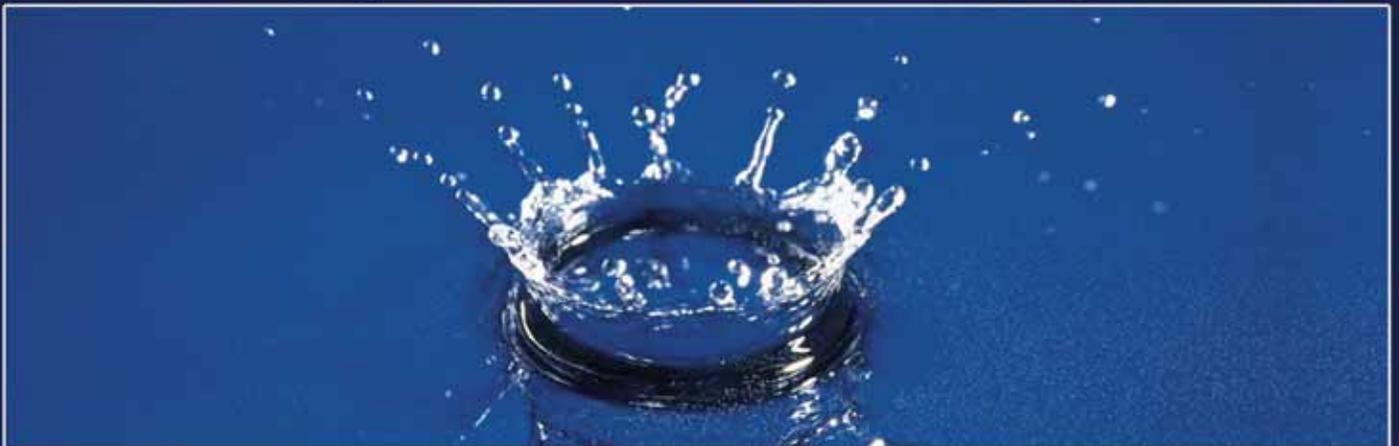
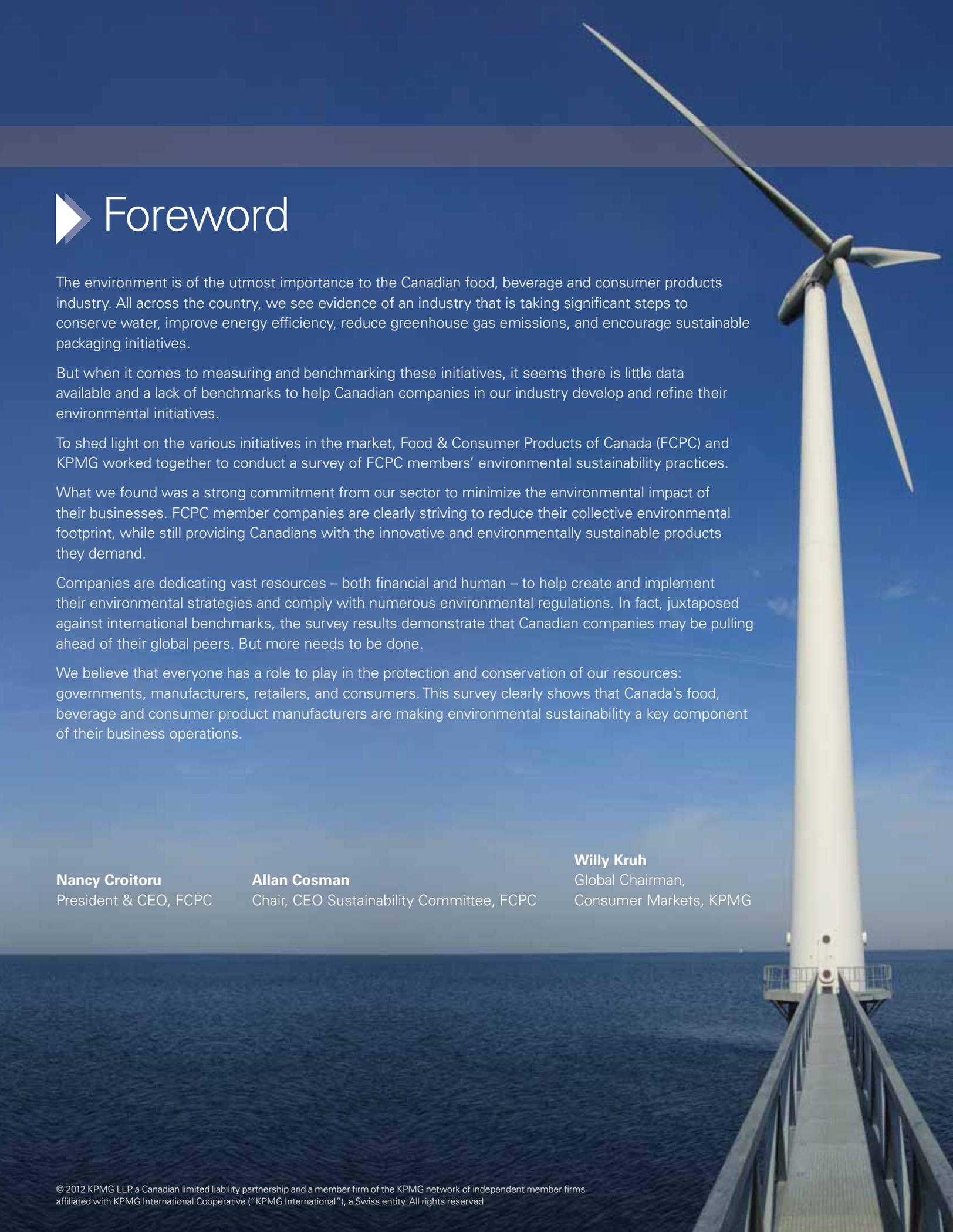


Making an Impact:

Environmental Sustainability Initiatives in Canada's Food,
Beverage and Consumer Products Industry





► Foreword

The environment is of the utmost importance to the Canadian food, beverage and consumer products industry. All across the country, we see evidence of an industry that is taking significant steps to conserve water, improve energy efficiency, reduce greenhouse gas emissions, and encourage sustainable packaging initiatives.

But when it comes to measuring and benchmarking these initiatives, it seems there is little data available and a lack of benchmarks to help Canadian companies in our industry develop and refine their environmental initiatives.

To shed light on the various initiatives in the market, Food & Consumer Products of Canada (FCPC) and KPMG worked together to conduct a survey of FCPC members' environmental sustainability practices.

What we found was a strong commitment from our sector to minimize the environmental impact of their businesses. FCPC member companies are clearly striving to reduce their collective environmental footprint, while still providing Canadians with the innovative and environmentally sustainable products they demand.

Companies are dedicating vast resources – both financial and human – to help create and implement their environmental strategies and comply with numerous environmental regulations. In fact, juxtaposed against international benchmarks, the survey results demonstrate that Canadian companies may be pulling ahead of their global peers. But more needs to be done.

We believe that everyone has a role to play in the protection and conservation of our resources: governments, manufacturers, retailers, and consumers. This survey clearly shows that Canada's food, beverage and consumer product manufacturers are making environmental sustainability a key component of their business operations.

Nancy Croitoru
President & CEO, FCPC

Allan Cosman
Chair, CEO Sustainability Committee, FCPC

Willy Kruh
Global Chairman,
Consumer Markets, KPMG



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Introduction



Canadian food, beverage and consumer products companies are in the midst of a significant change. Supply chains, manufacturing processes, business models and objectives are all undergoing massive upheaval as the industry renews its focus on reducing its environmental impact.

How are companies managing this change? What are some of the trends driving the evolution in the market? How are they making real and sustainable change in their businesses?

What we found was that a significant majority (88 percent) of respondents said they had an environmental sustainability strategy in place and almost all (96 percent of those with a strategy) indicated that they had updated their strategy in the past three years.

In addition, almost all respondents said they track and monitor performance for energy (97 percent), water (94 percent) and waste (91 percent). A slightly smaller number indicated that they also monitor packaging content (75 percent) and Greenhouse Gas (GHG) emissions (72 percent).

However, many also identified a number of key business challenges that created complexity and impacted their ability to enact change. Most frequently, respondents cited challenges in making a compelling business case for environmental strategies, as well as a lack of human and financial resources.

As a result, many programs tended to focus on achieving change in areas that delivered the greatest financial benefit while using the least resources.

“88% percent of respondents said they had an environmental sustainability strategy in place, and of those, 96% percent indicated that they had updated their strategy within the past three years.”



About the Canadian Food, Beverage and Consumer Products Industry

Canada is home to world leading manufacturers of foods, beverages and consumer products, who make significant contributions to the Canadian economy and Canadians' quality of life. The industry is the largest employer in the manufacturing sector, employing almost 300,000 Canadians. It operates more than 6,000 manufacturing facilities in both urban and rural areas in every region of the country and works closely with Canada's farmers.

It is the largest purchaser of Canadian agricultural output.

In many cases, this has resulted in an increased focus on energy conservation, water conservation and waste reduction. Over 90 percent of respondents have environmental initiatives addressing energy and water reductions while 88 percent are working to reduce waste.

