Sustainability in the Global Wine Industry

Challenges and Opportunities

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Sustainable Wine Roundtable (SWR)

Sept 21, 2023 | 9:15 am
Sustenta-Vitis Conference
Mendoza, Argentina

Overview of Presentation

Here is what we will cover in today's presentation.

01 Introduction to the Sustainable Wine Roundtable (SWR)

02 A full value chain approach to sustainability

a. Consumer Trends

b. Production: Vineyard and Winery

c. Packaging

d. Transport & Distribution

e. Retail (On and off trade)

03 SWR Global Reference Framework

04 Sustainability in Argentina

05 Key Takeaways

What is SWR?

Global Membership Organisation

Independent multistakeholder platform for collaboration

SWR enables organisations to share knowledge and work together on key sustainability issues

Deliver practical tools and guidance for the wine industry

We do this through:

Working groups

Research projects

Education & training

Conferences and Events

Who is involved?

Pernod Ricard
Ahold Delhaize
Jackson Family Wines
Alko
Hochschule Geisenheim University
Berry Bros & Rudd Wine & Spirit Merchants
JancisRobinson.com
M&S
Whole Foods Market
Amorim Cork
Avinea
Treasury Wine Estates
Wines of Argentina
Lidl
Domaine Bousquet Naturally Elegant Wines
Systembolaget
Catena Institute of Wine
Fairtrade Foundation

100+ Members

12+ Retailers

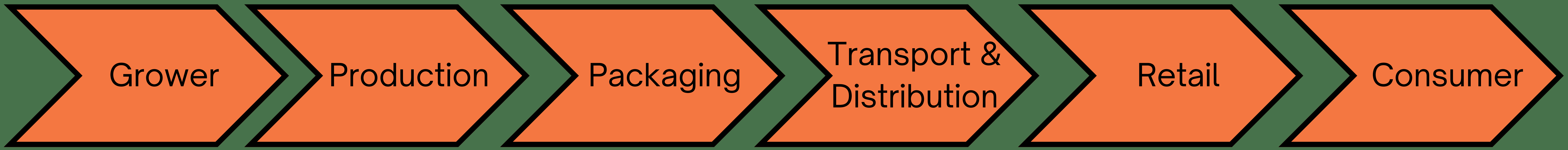
25+ Countries

250+ Industry Experts

"WORKING TOGETHER WE WILL TRANSFORM THE GLOBAL WINE INDUSTRY"

SWR has active participation and support from across the wine value chain, including producers, importers, distributors, retailers (on and off trade), sustainability standards, industry associations, academic institutions and solution providers.

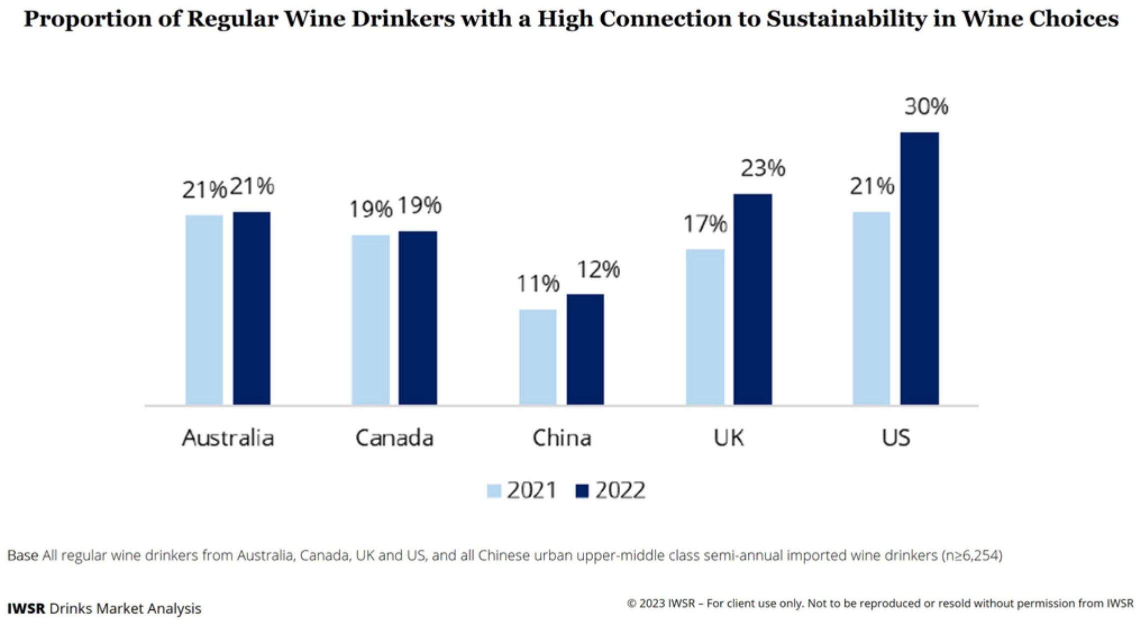
OUR APPROACH TO SUSTAINABILITY: — FULL VALUE CHAIN.



