

# ESG Insights 2021

# Water

**Associated  
British Foods  
plc**

## Why it is important

We use water in our operations, and the communities and environment around them need it too. We recognise water as a very valuable, shared resource that can also be scarce in some parts of the world.

Water is a critical input for clothing, agriculture, and food production. Currently, agriculture accounts (on average) for 70% of all freshwater withdrawals globally<sup>1</sup>. Globally irrigated agriculture represents 20% of the total cultivated land and contributes 40% of the total food produced worldwide. Irrigated agriculture is,

on average, at least twice as productive per unit of land as rainfed agriculture, thereby allowing for more production intensification and crop diversification.

However, future demand on water by all sectors will require as much as 25% to 40% of water to be re-allocated from lower to higher productivity and employment activities, particularly in water-stressed regions. In most cases, such reallocation is expected to come from agriculture due to its high share of water use.

## Our commitments

ABF business/segment	Commitment	Alignment to external/internal initiatives
<b>UK Grocery</b>	20% reduction in the water consumed in the UK food and drink industry by 2025 (baseline 2018)	WRAP Courtauld Commitment 2025
<b>AB Sugar</b>	30% reduction in end-to-end supply chain water footprint by 2030 (baseline 2018). <a href="#">Read more here.</a>	AB Sugar Global Mind, Local Champions strategy
<b>Primark</b>	Reduce the aggregate water footprint of new products sold by 30% <a href="#">Read more here.</a>	Primark Cares Textiles 2030
<b>GWF</b>	Reduce water consumption per tonne of production by 20% by 2020 (baseline 2010/11) (Target achieved. New target in development)	Australian Food and Grocery Council's Sustainability Commitment

<sup>1</sup> <https://www.worldbank.org/en/topic/water-in-agriculture#1>

## Our approach

Our approach focuses on reducing the amount of water we abstract from local sources to make our products, while reusing process water where possible, for cleaning or cooling and in certain locations using waste water for irrigation.

Water is a primary resource for most of our businesses, particularly those in the clothing, sugar, yeast, baking and pharmaceutical industries. Consequently, it is critically important to understand quality and quantity risks associated with current and future water supply at the local level.

We have carried out our third iteration of water risk assessments for our operations using internationally recognised methodologies to identify the sites that may have a high or extremely high 'water risk'. The risk assessments include water availability, water quality, legal risks and reputational risks. We provide a more detailed report about water risks in our CDP submission.

Returning any wastewater to nature after use or reuse is a priority, but it must meet or exceed all local and national water standards. We treat wastewater at our sites or by using municipal treatment plants. All our businesses monitor the oxygen demand of the water we want to discharge, and carry out an assessment of the biological and chemical pollution in it, as well as other key parameters to ensure we protect aquatic ecosystems.

We use a range of technologies to manage our water use in fields and factories, and constantly work to abstract less water and reduce our water footprint per tonne of product we produce. With sugar cane and beet being made of more than 70% water, we make use of this water in production processes. This significantly reduces the amount of water that we need to abstract from natural sources.

## Our performance

This year, we abstracted 864 million m<sup>3</sup> of water for use in our operations. This is a 2% increase compared with 2020. Most of the water used by our businesses is sourced from water occurring naturally on the earth's surface, such as rivers and lakes, as well as man-made dams. Our sites are regulated by water permits or licences and they withdraw water within their agreed limits.

Water used by our retail division continued to reduce this year, by 6% compared with 2020 and by 36% compared with pre-pandemic levels in 2019, primarily due to temporary store closures as a result of the COVID-19 pandemic. The Retail division's water abstraction accounts for less than 1% of the Group's total water use.

As the Sugar division accounts for 97% of the Group's total water, we note the 2% divisional increase this year is largely driven by two Illovo sites based in Mozambique and Tanzania. These sites increased their production during a year of less rainfall, which resulted in the need to abstract more water than the prior year. All Illovo sites across southern Africa continue to focus on water stewardship activities including upgrades to water canals around the sugar estates to minimise evaporation, the installation of more flow meters to improve monitoring of water used for irrigation, investigations into the use of more boreholes to reduce reliance on municipal water, and communication campaigns to raise awareness about water conservation.

