaurant operations have high energy intensity compared to other commercial building operations. Commercial kitchen appliances are extremely energy intensive, and dining areas are typically temperature-controlled for customers. Fossil fuel-based energy production and consumption contribute to significant environmental impacts, including climate change and air pollution, which have the potential to indirectly, yet materially, impact the results of restaurant operations. Regulations on greenhouse gas (GHG) emissions pricing or regulatory incentives for energy efficiency improvements and renewable energy affect conventional and renewable energy prices. Companies that manage energy consumption at company-owned and franchise locations can decrease operational costs through energy efficiency upgrades and limit exposure to GHG emissions regulations through the use of renewable energy resources.

Metrics

FB-RN-130a.1. (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable

- 1 The entity shall disclose (1) the total amount of energy it consumed as an aggregate figure, in gigajoules (GJ).
 - 1.1 The scope of energy consumption includes energy from all sources, including energy purchased from sources external to the entity and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity, and heating, cooling, and steam energy are all included within the scope of energy consumption.
 - 1.2 The scope of energy consumption includes only energy directly consumed by the entity during the reporting period.
 - 1.3 In calculating energy consumption from fuels and biofuels, the entity 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).
- 2 The entity shall disclose (2) the percentage of energy it consumed that was supplied from grid electricity.
 - 2.1 The percentage shall be calculated as purchased grid electricity consumption divided by total energy consumption.
- 3 The entity shall disclose (3) the percentage of energy it consumed that is renewable energy.
 - 3.1 Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, such as geothermal, wind, solar, hydro, and biomass.
 - 3.2 The percentage shall be calculated as renewable energy consumption divided by total energy consumption.

- 3.3 The scope of renewable energy includes renewable fuel the entity consumed, renewable energy the entity directly produced, and renewable energy the entity purchased, if purchased through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs) or Guarantees of Origin (GOs), a Green-e Energy Certified utility or supplier program, or other green power products that explicitly include RECs or GOs, or for which Green-e Energy Certified RECs are paired with grid electricity.
 - 3.3.1 For any renewable electricity generated on-site, any RECs and GOs must be retained (i.e., not sold) and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
 - 3.3.2 For renewable PPAs and green power products, the agreement must explicitly include and convey that RECs and GOs be retained or replaced and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
 - 3.3.3 The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy.
- 3.4 For the purposes of this disclosure, the scope of renewable energy from ~~hydro and biomass sources is limited to the following:~~
 - 3.4.1 ~~Energy from hydro sources is limited to those that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard;~~
 - 3.4.2 ~~Energy from biomass sources is limited to~~ 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 sources of supply according to the *Green-e Framework for Renewable Energy Certification, Version 1.0* (2017) or Green-e regional standards, and/or materials that are eligible for an applicable state renewable portfolio standard.
- 4 The entity 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 kilowatt hours (kWh) to GJ (for energy data including electricity from solar or wind energy).

Water Management

Topic Summary

Water is used throughout restaurant operations, from cooking and dishwashing to cleaning. The restaurant format, size, and equipment all affect water use. Restaurants located in water-stressed regions may be exposed to water usage restrictions or face high water costs. Long-term historic increases in the costs of water, and expectations around continued increases due to overconsumption and constrained supplies resulting from population growth and shifts, pollution, and climate change, indicate the heightened importance of water management. Companies can reduce water use and associated operational costs through implementing water-efficient practices and using water-efficient commercial kitchen equipment.