Consumer Trends

The Positives

- Growth in sustainability-conscious consumers has resulted in the increase of the *‘Alternative Wine’* category (organic, biodynamic, natural and sustainable wines etc.)
- *‘Alternative Wine’* consumers tend to be Millennials and Gen Z (23 - 38 yrs old) and have attained higher education.
- Increase in % of consumers willing to pay a premium for wine brands with ecological or social credentials.
- Global organic wine market size was estimated at USD 8.9 billion in 2021 and is anticipated to expand at a compound annual growth rate (CAGR) of 10.2% from 2022 to 2030.



Consumer Trends

The challenges

- Overall awareness of *‘Alternative Wine’* remains low, possibly limiting the category’s long-term growth potential.
- The*‘Alternative Wine’* market size only accounts for approx. 3% of total global wine sales
- The increased cost of living in many markets may pose a threat to the *‘Alternative Wine’* category, which is often perceived as more expensive but is not always associated with higher quality or better taste.
- The proliferation of sustainability standards has resulted in distrust and confusion around labels.

Production: Vineyard & Winery

Key Issue: Ability to adapt and build resilience in the vineyard and winery

Progress made

Increasing awareness of the impacts of climate change

Growing use of 'organic' practices

Local sustainability standards established

BUT

Challenges remain

Pace of change needs to quicker

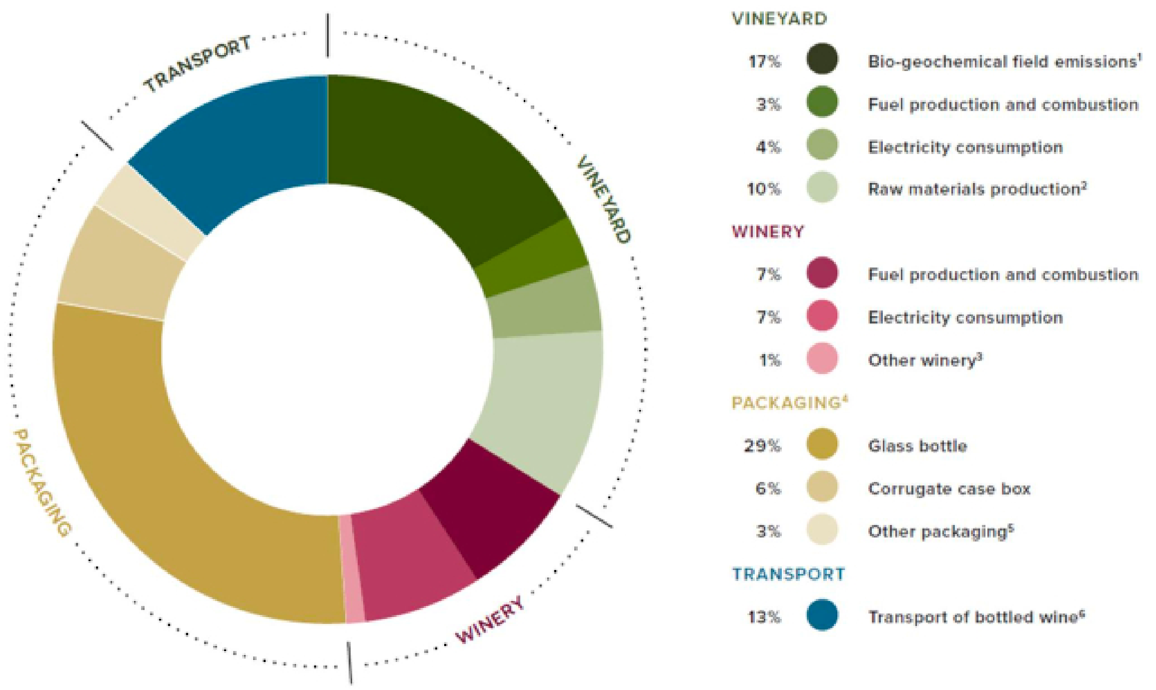
'Organic' wine is not the destination for sustainability

