

## **Working Research Paper: Sustainable Business: Materiality and Molson Coors**

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### **Introduction**

Former Coors Brewing chairman, Bill Coors, was ahead of his time in the sustainability world. Mr. Coors is known for his philanthropic endeavors in Colorado, the home of Coors' headquarters since pouring its first pint in 1873 (Miller Coors, 2018). About his focus on the environment, Mr. Coors once said, "Waste is a resource that is out of place" (Mother Nature Network, n.d.). Although it is well documented that the Coors family has conservative political views, in 1995 it became the 21<sup>st</sup> major company in the United States to extend employee benefits to same-sex partners" (Fuller, 2018). With a historical focus on reducing waste, philanthropy, and employee rights, it should be no surprise that Miller Coors, the company formed from the merger of Miller and Coors in 2008 and now owned by Molson Coors, has been voluntarily submitting sustainability annual reports to the Global Reporting Initiative since 2009 (Molson Coors, 2019c).

Although Coors is considered iconic American and Coloradan brand names its parent corporation, Molson Coors, is a Canadian company with 50 locations around the world (Molson Coors, 2019c). With the global reach of the organization, being a leader in sustainability ensures the organization exceeds sustainability standards in all the countries it operates. Molson Coors' mission is to promote the wellbeing of individuals and the communities where they do business; one of their corporate themes, both in their GRI report and on their website, is doing business the right way. In 2017, Molson Coors enhanced the company's materiality assessment to include all business units in its portfolio of beverages, and used this assessment to set a companywide sustainability strategy and the current 2025 ESG goals (Molson Coors, 2019a).

### **What is Materiality?**

Materiality goes beyond listing company values and compliance statements, but like these two business elements, ESG considerations and GRI filings are beginning to be expected as ordinary business activities, and are no longer just a separate function within the organization. Materiality defines a statement of what the company sees as important to control and

monitor. An example of this would be a comparison of a bank and a brewing company, like Molson Coors. While both should incorporate the ESG considerations of water stewardship and data security in their operations, failures of governance around data security are far more harmful, or material, to the underlying business of the bank than to the brewing company since a breach of data security can lead to a substantial loss of customers for the bank. Conversely, while every employer should seek to reduce water consumption, it is a far more material consideration to the operations of a brewing company than to the bank. Once they have defined what the material considerations are, companies ideally will incorporate such considerations into everything they do to ensure sustainable business operations, a sustainable planet, and a sustainable economy.

That being said, materiality considerations, GRI filings, and ESG standards do not imply a company is only in the business of doing good for the world. Materiality focuses a company's efforts to minimize risks that may stem from damaging different aspects of ESG. For example, in the case of Molson Coors, if the company was not seen as a water steward in its brewing processes, negative PR could result or worse, water could become scarce for their breweries in the areas they operate in.

While having a materiality assessment is a good start, actions normally speak louder than words. For Molson Coors, who brews over 90 million hectoliters annually (about 2.4 billion gallons) with net sales near \$11.0 billion in 2018, actions and performance align with materiality in five categories. Using their materiality matrix as a guide, alcohol responsibility, water stewardship, sustainable packaging, sustainable agriculture, and business ethics and governance<sup>1</sup> all fall into the high importance to stakeholders and high impact to the business category (Figure 1: Materiality Matrix, Molson Coors, 2019d).

*All data presented below in this paper is from Molson Coors ESG 2019 (Molson Coors, 2019a) report unless otherwise noted.*

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<sup>1</sup> **Business Ethics and Governance:** Coors has a large focus on management accountability and management risk. This is primarily focused on values, accurate reporting, and anti-corruption measures. This area is not discussed in this paper since it is not aligned to Sustainable Development Goals but is listed as a material topic under Economic Performance and Anti-Corruption in the GRI report.



### **Responsibly Refreshing: Alcohol Responsibility**

Molson Coors refers to alcohol responsibility in their GRI report as “Responsibly Refreshing.” Their goals include working to reduce alcoholism by 10% worldwide and informing consumers of their choices by putting accurate labels on products so consumers can see alcohol content and other ingredients. An additional way to encourage responsible drinking is introducing new low- and no-alcohol choices in all countries where they brew and operate. Ensuring responsible drinking is a perfect example of how material ESG goals can be achieved without negative financial impacts. Molson Coors does not want to create a negative image for the company due to the misuse of its products as has recently come into the spotlight for JUUL, a vaping products company (Aubrey, 2019). JUUL has marketed to young people and their product has known quality issues. By ensuring people use Molson Coors products responsibly, the company hopes to avoid falling into a public relations nightmare which could risk the company’s economic sustainability.

By actively working towards addressing alcohol responsibility, denouncing drinking and driving, and promoting their products with appropriate ages (legal drinking ages), Molson Coors is demonstrating how they manage the good health and wellbeing of their customers. Drinking responsibly aligns to the United Nations Sustainable Development Goal (SDG) of Good Health and Wellbeing by ensuring healthy lives and promoting well-being for all ages (Molson Coors, 2019d).

### **Sustainable Brewing: Water Stewardship**

Molson Coors, like many companies around the world, has committed to reduced emissions and, material to Molson Coors, water stewardship. Molson Coors’ goal is to reduce water use by 22% and work with local communities to protect water resources by 2025. This material goal is aligned to the SDG of Clean Water and Sanitation (Molson Coors, 2019d). Molson Coors measures water performance by the “intensity of water used per unit of beer produced” (Molson Coors, 2019c), and their 2025 goal is to reach a production ratio of 2.8 gallons of water required to produce each gallon of beer ratio. Their current water-use ratio is 3.52, a 1.3% decrease compared to 2017. Water stewardship is another area where doing “good”

for the planet leads to doing well financially, since reducing the input cost of water should lead to greater operating margins.