Measurement is also undergoing significant change. But while two-thirds of respondents report having Environmental Management Systems (EMS) in place, few were able to provide specific environmental metrics related to Canadian operations. In part, this lack of 'benchmarking data' may be the result of confidentiality concerns or an inability to separate Canadian metrics from North American or global results.

But moving forward, comprehensive benchmarking of environmental sustainability and making the supply-chain more sustainable will be an important consideration for corporate stakeholders, including: investors, lenders, buyers, and employees. Our study demonstrates that many FCPC members are working to implement a range of leading practices within their corporate strategies. These efforts are helping the Canadian food, beverage and consumer products industry to not only address environmental sustainability, but to also enjoy the benefits of improved efficiencies, reduced costs and stronger consumer brands.

“Over 90 percent of respondents have environmental initiatives addressing energy and water reductions, while 88 percent are working to reduce waste.”



Drivers of Environmental Sustainability



There are many forces driving the movement to integrate environmental sustainability into all aspects of business operations. Understanding these drivers can help improve sustainability practices.

Slightly more than two-thirds of survey respondents said that “improving internal process to enhance performance and reduce costs” is a key driver for their environmental sustainability initiatives, and almost half indicated that it was their top driver overall.

Respondent organizations were also motivated by their own internal company commitment to reduce the environmental impact of their products and the desire to enhance their reputation through their environmental practices (see Table 1). A company’s brand reputation is important for consumers as well: when choosing among similar products, 55 percent of consumers indicate they are more likely to choose a product

that supports a certain cause, and 70 percent say they are willing to pay a premium for it¹.

But without internal commitment and leadership, many sustainability policies quickly become ineffective. Therefore, it is positive that ‘internal company commitment’ ranks so highly in our survey. Senior management must play a lead role in translating their organization’s sustainability vision into action which will involve leading, supporting and engaging employees to ensure that their company’s sustainability initiatives are embedded into their day-to-day operations.

Early indications are certainly positive. A 2010 United Nations Global Compact survey of more than 700 CEOs found that 93 percent see sustainability as important to their company’s future success.

Canadian food, beverage and consumer products CEOs are no exception. In 2009, FCPC established the CEO Sustainability Committee to champion environmental sustainability issues.

“Senior management must play a lead role in translating their organization's sustainability vision into action.”

¹ “Corporate Social Responsibility Branding Survey,” Penn Schoen Berland Associates, 2010.

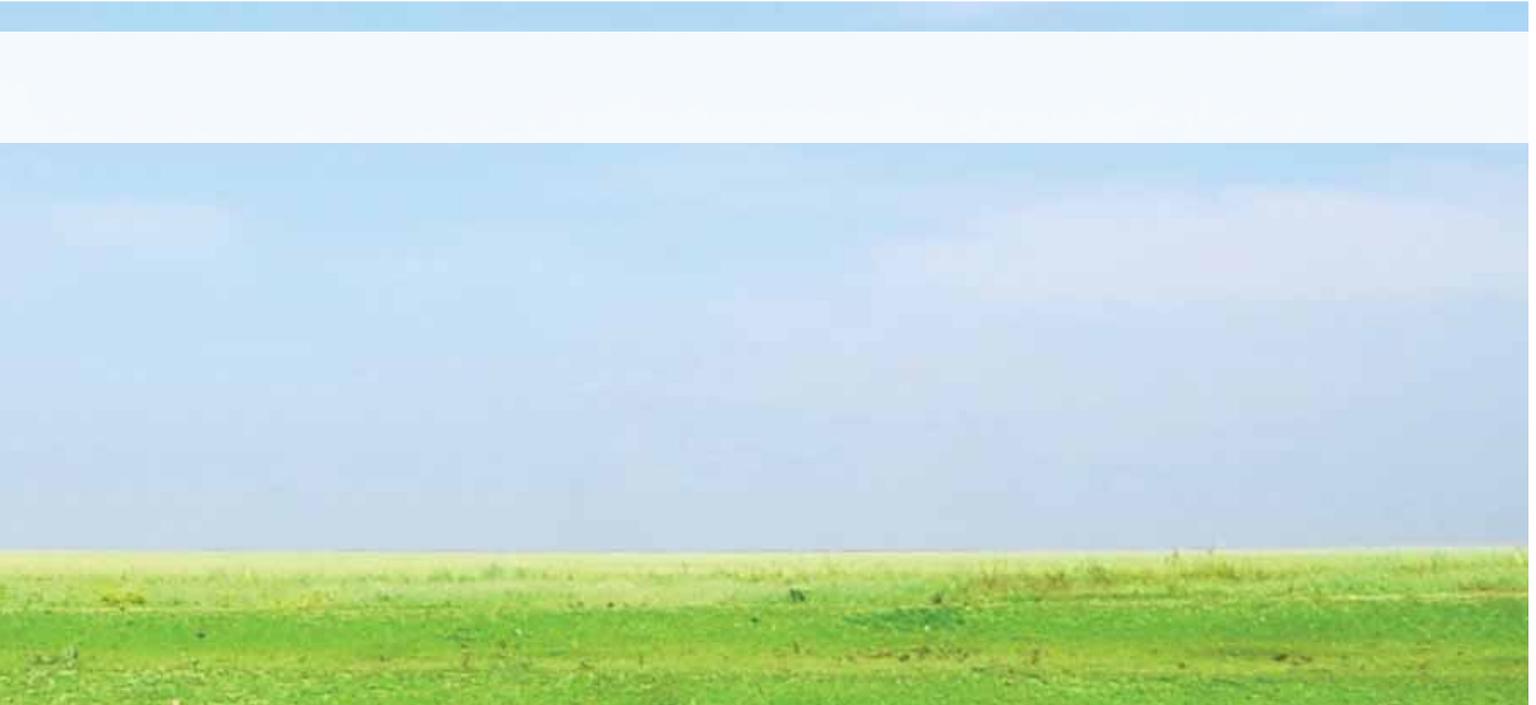


Table 1: Top Three Drivers for Environmental Sustainability Initiatives

	Top Driver (%)	2 nd Driver (%)	3 rd Driver (%)	Total (%)
Improve internal process to enhance performance and reduce cost	44	19	6	69
Internal company commitment to reduce environmental impacts of products	19	13	22	54
Enhance brand and reputation	16	19	16	51
Demonstrate market leadership and respond to competitive pressure	9	25	9	43
Respond to retail pressure (i.e. Scorecards from major customers)	-	6	13	19
Attract and retain employees, customers and suppliers	3	-	16	19
Create a healthier and safer company	-	6	9	15
Improve compliance, risk management, and respond to regulatory/government pressure	-	6	9	15
Increase product differentiation	6	6	-	12
Drive innovation	-	-	-	-

The Committee is composed of senior executives who provide strategic direction to the FCPC Board of Directors on how to address industry sustainability issues. The Committee's areas of strategic focus are currently related to product stewardship, sustainable packaging, promoting industry sustainability initiatives, and educating members on emerging sustainability trends.

Priorities and Challenges

Environmental initiatives – much like any other business strategy – require the organization to balance the benefits against potential costs and tradeoffs. As a result, companies will need to set specific priorities in order to make the most of their investments, particularly during difficult economic times.

According to our survey, most Canadian food, beverage and consumer products organizations have clearly prioritized three areas that offer both environmental and financial benefits: Energy, Waste and Water (see Table 2). Energy conservation reduces electricity and fuel bills; eliminating waste cuts 'tipping' fees; and minimizing water use directly impacts corporate water bills; while all provide direct environmental benefits by conserving resources.

But creating and sustaining change is never easy. It requires the support of the entire organization and – in particular – upper management in order to secure the necessary internal resources. It is not surprising, therefore, that 60 percent of

“Canadian food, beverage and consumer products organizations have clearly prioritized three areas that offer both environmental and financial benefits: Energy, Waste and Water.”

Table 2: Top 3 Priorities for Food, Beverage and Consumer Product Businesses

	Top Priority %	2 nd Priority (%)	3 rd Priority (%)	Total (%)
Energy conservation	47	19	9	75
Waste reduction	6	16	34	56
Water conservation	6	19	25	50
Greenhouse gas reduction	3	19	16	38
Packaging reduction	9	13	9	31
Process optimization	9	3	-	12
Product innovation	9	-	3	12
Process innovation	3	3	-	6
Materials use reduction	3	-	3	6
Product optimization	-	3	-	3
Environmental permitting	-	-	-	-
Other (e.g., sustainability sourced renewable materials).	3	6	-	9

respondents to our survey cited difficulties in creating a compelling business case as a critical challenge for their environmental programs (see Table 3).

As a result, a growing number of organizations are taking a holistic view of their costs and savings to provide a more realistic assessment of the benefits. For example:

- Reduced energy consumption impacts the GHG emissions on the part of the generator;
- Water conservation measures deliver environmental benefits and reduce the risk to operations; and

- Eliminated waste not only reduces material costs, but also results in the creation of fewer landfills and less natural resource extraction.