Proliferation of standards has created a confused picture for the trade and consumer

Packaging

- Various life cycle assessments have shown the single biggest source of carbon in the wine industry is the bottle.

FIGURE 1 Relative impacts for the carbon footprint of packaged wine, cradle-to-retail gate



- The SWR has sought to take collective action to reduce glass bottle weight from an average of 550g to 420g by the end of 2026.
- Switching to alternative packaging designs (e.g.: bag-in-the box, wine kegs, plastic bottles) and increasing recycling rates form part of the strategy to improve the sustainability of packaging.

Aim of the project

- To define an evidence-backed collective position for SWR on wine bottle weight:

  NB -This study focused on 750ml bottles for still wine.

- As the basis for a ***'SWR Bottle Weight Accord'.*** To do this by exploring:
  - What is a '***lightweight'*** bottle?;
  - The challenges which might exist to the wider use of lightweight bottles in practice;
  - How these challenges can be addressed.

- This research did **NOT** look at the wider issues e.g. alternative formats, reuse etc.
  - However, important to be aware of wider context.

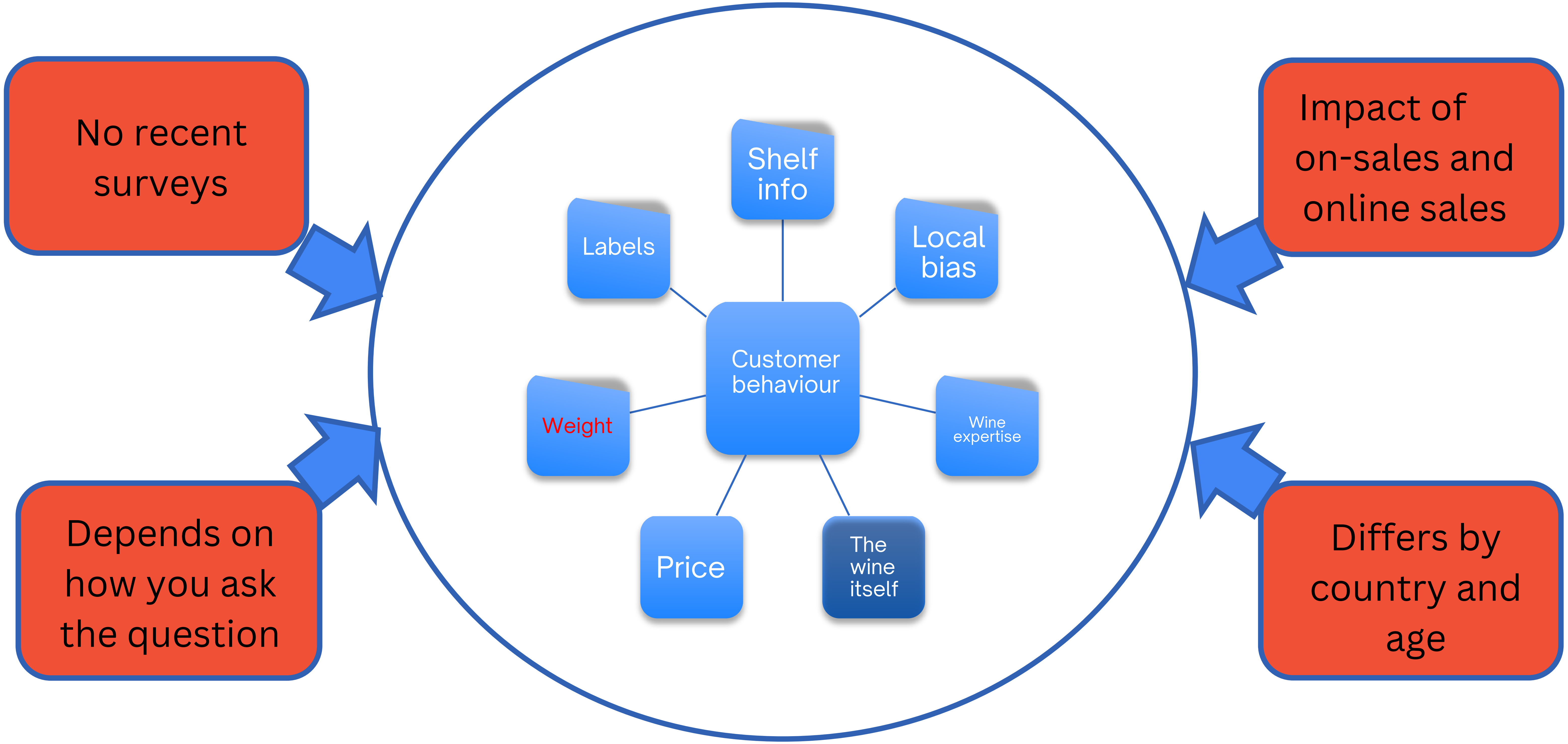
"What is a lightweight bottle, and how do we address the ***'yes, but what about..'*** *objections which might be raised?"*

If it’s so obvious, why the problem?

Challenges to reduction in bottle weight

- Consumer perception: heavier bottles = better quality wine;
- Brand owners like heavier bottles;
  - This affects the attitude of merchandising teams in retailers.
- Lightweight bottles are more fragile therefore higher breakage rates;
- Greater fragility means the use of additional packaging like cardboard, so carbon savings in the use of less glass are lost.
- Bottle makers make less money on lightweight bottles therefore there are fewer lightweight moulds available.

Understanding drivers of consumer behaviour



Key findings

- Consumer perceptions on bottle weight are not a sufficient issue to block lighter bottles:
    - Significant alternative ways to communicate to consumers, for example, labels:
        - “Consumers are considering multiple options leaving huge opportunities for labels to make an impact.”

- Lighter bottles can be used in most wine supply chains with relative ease.
- Hard, therefore, to justify why any wines should be in bottles heavier than 420g.
- Any change, however, may face push-back from some brands and others.

