

A Conversation about Sustainability

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We recently had the pleasure of sitting down with Paolo Lanzarotti as part of the Pedersen and Partners ESG Series to hear about the sustainability journey of Asahi Europe & International (AEI). AEI has made strong progress in this field, and have been recognised for their commitment to sustainability by several prominent NGOs and inter-governmental organisations.

During our discussion, Paolo expanded on what it means to integrate a robust sustainability approach into an existing business model. He makes it clear that “sustainability isn't just something we do because it's a nice thing to do. It's there because it's important for the long-term vision of our business”.

As such, AEI is a great case study on how a traditional FMCG company can integrate sustainability goals into an organisation to thrive as a business and do well by doing good.

Enjoy the read!

How do you reconcile your status as one of the largest brewers in the world with the sustainability agenda?

As either the number one or number two brewer in most of our European domestic markets, Asahi Europe & International (AEI) has a large impact on the world. We have over 10,000 employees working in 19 breweries, and we export to around 90 markets around the world. We produce and sell about 41 million hectolitres of beer per year – that's around 900,000 pints of beer per hour!

For us, the sustainability journey is about doing good to build a sustainable business, and that ultimately means a profitable business. My favourite definition of purpose is solving a problem in the world profitably.

We see a societal goal and purpose in ensuring that we connect people in a way that is sustainable, inclusive, gender-balanced and increasingly premium. This also links directly to moderation, premiumisation of our portfolio and our growing offering in the non-alcohol space.

“ We believe that our role in the world is to create meaningful connections to bring people together.

In Conversation with Paolo Lanzarotti, CEO at Asahi Europe & International

How do you concretely link your definition of purpose to sustainability to ensure real impact?

I think when it comes to ESG, it is important to set big, bold goals, and it's important to track, measure and discuss them. But it's also important to understand that it's better to aim high and fail a little than aim low and overachieve. This is very different to the way we think about financial targets. The fact is that sustainability targets are typically very hard to measure, and also hard to implement.

In 2018, we articulated our Sustainability Goals. As well as traditional sustainability aspects such as electricity, water usage and packaging, we looked at equality and societal impact. We originally set big, bold goals such as:

By 2025:

- 100% Renewable Electricity in Breweries

By 2030:

- 100% carbon neutrality in breweries
- 30% Scope 3 reduction
- maximum of 2.75 litres of water used to brew 1 litre of beer
- 100% ingredients sustainably sourced
- 100% packaging reusable or recyclable
- equal share of women in leadership
- 20% share of non-alcoholic products

By 2050:

- Carbon neutral/net zero across the value chain

“When it comes to ESG, it is important to set big, bold goals... it's better to aim high and fail a little bit rather than aim low and overachieve.”

Surprisingly, when we looked at our own carbon footprint, it became evident that we were only part of the story, with much lying both upstream and downstream of us in packaging (packaging companies), in cooling (pubs and stores), and in transportation (logistics partners). Getting our own house in order and fixing our own breweries therefore had an important but only limited impact (see infographic).

This is a key point because it addresses the need for collaboration among the links in the value chain and other stakeholders in society. I believe that no single organisation, category, or industry has the intellectual muscle and financial capital to solve these problems on its own. Open sourcing, sharing, collaborating, and working with like-minded organisations are key to successfully tackling sustainability challenges. Together we can go further and faster.

These are ambitious goals, especially considering that you discover the path as you travel along it. How did you get started?

Having set out the targets and gained an understanding of what our carbon footprint looks like, we felt it was important to start small and practical. We had to convince ourselves as well as the stakeholders that these goals were achievable.

PLANET approach from grain to glass



% represents CO2 impact across the whole value chain

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In the Czech Republic, we have a program called For Hops, which is all about water management and regenerative agriculture in hop farming. Our program with the hop farmers is an innovative collaboration with the hops association, agriculture experts, Czech Agriculture University, technological start-ups, and Microsoft, which applies AI to help hop farmers become more efficient from sustainability as well as cost perspective. The reason that we do this is because we care about hops, and the reason that we care about hops is that not only Pilsner Urquell sources from Czech hops. But also, all of ours' and other brewers' beers around the world use hops from the famous Saaz region.

Another example is Campus Peroni in Italy. Italy is one of three markets where we work directly with barley farmers. Again, we work with the barley farmers to increase their knowledge of their business to make them better businesspeople, enabling them to supply us with better crops on a more sustainable basis. We also put solar panels on our trucks and on the free space that we have in and around our breweries. And we work with pubs downstream of us by applying technology to help them identify water, CO2, and energy leakage in their tapping and cooling systems. This helps them spend less money, which in turn strengthens our relationship with them and ultimately helps the planet.

The infographic above shows that the largest part of your carbon footprint (40%) comes from packaging. How are you addressing this?