These measures also help Canadian organizations enhance their opportunities in the market. Consumers and retailers will likely be more willing to 'buy locally' if that purchasing decision results in less energy used, less carbon emitted, less water wasted, and less waste dumped. Additionally, many major retailers are now factoring a supplier's 'environmental credentials' into their selection of items and partners, creating a clear competitive advantage for those organizations that can demonstrate their achievements.

Table 3: Top 3 Challenges to Implementing Environmental Sustainability Initiatives

	Top Challenge (%)	2 nd Challenge (%)	3 rd Challenge (%)	Total (%)
Difficulty in making a compelling business case (Return on Investment)	25	13	22	60
Lack of human resources	16	19	16	51
Lack of financial resources	13	31	3	47
Difficulty in appropriately tracking, monitoring and measuring environmental performance	-	13	9	41
Lack of expertise on how to embed sustainability within organization	3	9	16	28
Company decisions made globally	6	9	6	21
Government legislation/regulations	6	3	3	12
Lack of executive commitment to environmental sustainability	-	-	6	6
Other (e.g., not in control of the production or design of the products we sell; lack of consumer commitment and education).	9	-	16	25



Key Findings

Sustainability Strategy

Given the emerging relationship between sustainability and business profitability, it is no surprise that most companies have developed formal sustainability strategies. In fact, many businesses are now viewing their operations through a sustainability 'lens' and, as a result, are realigning their sustainability goals, practices and initiatives to reflect their overall business strategy.

From our research, it seems clear that FCPC members recognize the need for implementing a sustainability strategy. Almost all of our respondents (88 percent) confirm that they have an environmental sustainability strategy in place and – of those – 96 percent indicate that they have updated their strategy in the last 3 years (see Figure 1). Juxtaposed against international benchmarks, the results demonstrate that Canadian companies

may be pulling ahead of their global peers; a recent KPMG International survey of global companies found that only 62 percent surveyed currently have a strategy for corporate sustainability in place².

Of course, each company's environmental sustainability strategy will be uniquely tailored to suit their specific business sector, corporate culture, and management priorities. However, our research points to three leading practices that span sectors and companies:

- The setting of achievable yet ambitious goals to help define environmental priorities;
- The identification and creation of appropriate incentives for management and employees; and
- The formalization of roles, responsibilities and structures that enable the implementation of environmental strategies³.

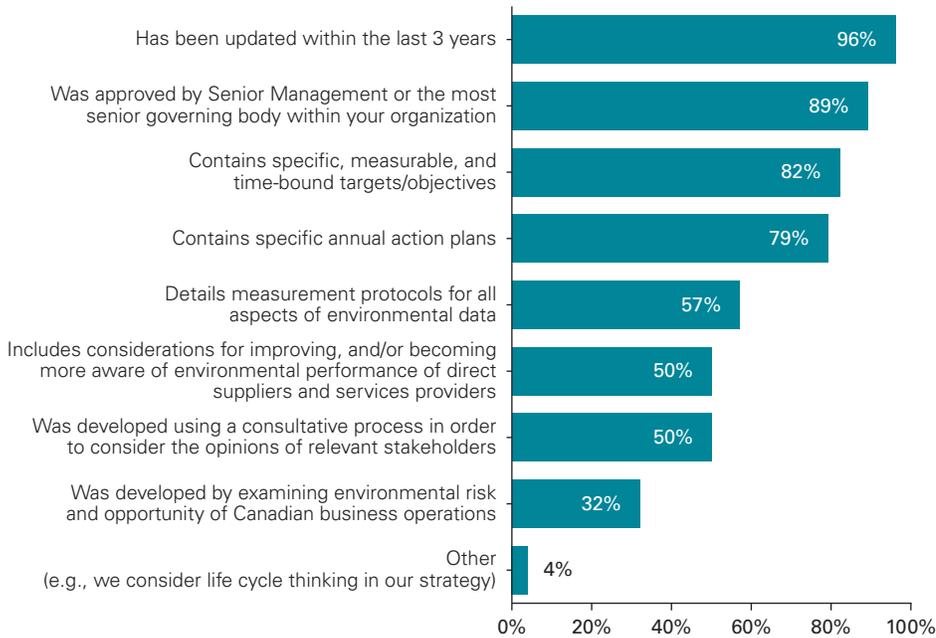
“Juxtaposed against international benchmarks, the results demonstrate that Canadian companies may be pulling ahead of their global peers.”

² “Corporate Sustainability: A progress report,” KPMG International, March 2011.

³ “3 Best Practices for Managing Corporate Sustainability Projects,” August, 2011.



Figure 1: Elements of Environmental Sustainability Strategy



Environmental Management System

The old management adage “What gets measured gets managed” holds particularly true for environmental sustainability programs.

As a result, two-thirds of our survey respondents indicate that they have an environmental management system (EMS) in place and – of those – almost three-quarters indicate that their EMS includes environmental regulatory requirements, and 67 percent indicate their EMS is integrated with other enterprise management frameworks (see Figure 2). Given that more than half of the

EMS’s undergo an annual internal audit, this seems likely to be a realistic account.

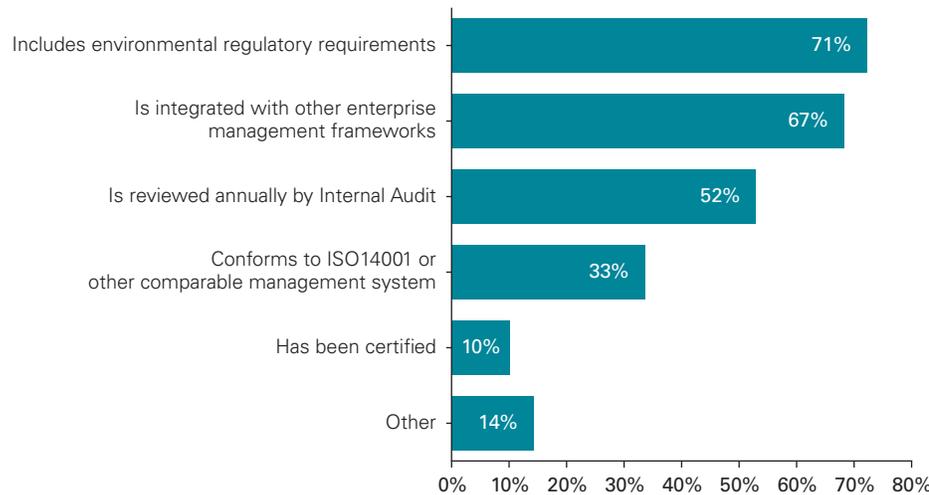
Of those survey respondents with an EMS in place, 33 percent conform to ISO 14001 or another comparable standard. The intention of ISO 14001 is to provide a framework for a holistic, strategic approach to the organization’s environmental policy, plans and actions.

Many companies are also seeking to integrate their internal environmental management systems with their external suppliers. For example, by increasing energy efficiency throughout a supply chain, companies can not only reduce their products’ life cycle carbon emissions, but also their cost of operations.

What is an Environmental Management System?

An EMS is an integrated set of processes and tools that are used to execute a company’s strategy, to monitor its progress, and improve its environmental performance.

Figure 2: Attributes of Environmental Management Systems



For one FCPC member, updating their environmental sustainability approach provided an opportunity to incorporate detailed policies and procedures related to key environmental impact areas such as emissions, compliance, energy conservation, pollution prevention, and community outreach. Leveraging an ISO 14001-based EMS, each of the organization’s manufacturing facilities was required to integrate the policies into their daily operations. To ensure ongoing compliance, the company’s corporate environmental leadership team oversees a rolling audit program to routinely assess compliance with both corporate policies as well as government regulations.

Purchasing Guidelines

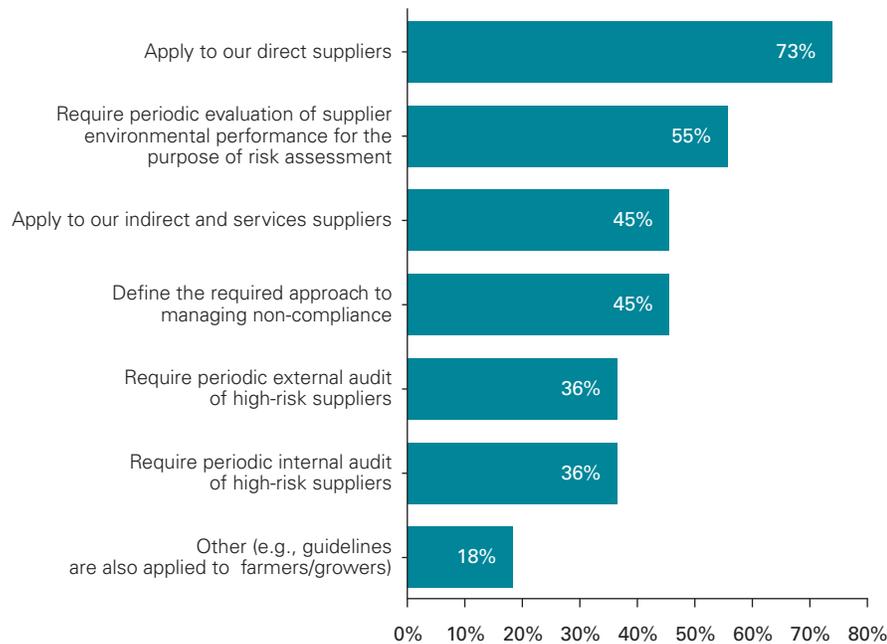
One-third of survey respondents have established environmental sustainability purchasing guidelines. Of these companies, 73 percent apply their guidelines to direct suppliers and almost half (45 percent) apply them to indirect or service suppliers (see Figure 3).