Molson Coors conducts watershed risks assessment for each brewery it owns, and then works to improve poor water management in high-risk watersheds. The equation is simple: without water, there is no beer. Therefore, reducing water use either through improved training or more efficient processes is a key part of financial sustainability. By effectively managing watersheds in their brewing communities, the environmental impact of production is reduced and communities benefit from sustainable water sources. A win for ESG and a win for the bottom-line.

### **Sustainable Brewing: Sustainable Agriculture**

Sustainable agriculture and water stewardship are linked in beer production, as a large part of the supply chain uses water to grow barley and hops or is a direct input into the manufacturing process. Molson Coors measures its water footprint to better achieve the SDG goals of Sustainable Agriculture (Molson Coors, 2019d). Sustainable agriculture is a critical part of their business plan as well, since green agriculture practices can reduce price volatility and risk in their supply chain. In addition to a goal of sourcing 100% of their barley and hops from sustainable sources by 2025, in 2018, they updated their guidelines and metrics to track ingredient suppliers' performance to include pesticide use, GHG emissions, nitrogen and water use, and yield.

### **Sustainable Brewing: Sustainable Packaging and Reduced Waste**

38% of emissions for Molson Coors is driven by packaging, and reducing emissions is aligned with the SDG for Clean and Affordable Energy (Molson Coors, 2019d). Their goal is to reduce emissions by 6.88 kCO<sub>2</sub>e/hl by 2025, or 26% from 2018 numbers. Coors has been a pioneer in packaging as one of the early proponents of aluminum cans (Miller Coors, 2018). By 2025 the company plans on having 30% of their plastic packaging content from recycled

materials, and make 100% of their plastic packaging reusable, recyclable, compostable or biodegradable.

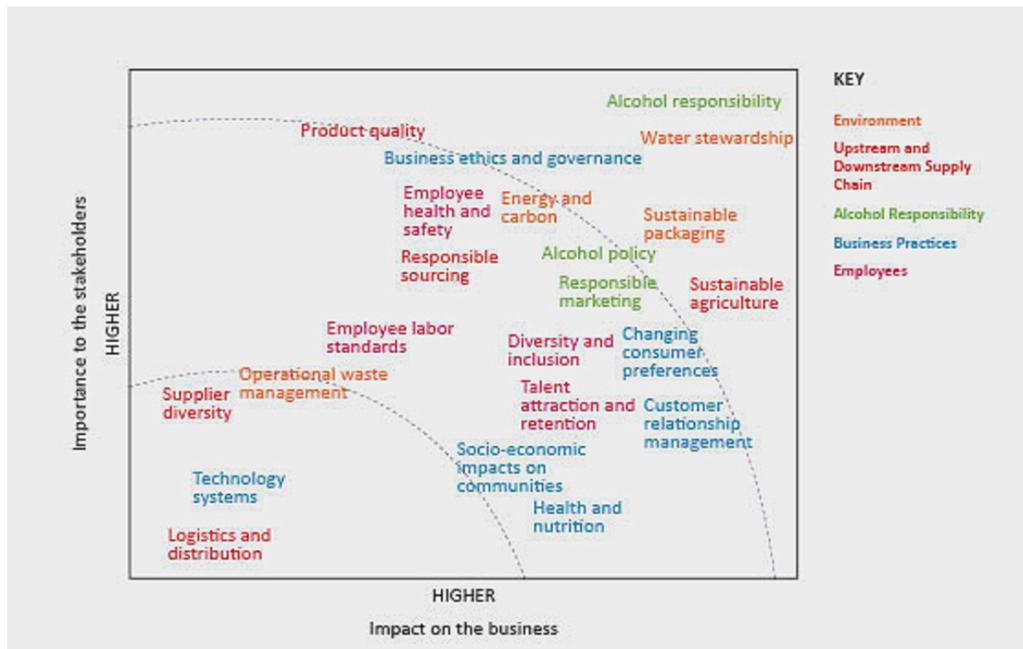
Similar to their water usage metrics, Molson Coors measures energy and carbon by the intensity used for the amount of beer produced. By 2025, the company has a goal to reduce carbon emissions by 50% in their operations, and partner with suppliers to reduce it by 20% throughout the entire hops-to-store lifecycle. It appears the company is well on its way to meeting goals to reduce energy use: they have decreased usage by 4.4% since 2017.

Working towards zero-waste in their brewing and manufacturing facilities, the company “reduced the amount of waste disposed in landfill by 17% compared with 2017” (Molson Coors, 2019a, p.12). 17 Molson Coors sites have attained zero-waste to landfill goals. Zero-waste and improving their packaging fall under the SDG of Responsible Consumption and Production (Molson Coors, 2019d).

## **Conclusion**

Today the changing landscape of Environmental, Social, and Governance interests is seeing a wave of momentum (Ingram et al, 2019). Fifty years ago, the role that business should play in the community was ill-defined and in many cases, non-existent. Today, companies like Molson Coors have taken stock of their values, and as stewards in their communities, incorporate them in everything they do and the underlying business decisions they make. It is easy to see what Molson Coors cares about: ensuring their products are used responsibly and sustainability is a key part of their supply chain. To track their performance against their goals, Molson Coors publishes an annual report entitled “Our Beer Print”, a report on how the company works with, rather than against, communities and the environment, which measures all the categories listed on the GRI report. Molson Coors has a history of paying attention to ESG issues to create value for their stakeholders in the long-term. By focusing on the material issues that are most relevant to Molson Coors, specifically water and consumer health, they are also able to create a sustainable business strategy that positively impacts the company’s bottom line while conserving natural resources.

**Figure 1: Materiality Matrix, (Molson Coors, 2019d)**



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