Metrics

FB-RN-140a.1. (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

- 1 The entity shall disclose the amount of water, in thousands of cubic meters, that was withdrawn from all sources.
 - 1.1 Water sources include surface water (including water from wetlands, rivers, lakes, and oceans), groundwater, rainwater collected directly and stored by the entity, and water and wastewater obtained from municipal water supplies, water utilities, or other entities.
- 2 The entity may disclose portions of its supply by source if, for example, significant portions of withdrawals are from non-freshwater sources.
 - 2.1 Fresh water may be defined according to the local laws and regulations where the entity operates. Where there is no legal definition, fresh water shall be considered to be water that has less than 1,000 parts per million of dissolved solids ~~per the U.S. Geological Survey~~.
 - 2.2 Water obtained from a water utility in compliance with ~~U.S. National Primary Drinking Water Regulations~~ jurisdictional drinking water regulations can be assumed to meet the definition of fresh water.
- 3 The entity shall disclose the amount of water, in thousands of cubic meters, that was consumed in its operations.
 - 3.1 Water consumption is defined as:
 - 3.1.1 Water that evaporates during withdrawal, usage, and discharge;
 - 3.1.2 Water that is directly or indirectly incorporated into the entity's product or service;
 - 3.1.3 Water that does not otherwise return to the same catchment area from which it was withdrawn, such as water returned to another catchment area or the sea.

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- 4 The entity shall analyze all of its operations for water risks and identify activities that withdraw and consume water in locations with High (40–80 percent) or Extremely High (>80 percent) Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.
- 5 The entity shall disclose its water withdrawn in locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn.
- 6 The entity shall disclose its water consumed in locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed.

Supply Chain Management & Food Sourcing

Topic Summary

Restaurants source ingredients and products from a wide range of suppliers. Supply chain management is crucial for restaurants to ensure food safety, protect their reputations, and improve revenues. Sourcing quality ingredients to maintain a consistent 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. Sourcing from suppliers that have high quality standards, employ environmentally sustainable farming methods, and honor labor rights will better position companies to protect long-term shareholder value. 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.

Metrics

FB-RN-430a.1. Percentage of food purchased that (1) meets environmental and social sourcing standards and (2) is certified to third-party environmental and/or social standards

- 1 The entity shall disclose (1) the percentage of food purchased that meets both environmental and social sourcing standards.
 - 1.1 Environmental standards are defined as standards that address environmental impacts related to food production such as, protection of natural resources and improvements in resource efficiency.
 - 1.2 Social standards are defined as standards that address social impacts related to food production such as, treatment of workers and community, animal health and welfare, and food quality and safety.
 - 1.3 The percentage shall be calculated as the cost of food (and food products) purchased that meets environmental and social standards divided by the total cost of food (and food products) purchased.
 - 1.4 The scope of environmental and/or social standards includes programs, guidelines, best practices, criteria, codes of conduct, and certifications that are developed internally, through industry initiatives, or by third-parties.
 - 1.5 Examples of environmental and social sourcing standards include, but are not limited to:
 - 1.5.1 Global Roundtable for Sustainable Beef Principles & Criteria for Defining Global Sustainable Beef
 - 1.5.2 IDH Sustainability Initiative Fruits and Vegetables (SIFAV)

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- 1.5.3 Sustainable Agriculture Initiative (SAI) Platform, Principles & Practices for Dairy Farming, Sustainable Fruit Production, Sustainable Green Coffee Production, and Sustainable Production of Arable & Vegetable Crops
- 2 The entity shall disclose (2) the percentage of food purchased that has been certified to a third-party environmental and/or social standard.
 - 2.1 The percentage shall be calculated as the cost of food (and food products) purchased that has been certified to a third-party environmental and/or social standard divided by the total cost of food (and food products) purchased.
 - 2.2 Examples of certifications to third-party environmental and social standards include, but are not limited to:
 - 2.2.1 Fairtrade International
 - 2.2.2 Fair Trade USA
 - 2.2.3 Marine Stewardship Council
 - 2.2.4 Rainforest Alliance Certified
 - 2.2.5 Roundtable on Responsible Soy (RTRS)
 - 2.2.6 Roundtable on Sustainable Palm Oil (RSPO)
- 3 The entity shall generally indicate which third-party environmental and social standards it uses.