There seems to be every indication that – while the proportion of survey respondents following environmental purchasing guidelines is currently somewhat low – incorporating environmental criteria into purchasing decisions will eventually become the status quo as a result of supply chains becoming more sustainable, which

effectively pushes the environmental agenda onto suppliers and sub-suppliers. And as more companies feel pressure from their customers to offer more environmentally sustainable products, the trend will eventually spread throughout the industry and its suppliers.

But while supplier pricing is usually transparent, environmental practices may not always be as clear. External audits of environmental practices can be helpful in improving supply chain collaboration, especially with foreign sources. Approximately one-third of our respondents who have purchasing guidelines also include some form of audit-based assurance.

Figure 3: Environmental Sustainability Purchasing Guidelines



Packaging Policies

For most of the FCPC members surveyed, packaging is now an important consideration in their environmental strategy. Already, more than 90 percent integrate environmental sustainability criteria into their packaging policies, either formally (written) or informally (non-written), reflecting the recent focus on sustainable packaging by large retailers, buyers and industry groups (see Figure 4).

Interestingly, those members with informally integrated environmental packaging design tend to show a higher adoption rate than those with more formal policies. In part, this may be indicative of the challenges faced when submitting higher upfront costs for management approval within a formal process.

Our survey also finds that programs that are seen as incurring higher costs – such as biodegradable packaging or ‘take back’ systems – achieve lower adoption rates than those that deliver bottom line savings.

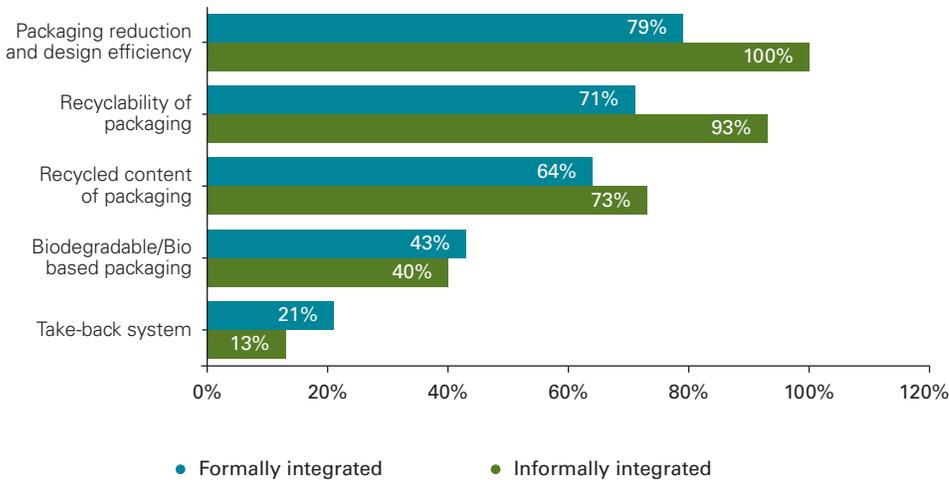
Definition of Sustainable Packaging

According to the *Sustainable Packaging Coalition*, sustainable packaging:

- Is beneficial, safe and healthy for individuals and communities throughout its life cycle;
- Meets market criteria for both performance and cost;
- Is sourced, manufactured, transported, and recycled using renewable energy;
- Optimizes the use of renewable or recycled source materials;
- Is manufactured using clean production technologies and best practices;
- Is physically designed to optimize materials and energy; and
- Can be effectively recovered and utilized in biological and/or industrial closed loop cycles.

<http://www.sustainablepackaging.org/>

Figure 4: Adoption Rates of Environmental Criteria of Product Packaging



Recently, the Consumer Goods Forum (CGF) released the Global Protocol on Packaging Sustainability (GPPS version 2.0) to enable the consumer goods industry to better assess the relative sustainability of packaging by providing a common language to address the sustainability aspects of packaging. FCPC recommends that members review the GPPS 2.0 to determine which metrics they should consider using and integrating within their own packaging policies. To view the GPPS: <http://globalpackaging.mycgforum.com>.

Sustainability Reporting

Around the world, we have seen a significant increase in the public reporting of environmental sustainability metrics.

According to KPMG International’s Survey of Corporate Responsibility Reporting 2011, 64 percent of the world’s top companies now report on their sustainability and environmental achievements (versus just 53 percent in 2008), and many include these metrics into their annual report or corporate websites to increase public access.

Our data shows that Canadian companies are starting to fall behind their global counterparts; only around half of our survey respondents now report on environmental sustainability issues but almost all set targets, track and monitor performance on energy, water and waste reduction measures (see Table 4).

Many of these organizations are also aligning to emerging global standards for environmental reporting. One-third of our respondents say that their reporting reflects guidelines developed by the Global Reporting Initiative (see call out box).

However, on deeper analysis it appears that most of the respondents that track, report and set environmental targets tend to be larger public companies.

In general these companies are more familiar with disclosing both financial and non-financial (environmental) information.

Over the last few years, a growing number of companies have started to integrate sustainability reporting into their annual report. The practice of “integrated reporting,” which combines financial and non-financial reporting, is being driven by increasing pressure from stakeholders for greater transparency and new regulations.

About the Global Reporting Initiative

The mission of the Global Reporting Initiative (GRI) is to make sustainability reporting a standard practice by providing guidance and support to organizations including industry, cities, and governments. GRI has developed a reporting framework on how to report (principles, protocols, and guidance) and what to report (standard disclosures, sector supplements and national annexes).

According to an international study conducted by KPMG, nearly 80 percent of the world’s largest companies now issue corporate sustainability reports that align to the GRI reporting framework.

The GRI has recently started the development process for the next generation of Sustainability Reporting Guidelines known as G4. With its publication expected in May 2013, the updated guidelines will further standardize sustainability reporting and will reflect the needs of integrated reporting.

<https://www.globalreporting.org>

Table 4: Tracking, Reporting and Setting Reduction Targets

	Track and monitor performance (%)	Report publicly (%)	Set reduction targets (%)
Energy	97	56	75
Water	94	59	72
Waste	91	56	75
Packaging	75	44	53
GHGs	72	59	59
Raw material inputs (excluding packaging)	47	16	25

For example, the EU Directive on Transparency requires companies to report on relevant Corporate Social Responsibility (CSR) information, as does the King III Code for South African companies. The basic assumption behind these initiatives is that reporting on CSR performance should be part of mainstream reporting, as a logical outcome of the integration into daily business⁴.

In response to the need for integrated reporting, the International Integrated Reporting Committee (IIRC) was established to create a globally accepted framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format. The aim is to help with the development of more comprehensive and comprehensible

information about organizations, prospective as well as retrospective, to meet the needs of a more sustainable, global economy⁵. The IIRC has recently released a Discussion Paper entitled “*Towards Integrated Reporting – Communicating Value in the 21st Century*”. This paper considers the rationale for Integrated Reporting, offering initial proposals for the development of an International Integrated Reporting Framework and outlining the next steps towards its creation and adoption.

So while current Canadian accounting standards consider this information “non-financial”, the potential financial impact is clear to investors: companies that have a strategy and can execute on reducing energy, water use and waste are typically, in the eyes of investors, better run companies.

“Companies that have a strategy and can execute on reducing energy, water use and waste are typically, in the eyes of investors, better run companies.”



⁴ KPMG Report on Integrated Reporting: “Closing the Loop of Strategy”, 2010.

⁵ IIRC Web Site: <http://www.theiirc.org/the-iirc/>.

Benchmarking

Benchmarking is a fundamental aspect of environmental sustainability reporting. Information disclosed to the Carbon Disclosure Project (see call out box) as well as through GRI- aligned public sustainability reports is increasingly being used by organizations to measure and benchmark environmental performance, both internally and externally.

The disclosed data is also used by more than 100 sustainability ranking systems and rating companies worldwide⁶ which are – in turn – leveraged by various stakeholders to assess companies’ environmental sustainability performance.

Benchmarking also provides industry participants with valuable peer performance information which is often critical in demonstrating the business case for investment in clean technology and processes.

Although the survey respondents indicated that they have many of the key environmental sustainability components in place, when asked for specific environmental results for Canada, only some of the respondents were able to provide the requested information. This may be a result of data management systems not being able to easily separate Canadian metrics from North American or global results. It may also indicate concerns around confidentiality or competitive intelligence.

But having easy access to reliable environmental data makes responding to sustainability surveys, scorecards, as well as purchasing guidelines that much easier. This data is also important for the growing number of environmental labels for food, beverage and consumer projects.

