

Business Better (Season 4, Episode 6): Sustainability Spotlight – A Conversation with Aramark

Speakers: Brendan Collins and Alan Horowitz

Steve Burkhart:

Welcome to Business Better, a podcast designed to help businesses navigate the new normal. I'm your host, Steve Burkhart. After a long career at global consumer products company BIC, where I served as Vice President of Administration, General Counsel and Secretary, I'm now special counsel in the litigation department at Ballard Spahr, a law firm with clients across industries and throughout the country.

This is the first episode in our new Sustainability Spotlight series, highlighting the sustainability efforts that businesses are taking to combat climate change and other environmental challenges. This episode features a discussion with Alan Horowitz, Vice President of Sustainability at Aramark, a leading global provider of food and facilities services. Alan provides insight on Aramark's "Be Well. Do Well." ESG platform. We also discuss Aramark's goal to reach net-zero emissions by 2050, and what they're focusing on in order to reach this goal. Speaking with Mr. Horowitz is my Ballard Spahr colleague Brendan Collins, a Partner in Ballard's Philadelphia Office and Leader of the firm's Manufacturing and Consumer Products Industry Group. So now, let's turn the episode over to Brendan

Brendan Collins:

Hello and welcome to Ballard Spahr's Sustainability Podcast. I'm your host, Brendan Collins. I'm the leader of the manufacturing and consumer products group here at Ballard Spahr. And today I'm very happy to have with me a special guest, Alan Horowitz, who is the vice-president of sustainability for Aramark. Hello, Alan.

Alan Horowitz:

Brendan, how are you? Good to see you, and thanks for inviting me to this.

Brendan Collins:

Well, we're thrilled to have you. Aramark is an extraordinarily interesting business, particularly in this sustainability sector, and we are very happy to have you here with us today to discuss the company's program. But before we get started, can you tell us a little bit about yourself, your role at Aramark, and how you wound up in the sustainability business?

Alan Horowitz:

Sure, I'll keep this brief. So I am the vice-president of sustainability, as you mentioned, so that involves leading the team of professionals that have responsibility for driving, embedding, and helping the company deliver our sustainability commitments across the globe. We drive what we call the planet components of our overall ESG sustainability platform, Be Well. Do Well., and we can get into the details of that. My team also is responsible for enabling and facilitating, promoting the governance around ESG reporting, data collection, carbon accounting, external engagement with the raters and rankers, if you will, board collaboration and the like. So it's really a connectivity between the substantive sustainability programs that we're progressing and the governance around that.

Brendan Collins:

Well, for our listeners who may not interact directly with Aramark or may not be aware that they're interacting directly with Aramark, could you tell us a little bit about the company and its business?

Alan Horowitz:

Sure. Aramark, as I said, a global company providing food service and hospitality across a variety of sectors, including collegiate colleges and universities, our sports and entertainment business, workplace, K-12, student nutrition, healthcare, corrections, and destinations. We have a very prominent destinations business where we're leading and operating many of the National Park service sites and beautiful places like Yosemite. So we are operating across many sectors of the economy probably so.

Brendan Collins:

And given that broad range of businesses that you serve, how does Aramark establish and pursue its sustainability goals?

Alan Horowitz:

It's complicated. We have, as I mentioned, a platform that we call Be Well. Do Well., that is a very intentionally a people and planet set of commitments that by definition intersect across all of our work. So everything from safety to our diversity, equity and inclusion programs, our community engagement work, our healthy eating initiatives, and then our core planet focused pillars around food waste, circularity. In other words, our efforts to reduce our reliance on single use plastics and the like, efficient operations, so energy efficiency, water efficiency, and a quite sophisticated program that covers our sourcing, our responsible sourcing initiative.

So there's an ethical sourcing component of that driving where we drive our diversity related commitments and also a sustainable sourcing component of that where we're promoting our animal welfare related targets, otherwise driving the planet focused programs into our supply chain. And underpinning all of this is our quite focused effort to reduce our greenhouse gas footprint. We have a science-based target that we received validation for last year and are now very much in the process of building a pathway around that and implementing it. I should also mention, we can get into this, the part of our climate strategy involves our commitment to reduce our food emissions, in particular 25% by 2030 in the US under the framework of the World Resources Institute's Coolfood Pledge. So that is, as we'll discuss, food is a material component of our greenhouse gas footprint and we have a very focused effort in that space.