Packaging is the primary source of carbon usage in our supply chain, so it needs to be a focus for us. Kegs and tanks (which are very large kegs) are by far the most sustainable packaging type. Returnable glass bottles (RGB) are also very sustainable, but they are more expensive. An RGB costs around 10-15% more than a one-way glass bottle, but we can reuse that bottle 15-22 times, and after they can be recycled into new bottles. With glass, the actual primary carbon impact is when the bottle is produced, so the fewer bottles we make and the more we reuse them, the less waste we create and the better for the planet and cost control over packaging.

In general, when it comes to one-way packaging, such as cans, we are strongly in favour of Deposit Return Systems (DRS). We work with government regulators and other partners in the supply chain to enable DRS across our markets. If we could have one wish, it would be at least a similar DRS in every market, as it is primarily a system for Extended Producers' Responsibility when we as producers are responsible for the packaging management. Unfortunately, even in the European Union, every market regulation seems to be rolling out a different DRS system, and we need to find a way to work with every one of them.

We've talked about the beginning of your sustainability journey, but how have you progressed on your sustainability goals? Are they going according to the plan?

We have pretty much achieved our 2025 goal of sourcing 100% of our electrical energy through green electricity, and utilizing VPPAs (Virtual Power Purchase agreements) has been a keyway of both meeting this target as well as assisting in the acceleration of green electrical capacity in the market.

We are making progress on the journey towards Scope 1 and Scope 2 reduction and 30% Scope 3 reduction. We are well on the glide path to getting to that total level of carbon by taking molecules out of the supply chain. We think that by the time we get to 2030, we may not quite be at 100% neutrality on Scope 1 and Scope 2, as we still, in many aspects, have to rely on the available technologies, infrastructure, as well as regulation, but we can advance on Scope 3.

We are well on the way to 100% recyclability in packaging. The more we can get deposit return systems in play in the markets, the better we will do on this target. We're doing well on sustainable agriculture; I mentioned some examples earlier, such as the For Hops Program and the Campus Peroni. Again, we are pretty much on the glide path.

Our focus on gender equality is generating a significant increase in female executive leaders. We might not achieve 50/50 by 2030, but we are currently at 30% after just five years of tracking, and when we started we were at just 19%.

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You also have a goal of making 20% of your portfolio non-alcoholic, which seems to play into the larger global trend of Health & Wellness. Can you give us a perspective on this?

There is a massive global trend in health and well-being, which in our industry translates into a trend for moderation and non-alcoholic consumption. People are much more interested in what they ingest, so non-alcoholic beverages play into that space more naturally. For example, in places such as Central Europe, people understand that beer is a natural product that happens to have alcohol in it. If we can take the alcohol out, it's a natural beverage—water, barley, yeast, and hops.

There is also an attitude shift in the younger generation, which is driving the growth of non-alcoholic consumption. Moderation is cool for the younger generation, and I think social media plays a part in that trend, because today if one is captured intoxicated on an Instagram post, it is there forever. A very different social impact to that on past generations. As behaviours change, we have also learned how to produce fantastic-tasting non-alcoholic beers that lead to better choices being available. When we started our journey in 2019, the non-alcoholic part of our portfolio was less than 3% of our total by volume—today it's almost 7%. We can see a journey to 9 or 10% over the next three years. I'm not sure that we will get to 20% by 2030, but if we can get to 15% by then, it will be significantly more than I would have believed possible at the outset of this journey.

“Our overarching priority is not to get people to drink more but to get people to drink better.”

When it comes to talent and the evolution of the AEI organisation, do you see an impact from your sustainability efforts?

I see sustainability as a competitive advantage—not so much in the battle for the bottle, but certainly in the war for talent. When I interview people for our organisation, I increasingly find that they end up interviewing me about our sustainability efforts.

“A strong sustainability approach is a definite competitive advantage when it comes to the war for talent, especially for the younger generation and for female leaders in general.”

How do you ensure that the sustainability goals remain a top priority for the organisation, and especially the executive team?

In short, we link it to performance.

We had a lot of internal discussions, especially with the young leaders that we had sent to One Young World. They came back with strong ideas and essentially said, “You are talking about sustainability and these high goals, but unless you start to change the way we operate in terms of our innovation process, CapEx allocation, the way we measure profitability, and ultimately the way we incentivise leaders, it's just talk.”

That resonated but it took us a while, until about two years ago, to get to what we call Sustainable EBITA. As a result of Sustainable EBIT, we changed the long-term incentive for every eligible leader—including myself – to include sustainability measures.

Essentially, what we do is add the notional cost of carbon and of plastic to our P/(L) on any decision we make. We assume that there will be carbon and plastic taxes at some point in the future, and the Sustainable EBITA models are fast-forwarded to that future state. Essentially, this alerts leaders to the fact that what looks like a sound economic decision today might not be so great in five to ten years from now, when the potential environmental and social consequences are fully factored in.

I am convinced that as we get closer to the first payout of our first sustainability-linked LTI, people will start to really focus on more impactful solutions going forward, and that's the point! I think we will get real traction from senior leaders from then onwards.

Is your approach to sustainability working?

It is beginning to work, and we are gaining momentum. It's not perfect but if you look for perfection, you will never start.