This year, our operations reused more than 220 million m<sup>3</sup> of water. This water was used more than once before being discharged and therefore reduced the various sites' needs to withdraw fresh water. This is a cost- and resource- efficient way of using a key resource many times. The water is treated before being used mainly for irrigation, land-spreading or vehicle washing. We are reporting a 3% increase in the volume of water reused this year compared with 2020 mainly due to the two sites in Mozambique and Tanzania reusing water for irrigation due to less rainfall.

This year 127 million m<sup>3</sup> of waste water, equivalent to 15% of the total quantity of water abstracted, left our sites for final disposal via sewerage systems or was treated and then discharged to receiving watercourses.

### Total water abstracted – million m<sup>3</sup>

	2017	2018	2019	2020	2021Δ
	811	837	880	847	864Δ

### Water abstracted by business segment – million m<sup>3</sup>

	2017	2018	2019	2020	2021Δ
Grocery	5	5	4	4	5Δ
Sugar	779	805	851	819	835Δ
Agriculture	0.2	0.2	0.2	0.3	0.3Δ
Ingredients	27	27	24	23	23Δ
Retail	0.4	0	1	0.4	0.4Δ

### Water abstracted by source – million m<sup>3</sup>/%

	Surface	Groundwater	Municipal and other
	835Δ / 97%	18Δ / 2%	11Δ / 1%

### Total water reused – million m<sup>3</sup>

	2017	2018	2019	2020	2021
	202	228	169	214	220

### Water reused as share of total water abstracted %

	2017	2018	2019	2020	2021
	25	27	19	25	25

Note: See the Governance Insight for the Independent Assurance statement to the Directors of Associated British Foods plc which provides the details of the EY limited assurance engagement.

### Highlights

#### GWF

GWF exceeded their target of reducing water consumption per tonne of production by 20% by 2020 against a 2011 baseline. GWF reduced water consumption by 23.8% from 1.22kL to 0.93kL.

#### AB Mauri

As part of AB Mauri's ongoing investment in state-of-the-art technology to support economic and environmental sustainability, the engineering team at Casteggio in Italy has completely redesigned the process used to treat effluent waters, investing almost €5m to achieve better-quality effluent water and reduce environmental impacts.

The new plant installed has an initial nanofiltration system that uses four different biological processes to treat effluent water. There is also an additional aspect to the standard de-nitrification phase. With an increased capacity the plant removes nitrogen and other compounds, improves the colour of waste water, and uses significantly fewer chemicals to do so, further enhancing its environmental footprint and energy efficiency. In addition, the biogas generated during the anaerobic phase of effluent treatment is recovered for use in yeast production.

## Our performance continued

### Primark

Primark are working with their supply chain to improve water efficiency in agricultural and manufacturing processes as well as operating efficiently in their own business operations.

Primark worked with the Apparel Impact Institute, through the Clean by Design programme, to reduce the environmental footprint of supplier factories. They supported three Chinese mills in Zhejiang and Shandong provinces through the programme from 2018 to 2020. The implementation plans from three mills has resulted in 29 retrofit projects, requiring \$2.2M total investment from the mills, with an average payback of only 12 months. These retrofit projects by the participating mills together have contributed to saving 275,524 m<sup>3</sup> water annually.

Recognising the importance of responsible water stewardship, Primark joined the Alliance for Water Stewardship (AWS). AWS is a global membership collaboration comprising businesses, NGOs, and the public sector.

Cotton is an essential raw material for Primark, representing around half of their total fibre mix in 2020. In 2013 they partnered with agricultural experts CottonConnect and the Self-Employed Women's Association (SEWA) to create the Primark Sustainable Cotton Programme. The programme launched with 1,251 female farmers in Gujarat, India and saw transformative results.