Additionally, without reliable information, stakeholders may use conservative or unreliable estimates when assessing companies.

Over the coming years, it will become critically important for the industry to come together to share process-specific environmental data in a way that is secure and confidential, while also enhancing the opportunity for industry-wide performance improvement.

The Carbon Disclosure Project (CDP)

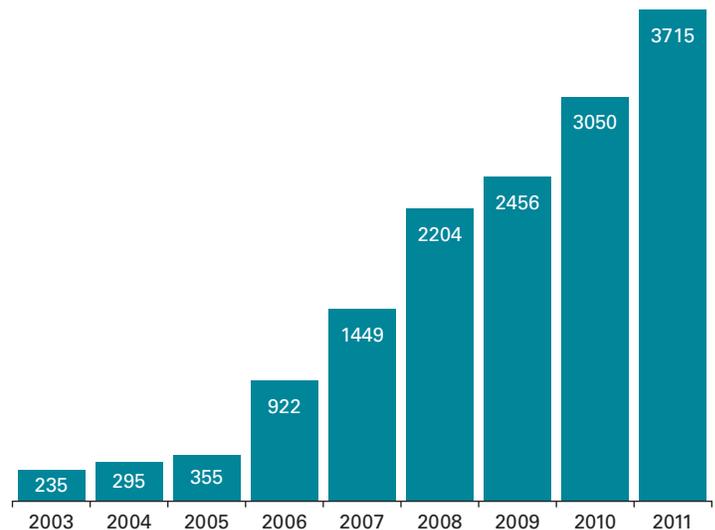
The Carbon Disclosure Project is an independent not-for-profit organization holding one of the largest databases of primary corporate climate change information in the world. Their mission is to accelerate solutions to climate change and water management by putting relevant information at the heart of business, policy and investment decisions.

Over 3,000 organizations in some 60 countries around the world now measure and disclose their greenhouse gas emissions, water management and climate change strategies through CDP, including a number of FCPC members.

The Carbon Disclosure Project acts on behalf of more than 550 institutional investors representing US \$71 trillion of assets under management . As part of the overall project, the CDP helps these major institutional investors and buyers to gain better insight into what companies are doing to manage their environmental risks and take advantage of the financial and environmental benefits of reducing their environmental footprint.

Number of companies reporting to the CDP

(Investor & Supply Chain programs)



Source: <https://www.cdproject.net/en-US/Results/Pages/overview.aspx>

⁶ “Rate the Raters: Phase Four – The Necessary Future of Ratings”, SustainAbility, July 2011.



Environmental Initiatives

In the following sections, we take a closer look at the top four environmental initiative areas as identified by our survey respondents: water, energy, greenhouse gas emissions and waste. Throughout, we provide leading practices and concepts that can be used by Canadian food, beverage and consumer products organizations to further develop their national and international strategies.

Water

According to *The Economist*, water is quickly becoming “the most valuable stuff in the world.”⁷

Indeed, given the fact that there is a naturally limited supply of clean water and that demand continues to grow exponentially, it seems clear that water use and related costs must be better managed.

Canadian companies face a number of unique water challenges. For one, approximately 60 percent of Canada’s

fresh water drains to the north, while 85 percent of the population lives within 300 kilometers of the Canada-US border⁸. As a result, many local jurisdictions now impose water restrictions that severely limit water-intensive processes such as food and beverage production.

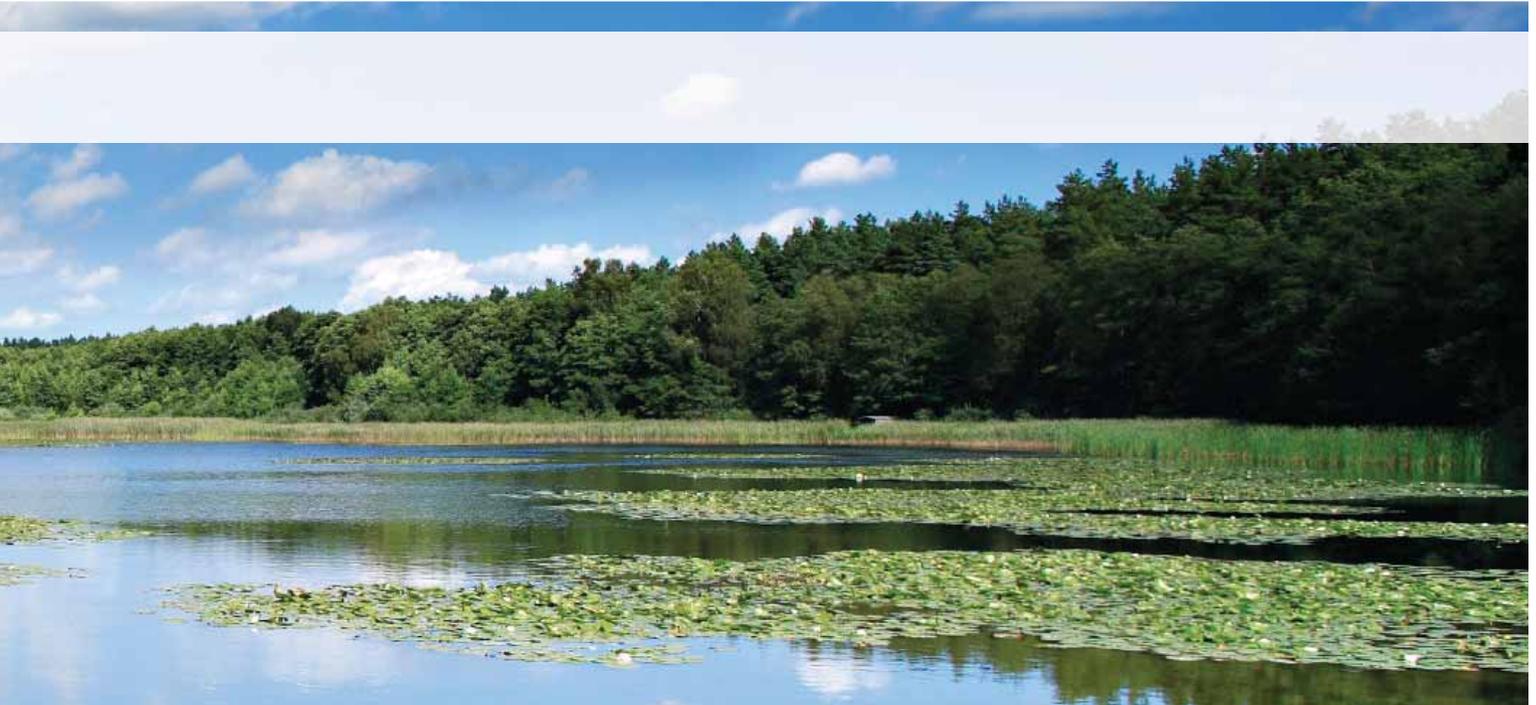
As a result, many companies are starting to rethink their use of water across the entire life cycle of their products; from the input materials through production, delivery, customer use, and final disposal or reuse. In fact, according to the United Nations Environmental

The Water Resources Group, an industry body, says usable water supply will fall by 40 percent globally before 2030 while demand will increase dramatically.

<http://www.waterresourcesgroup.com>

⁷ The Economist, May 20th, 2010. <http://www.economist.com/node/16163366>.

⁸ Environment Canada. <http://www.ec.gc.ca/eau-water/default.asp?lang=en&n=5EA1D86E-1>.



Program, agriculture accounts for over 80 percent of total water consumption in developed countries⁹.

Almost all survey respondents have now adopted measures to address water conservation (see Figure 5). More than 90 percent indicate activities related to the reduction of water use in the

production process and half identified initiatives to reduce consumption within their office operations, both areas that are firmly within the company's operational control. And while activities involving third parties seem to be far less popular, this is likely indicative of the difficulty many companies face in motivating change within their supplier network.

The American Society of Civil Engineers estimates that the US will need to spend US\$255 billion in the next 5 years to safeguard water infrastructure.

FCPC Member Leading Practices: Water Conservation

Several survey participants cited innovative process changes aimed at reducing water consumption, including:

- Using water extracted from tomatoes to run boilers and cooling towers;
- Converting from water rinsers to ionized air rinsers during the manufacturing process;
- Tracking water volumes through Energy Advantage or other methods;
- Adding flow meters to pumps;
- Implementing best practices such as drip irrigation in crop management;
- Analyzing the 'water footprint' of individual products;
- Installing automatic faucets and low-flow toilets in office washrooms;
- Discussing water conservation at employee meetings to raise awareness;
- Returning all water that is used in manufacturing processes to the environment at a level that supports aquatic life; and
- Investing in water-saving technologies such as recycling and reclaiming loops in membrane water treatment system.