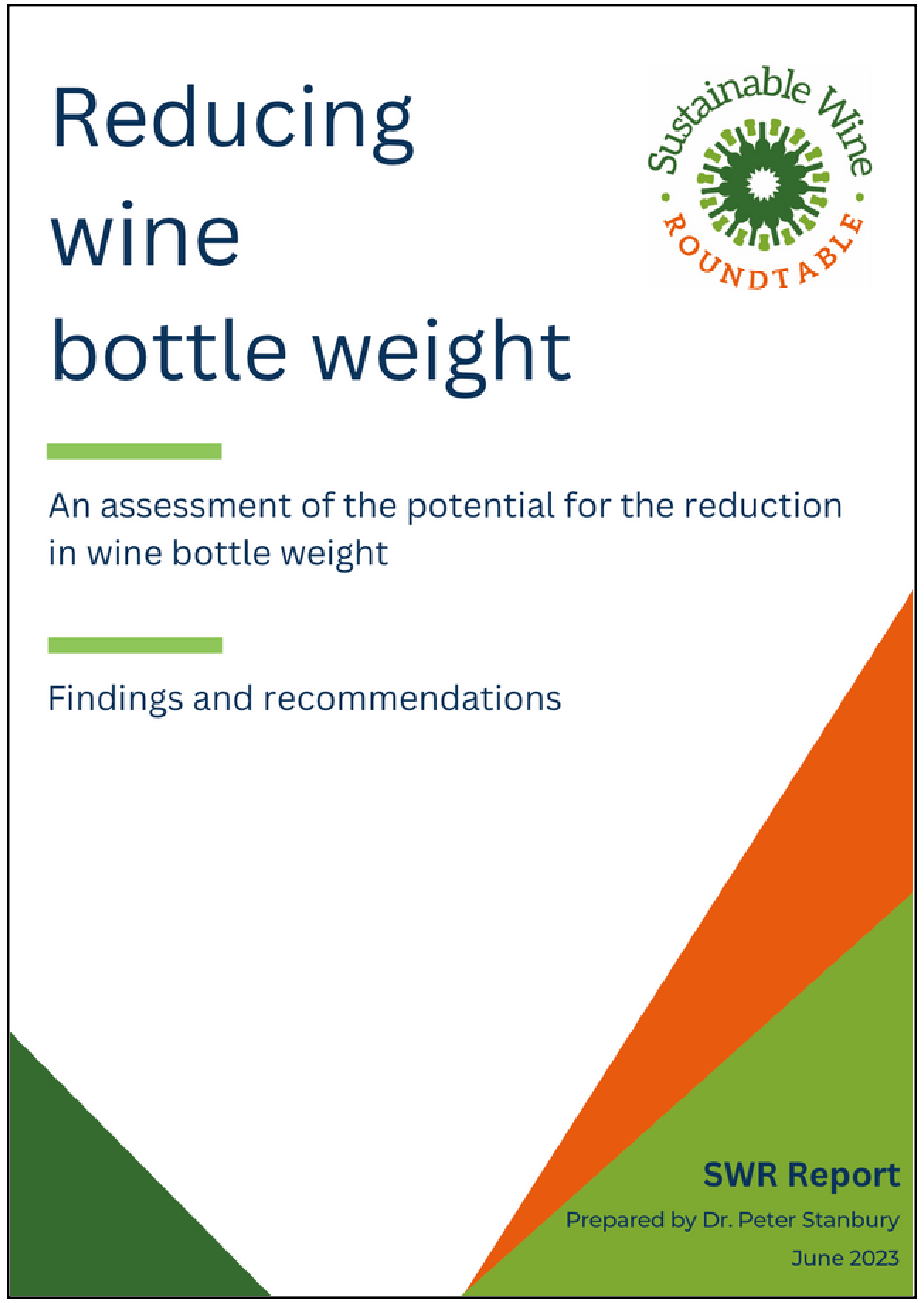
SWR Bottle Weight Accord

SWR Retail members agree to:

- Reduce the average weight of 750ml still wine bottles from the current average of 550g to 420g by the end of 2026.

- Which will be achieved through a number of steps:

1. Removing as many of the heaviest bottles as soon as possible;
2. Lightweighting the bottles of “own brand” wines by the end of 2025;
3. Collaborating through the SWR to work with branded winemakers;
4. SWR will work with its members in other parts of the supply chain to facilitate this process of change;
5. Taking the average wine bottle weight below 420g is only the first step.