Umabai Mahhale joined PSCP in 2019. She owns a two-and-a-half acre farm in Nyagyvhan village in Maharashtra, India. Her main source of income is cotton cultivation. A key component of the training provided through the PSCP programme is better water management practices. Read about Umabai's adoption of efficient water management practices:

[https://primark.a.bigcontent.io/v1/static/Primark\\_Environmental-Sustainability-Performance-Report\\_2020](https://primark.a.bigcontent.io/v1/static/Primark_Environmental-Sustainability-Performance-Report_2020)

### AB Sugar

Proof of concept for Project SWIM (Smart Water Irrigation Management) was completed at Illovo Sugar Malawi's Nchalo Estate in 2020. This process produced promising results. The system functioned well, and the web-based reporting platform was intuitive to use. In terms of performance, early indications were that SWIM could save up to 9% of water currently lost through unidentified leaks and reduce power consumption by 11%.

## Policies, statements and codes

The ABF Environment Policy provides our principles for being responsible stewards of the environment and minimising any negative impacts, including in relation to water.

## Outlook

### Primark

Primark will support further mills in Zhejiang and Anhui provinces for the next phase of the Clean by Design programme.

### TCFD

Water risk will continue to be assessed and incorporated into the business risk assessment process as part of the climate-related risk TCFD project.

### Illovo Sugar Africa

A consortium of suppliers has been selected to develop the Project SWIM concept further by running a pilot across 742 hectares at Nchalo in 2022. This will test SWIM at scale and assess how it might dovetail with other innovations, including drip irrigation.

Illovo Sugar Africa believe that SWIM could ultimately increase sugar cane yields by up to three tonnes per hectare using the same net water, supporting their 'more crop per drop' mantra. Currently, around 82% of land cultivated by Illovo Sugar Africa is irrigated and could benefit from SWIM in future.

## Methodologies

### Links

We disclose our annual water performance and approach to water stewardship through our annual CDP Water response and were rated a 'B' for our latest annual disclosure, see [www.cdp.net](http://www.cdp.net).

**Water abstracted:** we measure in cubic metres (m<sup>3</sup>) the total water abstracted, which has either been supplied by third parties or abstracted from local water sources. This includes the total quantity of water used for agricultural or horticultural purposes on our owned land, used in our factories or stores and distributed to employees, distributed to tenants and worker accommodation, and once-through cooling water used as a heat conductor to cool equipment in our factories. The same amount of water abstracted for cooling water is returned to the watercourse. We exclude rainwater and separately measure reused treated wastewater used on our land or in our sites.

**Waste water:** we measure in cubic metres (m<sup>3</sup>) the total amount of waste water leaving our sites for final disposal via the sewerage system or a receiving watercourse. This includes waste water from factories, offices, warehouses, worker accommodation and other sites where we have responsibility. Where meter readings from discharge points or supplier invoices are not available for waste water quantities, estimations are provided based on the volume of water taken into the site and used in the operational processes, including the abstraction of water from certain raw materials such as sugar beet.

Due to rounding, business segment numbers presented throughout this document may not add up to precisely Group totals reported.

### Methodology for highlights

25% of total water abstracted was reused before being returned to the environment.

Where possible, our sites reuse water within their operations or off-site before it returns to the watercourse. Examples of reuse include crop irrigation for use in land-spreading and fertilisers, and to clean on-site machinery and equipment.

### Our impact on the Sustainable Development Goals



#### Clean water and sanitation

Assessing water-scarcity risks at a site level and building partnerships in water-stressed areas (target 6.4), our businesses seek to improve water quality and water management by reducing pollution, treating waste water and reusing or recycling more water (targets 6.3, 6.5 and 6.A) in their operations. They have many initiatives in place to reduce water withdrawals at their facilities, alongside collaborative community programmes to increase water efficiency among suppliers of materials from sugar to cotton (target 6.B).



#### Responsible consumption and production

Our businesses have many programmes for the sustainable management and use of natural resources in manufacturing, agricultural and sourcing processes (target 12.2), covering materials such as palm oil, cotton and soya. They also help agricultural suppliers to reduce their use of chemical pesticides and fertilisers (target 12.4), while their programmes to redistribute surplus food and improve food packaging technology are increasing shelf-life and cutting food waste (target 12.3). Broader initiatives are also in place to reduce waste generation and increase recycling, including waste diversion for energy, zero-waste-to-landfill targets, packaging innovations and industry collaborations (target 12.5).