⁹ UNEP Project GNV011: "Using GIS/Remote Sensing for the Sustainable Use of Natural Resources"

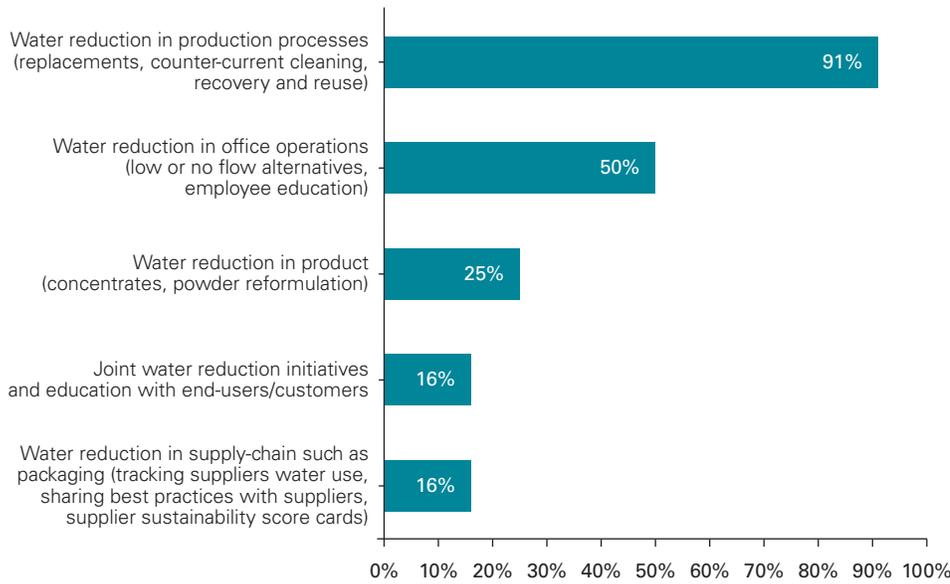
As a result of these activities, many companies are now exploring opportunities to expand into new markets where water scarcity once made production unprofitable or

impossible. And by tracking their facility's 'water footprint', companies are also effectively simplifying their process for complying with current and future water reporting legislation.

The Water Footprint Network estimates that the full life cycle of a glass of apple juice includes 190 liters of water, while a T-shirt uses 2,700 liters.

<http://www.waterfootprint.org/>

Figure 5: Water Reduction Initiatives



Energy

Unlike water, new sources of clean, renewable energy are being introduced to the market every year, providing energy-intensive industries with a growing number of opportunities to reduce their carbon footprint.

Of course, the cleanest and most cost-effective approach is to use less energy overall. Time and again, energy conservation has been shown to produce the greatest and fastest return on investment while also yielding other long-term benefits.

Largely due to Canada's long winters and hot summers, buildings are thought to be responsible for around 33 percent of total energy use¹⁰. Given the high cost of energy, almost all (94 percent) of our survey respondents said that they had implemented energy conservation measures within their production processes (see Figure 6). More than 80 percent also said they had implemented energy conservation activities within their office operations, such as creating LEED® certified production and office space (see call out box).

The Canadian Green Building Council oversees a green building rating system called LEED® (Leadership in Energy and Environmental Design). The average LEED®-certified building is designed to use 32 percent less electricity and eliminate 350 tonnes of carbon dioxide emissions annually¹⁰.

¹⁰ CEC Report: "Green Building in North America: Opportunities and Challenges", 2008

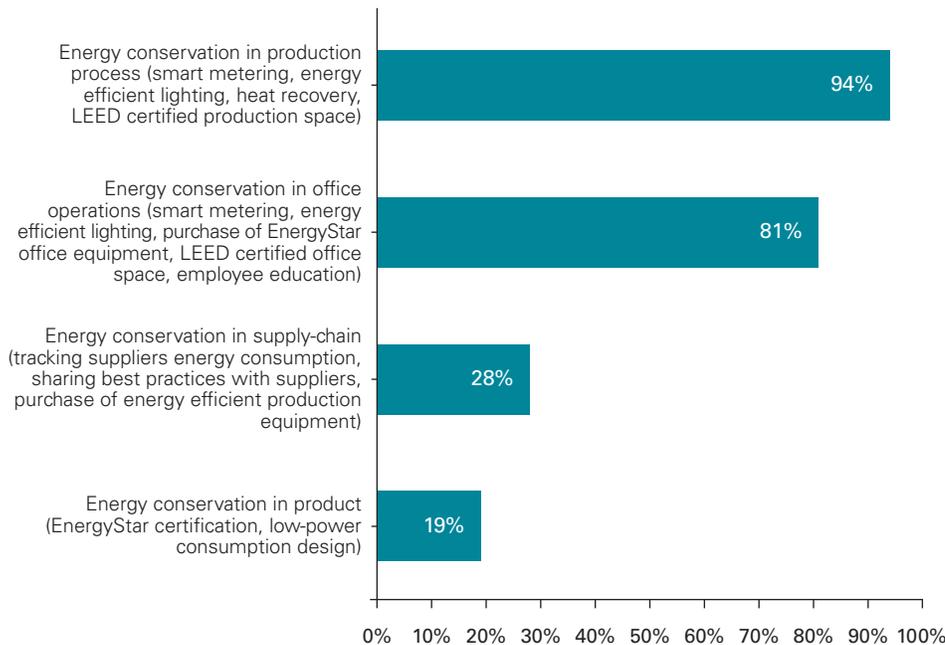
Again, our survey shows that initiatives that fall fully within the organization’s operational control have enjoyed widespread uptake, while those involving suppliers and other third parties continue to lag.

FCPC Member Leading Practices: Energy Conservation

FCPC members cited a number of innovative and practical energy conservation initiatives including:

- Considering LEED® standards when building or renovating facilities;
- Retrofitting lighting in existing plants and offices;
- Exploring heat recovery opportunities;
- Implementing smart metering to monitor energy usage and track reduction performance;
- Lowering gas usage by implementing a more effective inspection method for oven doors;
- Becoming members of the Carbon Disclosure Project (CDP) Supply Chain Leadership program which facilitates transparency and consistency in reporting;
- Increasing the efficiency of packaging products for transport;
- Increasing the size of minimums for return shipments to reduce the number of total shipments;
- Installation of motion sensor lighting in offices;
- Eliminated personal printers;
- Automation of HVAC/temperature; and
- Engaging employees in energy conservation.

Figure 6: Energy Conservation Efforts



Greenhouse Gas Emissions

Few businesses are totally immune to the symptoms of climate change. In Canada, the average temperature has already increased 1.4 degrees Celsius over the last 60 years¹¹, with even higher documented increases in the north of the country.

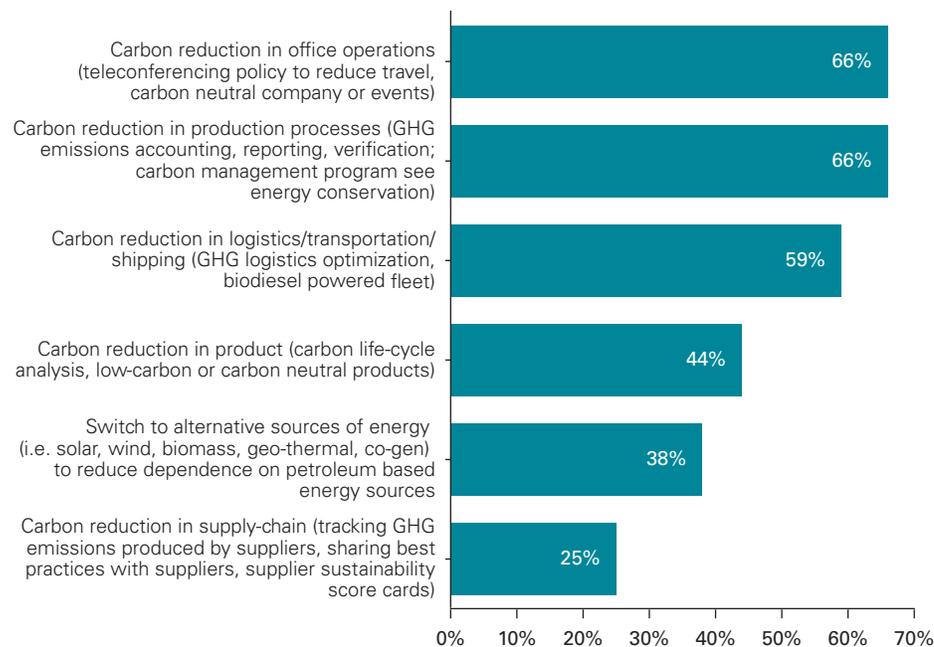
In response, governments and industry are now working together to reduce these emissions and – hopefully – slow the impact of climate change. For their part, governments seem keen to encourage increased energy efficiencies and the use of renewable energies such as wind and solar power.

Many companies are also playing their part by disclosing their direct and indirect

GHG emissions as well as related risks and opportunities through organizations like the CDP (see page 15). Others are conducting Life Cycle Assessments to help them identify the potential environmental impacts of their product system (see call out box).

And while fewer of our survey respondents indicate implementing initiatives to reduce GHG emissions (particularly when compared to water reduction or energy conservation), almost two-thirds say they are focused on carbon reductions in their production processes and office space (see Figure 7). Another 59 percent cite efforts to reduce carbon in their logistics, transportation and shipping operations, often leading to cost savings as a result of reduced energy consumption.