Brendan Collins:

So let's unpack that a little bit, people address Scope 1, Scope 2 and Scope 3 emissions. There are some companies that focus on Scope 1 and Scope 2 emissions, but don't include Scope 3, but Aramark does involve targeting Scope 3 emissions as part of its core program. Is that right?

Alan Horowitz:

Scope 3 is 99% of our greenhouse gas inventory. So we'd be remiss if we did not address that component of our emissions. So our science-based target is across all scopes. We have a set of near-term targets that take us to 2030 and then a 2050 net-zero target. So our programs, our initiatives are by definition encompassing all three scopes.

Brendan Collins:

Now 99% is a pretty big share of the company's emissions. Can you tell me a little bit more about how those Scope 3 emissions come about?

Alan Horowitz:

Sure. In effect, about 70% of that Scope 3 is associated with our purchased goods and services, and the largest component of that is the food, the food we buy and serve. And that's not surprising given the way we operate or the services we provide. So you look back into the supply chain and that footprint. Another significant component of our Scope 3 is associated with our operations at client locations. So the way we run our business, we are working in the houses of our clients, under other people's roofs, so there is a component of our emissions associated with the operations that we are carrying out day in and day out.

So between those two components, and there are other elements, food waste is a surprisingly relatively small component of our overall footprint. It's about two or 3%. That surprises some people. There's often a default to assume that food waste is a large contributor to a company like ours footprint. That's not to say food waste isn't a focus of ours, for a variety of reasons, we can get into that. But from a greenhouse gas inventory perspective, it's actually relatively small. So it's purchase goods and services, it's emissions at client locations, and then several other components that comprise our Scope 3.

Brendan Collins:

And so you serve a number of different industries, you highlighted a couple of the education industry, the sports and entertainment industry, and you do work in food service, but you also have other services that you provide to these organizations. Is that true?

Alan Horowitz:

Yeah, food is the predominant component of our work. We have a facilities business where we're providing operation and maintenance, landscaping, and other facility maintenance and management related services. There's certainly a component of our sustainability commitments that are associated with that. As I mentioned, we have a very prominent destinations business where we're operating any number of national park service sites, the destinations that we are as a country quite proud of, including Yosemite in particular, and many others. So the scope of our operations and the connectivity to our sustainability agenda is diverse, but particularly from a greenhouse gas perspective it's primarily through the lens of our food service operations.

Brendan Collins:

Tell us a little bit, if you will, about some of the shorter and longer term goals that Aramark has. You've mentioned the Coolfood's goal, which is, I think you said, has a 2030 horizon. What are some of the other goals you're aiming for?

Alan Horowitz:

I'll come back to our greenhouse gas commitments in a moment, but let me touch upon some other aspects. We have a number of sourcing related commitments in the animal welfare space, deforestation related, cage-free eggs, better chicken commitments, so there's a lot of work going on in that sourcing space that goes beyond just food and climate, obviously it's all interconnected. We have some very ambitious and proud goals and targets around extending our spend with diverse businesses, local businesses. So there's a whole component of our agenda that is about our sourcing commitments.

We also have a commitment, a target, to reduce our food waste by 50% by 2030 in line with the USDA's program. We are setting, as we speak, and implementing very ambitious targets when it comes to circularity. So our commitment to reduce our reliance on single use items to both elimination where we can, but certainly reduction with more environmentally preferable, compostable and the like alternatives. We are in the process of promoting reusable programs as those options evolve. We actually just introduced within the last several months a turnkey reusable service wear service in our headquarters facility here in Philly. So there are lots of opportunities in that space.