Reducing wine bottle weight

An assessment of the potential for the reduction in wine bottle weight

Findings and recommendations

SWR Report

Prepared by Dr. Peter Stanbury

June 2023

Transport & Distribution

Key Issue: Decarbonising the transportation and distribution of wine

Progress made

BUT

Challenges remain

International Maritime Organization (IMO) confirm landmark pledge to reduce emissions to net zero by 2050

World bulk wine shipments now account for 33% of the total volume of wine shipped globally

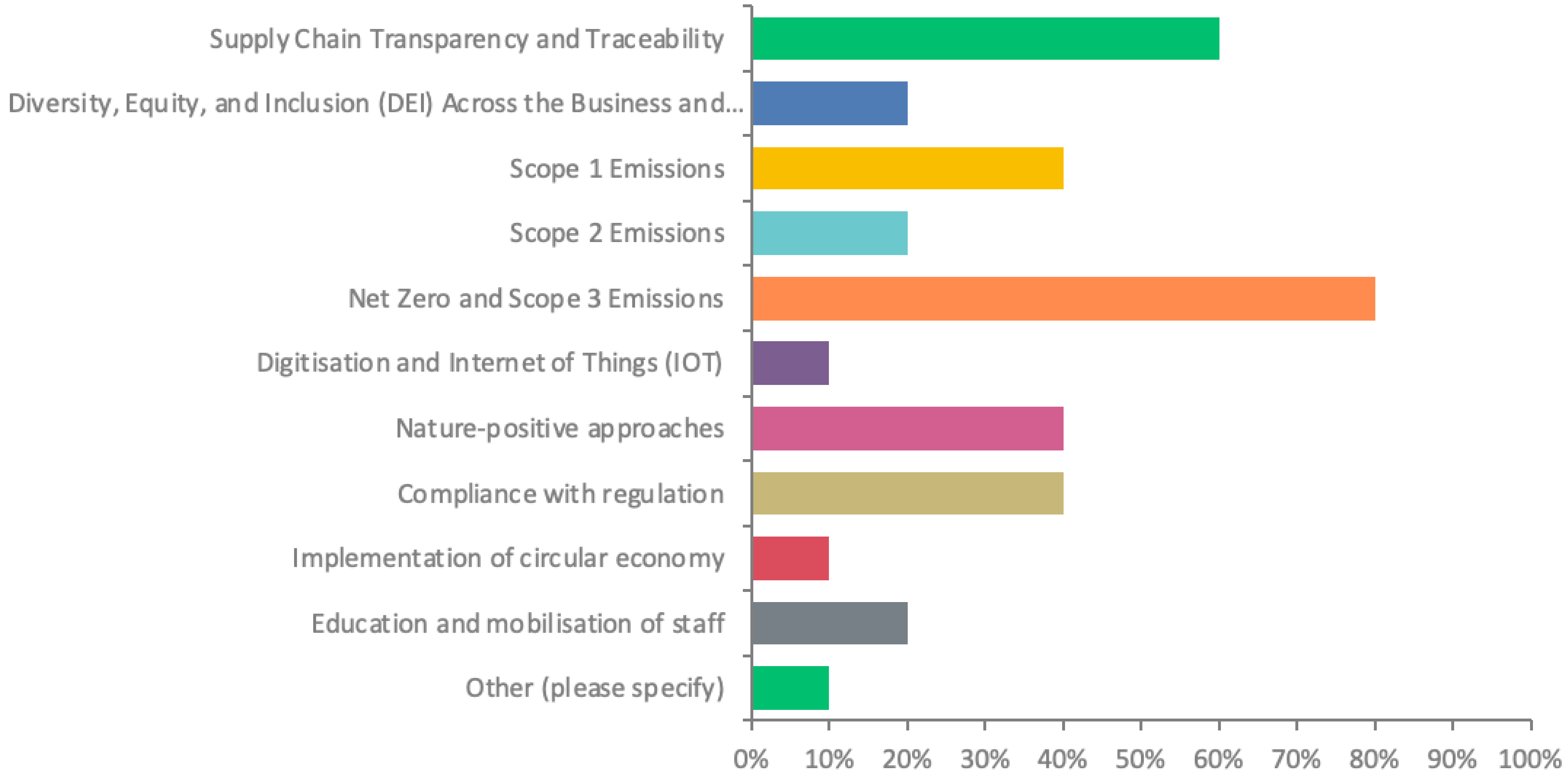
Greater focus on incorporating sustainability into transport strategy