Figure 7: Carbon Emissions (GHG) Reduction Initiatives



¹¹ Study: Temperature trends in Canada, March 23, 2011. <http://www.statcan.gc.ca/daily-quotidien/110323/dq110323b-eng.htm>

Life Cycle Assessment (LCA)

LCA is a decision support tool that enables the quantification and evaluation of the inputs, outputs and the potential environmental impacts of a product system.

LCA has been standardized by the International Organization for Standardization (ISO) and is being used by organizations to better understand, manage and reduce the impacts of materials, products and services across their life cycle.

LCA can also be used in Environmental Management Systems (EMS) as a means to identify the significant aspects and impacts of a company's products and operations.

Perhaps the most critical application of LCA in business is the use of the results to inform product development and design.

Food, beverage and consumer product companies need to understand the life cycle risks and opportunities associated with their products and LCA is a useful tool for gaining this understanding.

In 2010, FCPC commissioned a briefing paper on LCA. To view the findings of the report please visit: <http://www.fcpc.ca/Member/resources/research/index.html>.

Interestingly, less than half of the survey respondents indicated that they actively track or promote their GHG reduction initiatives such as low-carbon or carbon-neutral products. It seems likely that this number will increase as low carbon products catch the eye of consumers.

FCPC Member Leading Practices: Carbon Reduction

Survey respondents shared a number of their carbon reduction measures, including:

- Conducting LCA on both products and manufacturing processes;
- Eliminating the use of nitrous oxide in aerosol sprays;
- Optimizing transportation efficiencies through increased use of inter-modal transportation, fuel efficient fleets, reducing idling, and reconfiguring pallets;
- Concentrating products to reduce shipping energy;
- Working with suppliers to track GHG emissions across the supply chain;
- Encouraging teleconference, video conference and webinars in offices instead of travelling to meetings; and
- Using alternative sources of energy including biogasification, co-generation, anaerobic digesters, solar energy, and wind turbine opportunities.



Waste

In many Canadian cities – particularly those with weekly recycling but only twice-monthly garbage collection – customers are starting to demand products that are not only recyclable, but that also use recycled materials.

According to our survey, Canadian food, beverage and consumer product companies are listening. Almost 9 in 10 respondents (88 percent) said they were attempting to reduce materials sent to landfill by reducing waste from production, and 84 percent said they were reducing waste in their office operations.

The most common initiatives cited by FCPC survey respondents included reuse, recycle, resale, and educational programs, while almost three quarters (72 percent) have initiatives designed to reduce waste related to the use and disposal of their products such as low-waste design and packaging. FCPC members are also active participants and funders of existing packaging stewardship programs in Manitoba and Quebec, as well as the Ontario Blue Box program (see call out box), and will expand their participation as new programs are developed across Canada.

The core principle of product stewardship is that whoever designs, manufactures, sells or uses a product has a role both in managing its end-of-life and in minimizing its impact on the environment.

As provincial governments across Canada continue to regulate new stewardship programs, harmonization remains a critical concern for our industry. Existing stewardship regulations vary across the country, which places national manufacturers in the position of having to comply with a patchwork of different requirements and rules; all for programs with ultimately the same objective: waste reduction and recycling. Implementing different programs in every province is confusing, administratively burdensome and costly for food, beverage and consumer product manufacturers. The need for harmonized programs and regulations is critical to the success of stewardship programs.

And while only one-quarter of survey respondents have reduced waste through their supply chains, this should be seen as an opportunity for future reductions. Indeed, the more suppliers start to provide waste reduction information, the more manufacturers and distributors can take advantage of this insight to manage risks, realize greater efficiencies, and further foster a culture of quality throughout their value chain. As a result, many FCPC members find that product packaging is a great place to start their waste reduction activities.

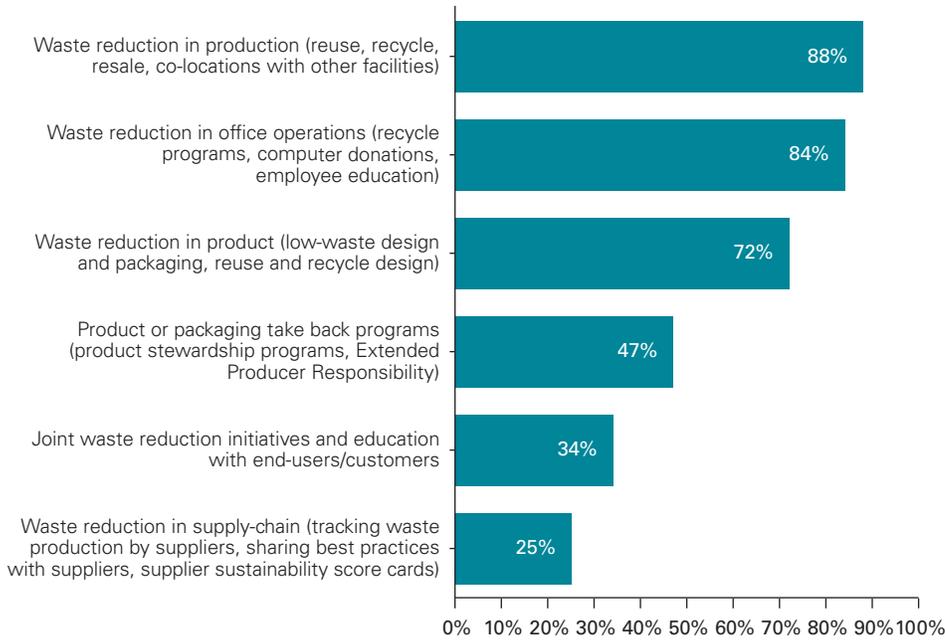
FCPC Contributions to Ontario Blue Box Program

Industry stewards contribute 50 per cent of the municipal cost of operating the Ontario Blue Box Program, and have contributed approximately \$420 million in cash and benefits to local municipalities since 2004.

FCPC members paid over \$23 million in Blue Box fees in 2010. They have also invested significant resources in developing internal systems and hiring dedicated staff to comply with the Blue Box program and other provincial stewardship programs.

Since 2003, the Blue Box program has recycled over 5 million tonnes of printed paper and packaging and has achieved a 66 percent recycling rate. Since 2004 approximately \$700 million of recycled commodities have been used to make new products – helping support market development for everything from recycled paper to packaging, textile fiber and furniture.

Figure 8: Initiatives for Reducing Waste Sent to Landfills



FCPC Member Leading Practices: Waste Management

FCPC survey respondents identified a number of useful initiatives for reducing waste, such as:

- Packaging improvements that include incorporating post-consumer recycled PET (Polyethylene terephthalate) and post-industrial recycled PLA (Polylactic acid) to replace PVC (Polyvinyl Chloride) films;
- Making packaging compatible with recycling programs;
- Lightweighting projects to reduce overall packaging weights;
- Measuring, tracking and reporting on their ability to recover valuable materials;
- Designing auditable internal recycling and waste management programs;
- Utilizing reusable shippers and skips; and
- Making recycling and composting available in office operations.



Conclusion



Environmental sustainability is a critically important issue to FCPC members; one that they are backing up with both words and actions.

Almost every respondent reported that they had an environmental sustainability strategy in place and a vast majority indicated that they were dedicated to keeping it current. In part, that is because Canadian companies seem to understand that they can improve efficiencies while brandishing their environmental commitment and – in turn – enhancing their brand value. They are focused on implementing initiatives that produce positive returns for both the environment and their organizations.

But while a large majority of those surveyed indicated that they have sustainability purchasing guidelines in place, few could say that they conduct internal and external audits on their compliance records. However, as

more retailers continue to make their total supply chain more sustainable, we suspect the need for external assurance on sustainable purchasing and manufacturing will increase.

While three-quarters of those surveyed said they had environmental data management and reporting systems in place, and only some of the respondents were able to provide specific benchmarking information, we believe that industry benchmarking presents an opportunity for companies to increase disclosure and comparability, thereby resulting in improved environmental performance.

Our survey has also highlighted the growing influence of organizations such as The Carbon Disclosure Project and The Global Reporting Initiative, which will have a significant impact on the Canadian food, beverage and consumer product industry in the future.



For one, these global influences will drive increased demand for integrated reporting and a renewed focus on the sustainability of product packaging.

Across the country, FCPC members are actively tracking a variety of environmental indicators and are involved in implementing a number of leading

practices that are producing positive environmental and financial results.

Indeed, there are a large number of worthy projects underway and we hope this survey report will encourage FCPC members to build on this significant commitment to environmental sustainability.

About the Research

As part of a wider research initiative to compile information on FCPC members' achievements in environmental sustainability, FCPC worked in collaboration with KPMG to develop a survey that attempted to identify the policies, systems, programs and performance measures related to environmental criteria, and which members are actively managing for the purpose of improving environmental sustainability.

The information in this report was collected through a detailed online survey sent to FCPC members in June, 2011. Thirty-two companies participated in the survey yielding a relatively high response rate of 34 percent. Although this response rate is respectable, care must be taken in concluding that our sample is representative of the total FCPC membership. In general, one can assume that those companies that had a lot to say about their environmental sustainability were most likely to respond to our survey. As a result,

we believe our participants are more representative of “leaders” in the area of environmental sustainability, rather than a “random” sample of the industry.

