



Sustainability | Leadership | Innovation

ACCOUNTING FOR SUSTAINABILITY



2015 HIGHLY COMMENDED Small and medium-sized enterprise

LESSONS IN DRIVING BUSINESS SUSTAINABILITY

EASY BEING GREEN

How Adnams’ finance team went one stage further and developed a carbon footprint for every beer it produced, which helped them to improve their sustainability and identify cost savings.

THE BUSINESS

Adnams has been brewing beer in Southwold since 1872. The company is perhaps most famous for Broadside, Southwold Bitter and Ghost Ship beers, although it has a broader product range including a number of craft beers.

Since Adnams opened its distillery nearly five years ago, it has won both the International Wine and Spirits Competition ‘World’s Best Gin’ and ‘World’s Best Vodka’ awards. Adnams drinks are available internationally and it also operates its own retail division (12 shops, 4 inns and 50 tenanted pubs).

THE IDEA

The aim was to produce a carbon footprint for each of the company’s beers. Having invested around £10m in refitting the main brewery (now one of the most energy efficient in the UK) and building an efficient eco-distribution centre (with no artificial heating or cooling), Adnams recognised that the next level of environmental understanding had to cover the entire life cycle of its products. This was an innovative philosophy in 2007 when the project was originally launched, and it is still relatively unusual as the work continues to become ever-more detailed. The next phase is to examine water across the life cycle.



In order to reduce the volume of materials needed, Adnams designed lightweight beer bottles, with the 500ml ones weighing just 280g

THE INNOVATION

Having seen bottom line benefits from their environmental projects, the Adnams team, led by their Head of Finance Richard Carter, had the confidence to extend their knowledge across the entire product life cycle. They reviewed the carbon footprint at each stage of a beer’s life – from cultivating barley to beer drinkers washing up their glasses. This proved to be a very complex and pioneering exercise.

Taking all these aspects into account, stage one was to design and produce the first UK carbon-neutral beer – this was achieved in 2008 when East Green was released. The team then embarked on the challenge to carbon footprint every beer Adnams produced whether in bottles, cans or casks, which became stage two.

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This project helped Adnams to considerably reduce its environmental impact as it initiated savings of over 1,000 tonnes of carbon per year. It has now reached the point where Adnams is sharing its knowledge with other breweries to help them to produce and improve their own carbon footprints.

The clear objective was to highlight and reduce hotspots in the life cycle of each beer to ensure that they are as fit for the future as possible. In addition they reduced manufacturing and distribution costs, and were able to illustrate the responsibility credentials of the Adnams brand.

FINANCE FUNCTION LEADERSHIP

Adnams has a senior accountant responsible for both finance and sustainability. This is interesting given the investment appraisal process is almost identical across the two disciplines. ‘The notion that one can either make a profit or help the environment is woefully outdated,’ says Richard Carter, Head of Sustainability and Finance at Adnams.

'We know that taking a responsible approach to business galvanises revenue growth and our accountants repeatedly demonstrate that there are significant cost savings to be had. Furthermore, our shareholders are clear in their long-term requirements and our staff and suppliers are proud to work with us.'

Straightforward environmental projects are relatively easy to model – they require typical appraisal exercises with which accountants are very familiar. For example, initiatives such as installing LED lighting in retail outlet shops or improving recycling facilities have calculable paybacks.

But the anticipated financial result of preparing a life cycle carbon footprint for each beer was far less clear. 'We knew that actions would become apparent and were confident that saving carbon would ultimately save cost, but it was the proven track record of previous project outcomes that gave our finance community confidence to progress,' says Carter. 'This was important because it was research based: there was no way we could have specified particular objectives without having commissioned the research.'

Adnams' business culture is such that long-term, sustainability-driven projects are the norm: the team is experienced in recognising the revenue that the integrity of the brand and strong customer engagement bring.

POSITIVE LONG-TERM IMPACT

Basic economics dictates that scarce resources command higher prices, and therefore Carter and the Adnams management team firmly believe that economic and environmental sustainability are inherently linked. For example, Adnams' refitted brewery uses around 25% less gas, creating both carbon and cost savings.

As a long-term business accountable to local shareholders, Carter's environmental reporting team have a responsibility to seek out sustainable efficiencies, so its environmental programmes are led jointly by an environmental manager and an accountant. External consultants are hired where specialist knowledge is required.

The savings have accumulated as the project has continued: cans cost 16p less than bottles and use around half the carbon. Having sold over half a million Ghost Ship cans, the brewer saved £82k in 2014 on that product alone. Moreover, energy savings in its pub estate (which accounts for around half of a cask beer's carbon footprint) will improve the company's ability to let a pub and create savings for tenants, thus helping the business as well as supporting the viability of local pubs.

The life cycle projects demonstrate Adnams' commitment to long-term sustainable thinking and provide benefits far in excess of immediate financial paybacks.

The company's financial results continue to improve beyond the market at large, demonstrating customers' approval. Shareholder churn is negligible, indicating that they endorse Adnams' philosophy. Furthermore, the diversity of its environmental and societal interests – from rehoming rescued bees to sponsoring the local arts festival – attracts commitment and enthusiasm from staff.

LESSONS FROM THE CASE STUDY

There are a few key lessons, according to Richard Carter. 'First, this sort of agenda needs to be a company-wide effort that is seamlessly integrated into all operations. It's not an add-on or a separate project, and that has to be done with absolute sincerity. Customers (and therefore every other stakeholder, including employees) are sceptical of



The Adnams Café in Bury St Edmunds features the company's sustainability achievements

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'greenwash'. Truly understanding that behaving responsibly is good for business will encourage senior engagement, but the world also needs to step away from its current obsession with short-term returns.

'Second, we've learnt to consider the agenda holistically. If you focus on just one area you will make irresponsible decisions. For example, putting beer into cans has a much lower carbon footprint than bottles, but one has to consider issues such as bauxite scarcity, mining labour, eutrophication, land scarring and so on.

'Third, looking beyond our project has helped us understand the importance of recycling, hence increasing the amount of recycled content in our cans to a very impressive level. If we were just looking at carbon, we'd have made a naïve choice here – or at least missed an important exercise.

'Last, and perhaps most importantly, anyone looking to embark on a similar exercise should start to measure the results and pursue tangible improvements with the advice of a trusted environmental expert. SMART objectives have become a corporate cliché, but they're a good approach to take.'

WHAT THE JUDGES SAID

With the support from the very top of Adnams the judges felt that there is a clear focus on embedding sustainable practices in order to improve commercial outcomes. Through working with their value chain, Adnam's finance team demonstrated that lower carbon also equals lower cost.