Road transport remains major part of domestic distribution

Bulk wine still only represents 7% of the total value of exported wine

Management expertise and industry cost pressures are barriers to progress

Stakeholder and business demands: What are your priority issues which directly relate to the transportation and distribution of wine?



If 'Yes', how are you measuring progress? If 'No', what have been the barriers to developing a sustainability program? :

*"Our parent company has **set goals to achieve Net Zero around direct and indirect emissions.** We measure our carbon footprint in the UK on an annual basis. We do not have any local targets defined yet but work with our third party hauliers and customers to take vehicles off the road and to transit to HVO fuel."*

*"Carbon footprint inventory ISO 14064 certification. **Net zero plan in progress** with transport optimisation/ rail and ferry alternatives and study of other areas"*

*"We are committed to **50% reduce in our emissions by 2030** from baseline year 2020. This inlcudes our Scope 3 emissions, from which roughly a third comes from international transportation."*

*"In development currently - have policies on choosing the least impactful freight but **no current measurement and tracking**."*

*"**Transportation and logistics are an integral part of our sustainability strategy,** and as such, we do not have a separate strategy specifically for this. We are currently tracking progress using the GHG protocol, but we will soon adopt the ESRS due to CSRD."*

*"**Measure all upstream and downstream emissions**, aim for zero air freight except samples"*

*"Measuring **Scope 3 from inbound, warehouses and outbound (last mile)**. Aiming to reduce by 25% by 2030."*

*"Forms part of our Scope 3 reduction plan but remains reliant on **solutions not currently known!**"*

*"The **focus is replacing diesel vans in our fleet with electric vehicles.** We are tracking the number of delivery miles completed in our vans and working to reduce the amount done in diesel. This is the only transport-related solution we currently have."*

*"Measuring through our **Carbon Footprint scope 3**, but we depend on the efforts made by our suppliers and logistic chain."*

Retail
(On and Off Trade)

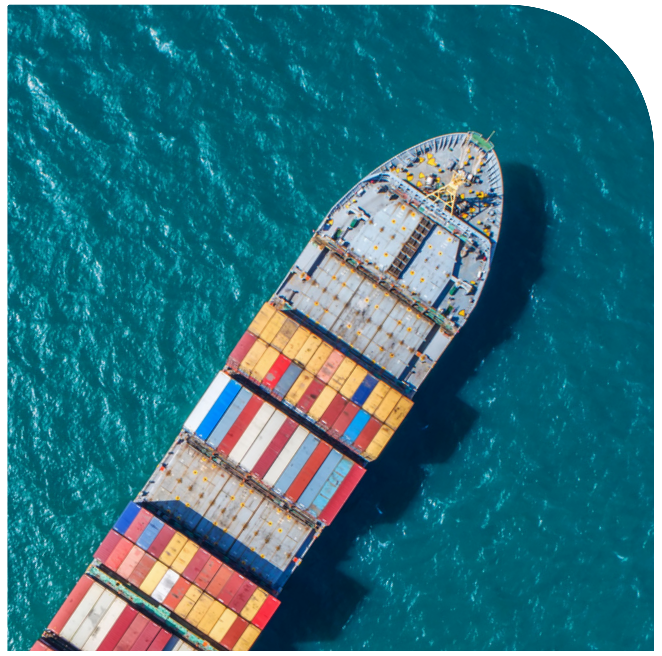
Challenges in the retail sector

- Label Fatigue
- Greenwashing
- Consumer confusion
- Squeezed margins
- Cost of living pressures
- Data Challenges
- Proliferation of standards
- Supply chain transparency

The SWR
Global Reference Framework

"The ultimate guide to sustainability in the global wine industry"

What is ‘sustainability’ in the wine sector?