This inaugural report seeks to demonstrate our commitment to share information with our stakeholders about environmental sustainability in the

food, beverage and consumer products industry in Canada. The report outlines current company initiatives aggregately, showcases the trends and achievements in industry approaches and performance, and identifies priorities and challenges to implementing leading environmentally sustainable practices.

Participant Profile

Of the 32 companies responding, most were large companies: more than half have revenues greater than \$100 million and two thirds have more than 500 employees. Although the survey focused on Canadian activities, some of the larger companies form part of a multinational entity with a global environmental footprint.

On average, food products make up 70 percent of the respondents’ total

Canadian sales, followed by consumer products (58 percent) and beverages (35 percent).

Almost three-quarters of the survey respondents indicated that they both import and domestically manufacture products for sale in Canada. For these companies the percentage of sales are split almost evenly between imported and domestically manufactured products. About a fifth (18 percent) of the respondents manufacture all of their products in Canada.

About KPMG

KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative (“KPMG International”). KPMG member firms around the world have 145,000 professionals, in 152 countries.

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About FCPC

Food & Consumer Products of Canada is Canada’s largest industry association representing the companies that manufacture and distribute the vast majority of food, beverage and consumer goods found on grocery store shelves. Our members are all based in Canada, providing jobs to almost 300,000 Canadians, and include small and large; multi-nationals and Canadian-owned companies. Learn more at www.fcpc.ca



APPENDIX

FCPC Members Links to Environmental Sustainability Initiatives

3M Canada Company

www.3m.com/sustainability

A. Lassonde Inc

<http://alassonde.com/en/environment/>

Abbott Laboratories Limited - Abbott Nutrition Canada

<http://www.abbott.com/citizenship/priorities/safeguard.htm>

Bayer Inc.

<http://www.bayer.ca/?q=en/node/3>

Beiersdorf Canada Inc.

http://www.beiersdorf.com/About_US/Sustainability_2.html

Brookside Foods Ltd.

<http://www.brooksidefoods.com/canada/en/sustainability.php>

Burnbrae Farms Ltd.

http://www.burnbraefarms.com/consumer/about_us/s_r_environment.htm

Campbell Soup Company Ltd.

<http://www.campbellsoupcompany.com/csr/default.aspx>

Canada Dry Mott's Inc.

<http://www.canadadrymotts.ca/about/corporate/>

Cascades Tissue Group Inc.

<http://www.cascades.com/sustainable-development>

Cavendish Farms

http://www.cavendishfarms.com/Food_Service/Default.aspx?id=1438&ekmense=c580fa7b_8_156_btnlink

Clearwater Seafoods Ltd.

<http://www.clearwater.ca/en/home/aboutclearwater/ourcorephilosophy/default.aspx>

The Clorox Company of Canada, Ltd.

<http://www.cloroxcsr.com/>

Clover Leaf Seafoods Inc.

<http://www.cloverleaf.ca/en/company/shaping-a-healthier-future.html>

Club Coffee

<http://www.clubcoffee.ca/social-responsibility/4/>

Coca-Cola Ltd.

<http://www.thecoca-colacompany.com/citizenship/index.html>

Colgate-Palmolive Canada Inc.

<http://www.colgate.com/app/Colgate/US/Corp/LivingOurValues/Sustainability/HomePage.cvsp>

ConAgra Foods Canada

http://company.conagrafoods.com/phoenix.zhtml?c=202310&p=corp_sust_dev

Danone Inc.

<http://commitment.danone.ca/category/environment/>

Dole Foods of Canada Ltd.

<http://dolecrs.com/>

Dr. Pepper Snapple Group

http://www.drpeppersnapplegroup.com/files/2011_Corporate_Social_Responsibility_Report.pdf

Eaux Vives Water Inc.

http://www.eskawater.com/aboutthesource/preservation_and_protection.html

Energizer Canada Inc.

<http://www.energizerholdings.com/company/sustainability/environmental/Pages/default.aspx>

Ferrero Canada Ltd.

<http://prod1.ferrero.com/social-responsibility/2009-2010/>

Gay Lea Foods Co-operative Limited

<http://www.gaylea.com/about/page/6>

General Mills Canada Corporation

<http://www.generalmills.com/en/Responsibility.aspx>

Gourmet Baker

<http://www.gourmetbaker.com/about-us/sustainability/>

Hain Celestial Canada

http://www.hain-celestial.com./press/HCG_CSR_2010_102111a.pdf

Heinz Canada

<http://www.heinz.com/sustainability.aspx>

Henkel Consumer Goods Canada

<http://www.henkeln.com/SID-F539E54D-2E0D52F6/sustainability-5993.htm>

Hershey Canada Inc.

http://www.thehersheycompany.com/social-responsibility.aspx?HG_ID=HCOMP004

High Liner Foods Incorporated

<http://www.highlinersustainability.com/en/sustainability-at-high-liner/our-commitment-to-sustainability>

Humpty Dumpty Snack Foods Inc.

http://www.olddutchfoods.ca/eng/green_initiative.php

Irving Consumer Products

http://www.jdirving.com/environment.aspx?id=164&coll_id=112&ekmense=24_submenu_0_link_2

Janes Family Foods Ltd.

http://www.janesfamilyfoods.com/en/janes_commitment.html

Johnson & Johnson Group of Consumer Companies

<http://www.jnj.com/connect/caring/environment-protection/>

Kao Brands Canada Inc.

http://www.kaobrand.com/about_us/social_responsibility.asp

Kellogg Canada Inc.

http://www.kelloggs.ca/en_CA/environmental-initiatives.html

Kimberly-Clark Inc.

<http://www.kimberly-clark.com/sustainability.aspx>

Kraft Canada Inc.

<http://www.kraftfoodsbetterworld.com/>

Kruger Products L.P.

<http://www.kruger.com/html/en/environnement.html>

Lavo Inc.

<http://www.lavo.ca/en/green-commitment/our-range-of-products/>

Lindt & Sprüngli (Canada), Inc.

<http://www.lindt.com/ca/swf/eng/company/social-responsibility/>

Mars Canada Inc.

<http://www.mars.com/global/about-mars/mars-pia/our-approach-to-business/understanding-our-impacts.aspx>

McCain Foods (Canada) A Division of McCain Foods Limited

<http://www.mccain.com/GoodBusiness/Corporate%20Responsibility/Pages/default.aspx>

McCormick Canada

<http://www.mccormickcorporation.com/Sustainability.aspx>

Mead Johnson Nutrition (Canada) Co.

<http://www.enfamil.ca/en/about/Pages/our-commitment-to-the-environment.aspx>

Nestlé Canada Inc.

<http://www2.nestle.com/CSV/WaterAndEnvironmentalSustainability/Pages/WaterAndEnvironmentalSustainability.aspx>

Northern Choice

<http://northernchoice.ca/world.php>

Novelis Foil Products, Novelis Inc.

<http://www.novelis.com/en-us/Pages/Sustainability.aspx>

Oakrun Farm Bakery

<http://www.oakrun.com/about-us/sustainability/>

Ocean Nutrition Canada Limited

http://www.ocean-nutrition.com/about/environmental_commitment

Ocean Spray International Services, Inc.

<http://www.oceanspray.com/Who-We-Are/Our-Responsibility/Sustainability.aspx>

Old Dutch Foods Ltd.

http://www.olddutchfoods.ca/eng/green_initiative.php

Olympic Dairy Products Inc.

http://www.olympicdairy.com/g-company_responsibility

PepsiCo Beverages Canada

http://pepsico.ca/en/Purpose/EnvironmentalSustainability/ES_ENG_PBC.html

PepsiCo Foods Canada

<http://www.pepsico.ca/en/Purpose/Environmental-Sustainability.html>

Procter & Gamble Inc.

www.pg.ca

Purdy's Chocolates

<http://www.purdys.com/Content/Sustainable-Cocoa-Farming>

Reckitt Benckiser (Canada) Inc.

<http://www.rb.com/Our-responsibility/Environment>

Sara Lee Foodservice Ltd.

<http://www.saralee.com/en/Sustainability.aspx>

SCA Personal Care Products

<http://www.sca.com/en/sustainability/>

S.C. Johnson and Son, Limited

<http://www.scjohnson.com/en/commitment/focus-on.aspx>

Scotsburn Dairy Group

<http://www.scotsburn.com/envrmt.htm>

Starbucks Coffee Canada

<http://www.starbucks.ca/responsibility/environment>

The Sun Products Canada Corporation

<http://www.sunproductscorp.com/careers/HowWeOperate.aspx>

Tata Global Beverages Canada Inc.

<http://www.tataglobalbeverages.com/Pages/sustainability.aspx>

Unilever Foodsolutions

http://www.unileverfoodsolutions.ca/products/new_products/lipton_rfa/sustainability_commi

Unilever Canada Inc.

<http://www.unilever.com/sustainability/>

Wrigley Canada

<http://www.wrigley.com/global/principles-in-action/planet.aspx>

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Food & Consumer Products Canada

T: 416 510 8024

E: info@fcpc.ca

fcpc.ca