FB-RN-430a.2. Percentage of (1) eggs that originated from a cage-free environment and (2) pork that was produced without the use of gestation crates

- 1 The entity shall disclose (1) the percentage of eggs purchased that originated from a cage-free environment.
 - 1.1 Eggs that originated from a cage-free environment are produced by hens housed in a building, room, or area that allows for unlimited access to food, water, and provides the freedom to roam within the area during the laying cycle.
 - 1.1.1 The scope also includes eggs that originated from a free-range environment.
 - 1.2 The percentage shall be calculated as the number of eggs purchased that originated from a cage-free environment divided by the total number of eggs purchased.
- 2 The entity shall disclose (2) the percentage of pork that was produced without the use of gestation crates.
 - 2.1 A gestation crate is defined as an enclosure for housing an individual breeding sow, where the enclosure fulfills the animal's static space requirements but does not allow for dynamic movement, such as turning around, and is typically non-bedded, with concrete floors and metal stalls.

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- 2.2 The percentage shall be calculated as the weight of pork purchased that was produced without the use of gestation crates divided by the total weight of pork purchased.
 - 2.2.1 Weight of production shall be calculated using carcass weight or retail weight (where the entity has sourced pork or pork products that have already been processed).
- 3 The scope of disclosure shall include eggs and pork purchased for company-owned and franchise locations.

FB-RN-430a.3. Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare

- 1 The entity shall discuss its strategic approach to managing its environmental and social risks that are present within, or arise out of, its food and food products supply chain.
 - 1.1 Environmental and social risks may include, but are not limited to:
 - 1.1.1 Impacts on crop and livestock production due to climate change (e.g., changing average temperatures and water stress) that may affect cost and availability of produce, meat, poultry, dairy, and processed foods products
 - 1.1.2 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
 - 1.1.3 Fuel economy regulations that affect transportation costs
 - 1.1.4 Labor rights and immigration reforms that affect food prices and availability
 - 1.1.5 International trade barriers and/or varying levels of food safety oversight in a global market
 - 1.1.6 Commercial catch limits that could affect the supply of seafood products
 - 1.1.7 Animal welfare, human rights, or related supply chain incidents that may result in reputational damage
 - 1.2 Relevant strategies to discuss may include, but are not limited to, supplier screening, diversification of suppliers, supplier training programs on environmental best management practices, supplier engagement on labor and human rights issues, and maintenance of a supply chain code of conduct, supply chain audits, and certifications.
- 2 The entity may identify which products or product lines present risks to its operations, the risks that are represented, and the strategies the entity uses to mitigate such risks.
- 3 The entity shall discuss its animal welfare standards applicable to its supply chain.

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- 3.1 Animal welfare standards are defined as policies for beef, pork, poultry, and/or dairy production conditions, including:
 - 3.1.1 Animal treatment and handling
 - 3.1.2 Housing and transportation conditions
 - 3.1.3 Slaughter facilities and procedures
 - 3.1.4 Use of antibiotics and hormones
- 3.2 Discussion shall include, but is not limited to:
 - 3.2.1 Any targets the entity has related to animal welfare standards and its progress toward those targets
 - 3.2.2 Any requirements for suppliers related to animal welfare standards
 - 3.2.3 How, if in any way, animal welfare standards are addressed in supplier contracts
- 4 The entity shall describe its use of animal welfare certifications, where certifications include, but are not limited to: Animal Welfare Approved, Certified Humane Program, Food Alliance Certified, and Global Animal Partnership 5-Step Animal Welfare Rating Program.
- 5 The entity may disclose the percentage of animal protein sold, by animal protein type, that is produced without medically important antibiotics.
 - 5.1 ~~Medically important antibiotics (or “medically important antimicrobial drugs”) are defined according to the U.S. Food and Drug Administration’s (FDA) Veterinary Feed Directive (VFD) as all three tiers (“critically important,” “highly important,” and “important”) of antimicrobial drugs listed in Appendix A to its Guidance for Industry (GFI) #152 to be “medically important.”~~
 - ~~5.1~~ 5.2 The percentage is calculated as the carcass (or dressed) weight of animal protein purchased that did not receive medically important antibiotics at any stage of its life divided by the total carcass (or dressed) weight of animal protein purchased.