Sustainability: a goal or a journey?

- **Wines labelled ‘Sustainable’: is this actually true?**

  Implies everything that needs to done has been understood and addressed.

- **Brundtland Commission, 1987, first defined ‘sustainable development’**

  Yet at that stage, environmental focus was on deforestation, and the interplay between social/environmental was not well understood.

- **Sustainability is a journey which necessarily evolves over time**

  Task list, and how best to address these issues will develop as we learn more.

- **What we need to do is to define key issues now, and identify best practice in address these**

  This will need to be reviewed periodically.

GRF Development Process

The two key questions

1. **What is sustainability in wine?**

- Creating a global framework for sustainability in wine.

2. How do existing standards faciliate and demonstrate that companies in the sector are meaningfully advancing sustainability?

- How do standards support and demonstrate the implementation of that framework in different locations?

70 + sustainability standards

- **Bodegas de Argentina** (Argentina)
- **California Sustainable Wine** (USA)
- **EQUALITAS** (Italy)
- **Fair’N Green** (Germany)
- **Fairtade** (International)
- **Fish Friendly Farming** (USA)
- **Low Impact Viticulture and Enology** (LIVE) (USA)
- **Lodi Rules** (USA)
- **Long Island Sustainable Winegrowing** (USA)
- **Napa Green** (USA)
- **Salmon Safe** (USA)
- **SIP Certified** (USA)
- **Sustainable Wine Ontario** (Canada)
- **Sustainable Winegrowing Australia** (Australia)
- **Sustainable Winegrowing New Zealand** (New Zealand)
- **Sustainable Wine Great Britain** (United Kingdom)
- **Terra Vitis** (France)
- **Vinos de Chile** (Chile)
- **Wine & Agricultural Ethical Trade Association** (WIETA) (South Africa)
- **Wines of Alentejo** (Portugal)

What do different SWR stakeholders want from this process?

Standards owners

- Less benchmarking
- Being allowed to get on with their job
- Acceptance of their standard throughout the value chain
- Sharing knowledge and expertise

Wine businesses

- What do we need to do on sustainability?
- How do we do it?
- How will this help access to market?
- Avoidance of audit fatigue
- ‘Doable’ in terms of management time and cost

Retailers

- A yardstick to compare the apparently un-comparable
- Straightforward information to communicate to buyers
- Something clear to communicate to consumers
- Emergent legislation, for example EU due diligence regulations

A pragmatic approach

- **Context is vital**
  - National and regional standards understand the local specificities their industry faces.
  - Enables development of local-appropriate approaches.

- **Risk**
  - Why take up people's time with issues that are not relevant?
  - Focus on high-risk topics.
  - Move from risk as a number to risk as an operational issue
    - What is the risk and how can it be managed?

- **Inclusivity**
  - How to reach more of the industry.
  - Numbers of wine businesses, not just number of hectares.

What are the next steps in the GRF development process?

Define a Global Reference Framework → Alignment on other key factors → Gap analysis of Standards →

- Standards-owners, “comply or explain”
- Joined-up action by retailers
- Focus on labour and human rights
- Working groups as required

Sustainability in Argentina.

The future is bright

Enormous growth potential

Recognised Global Leaders

Wines of great quality

Leading Sustainability Standard

An organic success story

Malbec and more

Collaboration to drive transformation

5 Key takeaways

The wine industry has an opportunity to lead and transform

- **Fragmented global Industry -** A clear need for organised coordination
- **Economic impact -** Wine can be an even greater force for good
- **Proliferation of standards -** The SWR Global Reference Framework is required
- **Need for greater transparency -** Collaboration will drive this globally
- **Opportunity to influence -** Sustainable wine can tell its story clearly

Thank you for listening!

Contact me

Please get in touch to find out more: tom@swroundtable.org