Brendan Collins:

That's a very diverse range of commitments and we sometimes get overly focused to the climate change chase, which is easy to reduce to numbers and percentage reduction commitment, things like that. What you have just described is a really long roster of efforts that seem, from my perspective, to be less easily quantifiable, certainly more difficult to compare in a uniform way to what other companies might be doing. Is that true?

Alan Horowitz:

That's an accurate statement, Brendan. The reality of it is our operations have to be understood through the lens of what we're doing day in and day out at our client locations. And what I always say and certainly what we embrace is that our ability to deliver any of these commitments or even to set priorities in many respects is a function of the partnerships and collaboration

we have with client, what those clients are embracing themselves. And you have lots of companies, of course, that are adopting their own science-based targets and zero waste commitments and the like, colleges and universities doing the same. The healthcare industry is really embracing the sustainability agenda. Of course, protection of our lands through the lens of our destinations business is prominent. So our commitments, our entire strategy is sort of... Not sort of. It is built off the platform of all of our operations across our different client sectors, but we have to at the same time prioritize our programs, understand who we are, what we want to achieve, and then connect the dots between those commitments and our clients while ensuring that we're maintaining a proper foundation or baseline or set of guardrails for ensuring that if you bring in Aramark to provide your food service, you know what you get, and how we then deliver that becomes a function of the planning and execution that we do on the ground every day with our clients.

Brendan Collins:

So in terms of the more easily quantifiable commitments then where are you with respect to those greenhouse reduction, the science-based targets that you've described earlier?

Alan Horowitz:

So we've secured validation of our science-based targets last summer. We are building and executing a pathway to their delivery. We published in the most recent version of our Be Well. Do Well. progress report that came out at the end of January, a emerging pathway to net-zero that actually quantifies these different component parts and provides that lens that I just shared about where we are relative to Scope 1, 2, and 3 in particular demonstrates how prominent the PG&S, the purchase goods and services, component is for us. And, in parallel, working towards this Coolfood Pledge, we are working feverishly on both the supply and the demand side. And I think it's important to think about that, particularly through the lens of food emissions. So our ability to drive down that purchase goods and services number and ultimately get to net-zero is a function of both addressing what we're buying and working with our supply chain to over time hopefully reduce the carbon intensity of what we buy.

But, in parallel, providing consumers with a broader range of options, and in particular plant-forward options, plant-based options that without restricting choice we hope will nudge and drive behaviors towards options that are delicious and compelling and as flavorful as any menu offering we can provide but have reduced carbon footprint. And we can get into the details, but that's the essence of our Coolfood program that we've embarked on in partnership with the World Resources Institute. And that program is being expanded rapidly as we speak to helpfully move the needle on our food emissions platform and our performance.

Brendan Collins:

That highlights the really delicate balance on that scale because your success in reducing emissions depends not only to some degree on what your clients, the institutions that bring you on campus or to the park or wherever you're serving them, but also the choices that the person in line with the tray makes in choosing his or her own meal.

Alan Horowitz:

Precisely. You've hit the nail on the head. There's only so much that's within our control and we're actually working very intentionally again with the World Resources Institute, and they have a playbook for this type of program with our culinary teams, our chefs, those folks across Aramark who are building the recipes and the menu options and making decisions on what to serve, where to serve, how to serve that we hope will help shape that kind of behavior. But, again, at the end of the day, we want to be a service provider of choice, and that means providing consumers with what they want and we're not restricting options, but also through education and, as I said, behavioral nudges and continued excellence and how we build flavorful plant-forward recipes that over time we'll see that footprint reduce.

Brendan Collins:

Does product labeling play much of a role in that strategy? How do you communicate those changes to your ultimate audience, which is past your client?

Alan Horowitz:

The Coolfood Meals program is actually a branded labeled initiative. So through marketing collateral and promotions and very visible tagging of Coolfood options, we can promote it that way. And that's on the demand side, the consumer facing side, we have programs as well that are focused on tagging what we buy, and making sure that that's visible to us as we make choices on the supply side. So it's a hybrid of initiatives all designed to reconcile our sustainability commitments, our Coolfood Pledge, our science-based target with our commitment to be the food service provider of choice in a way that is aligned with our Be Well. Do Well. framework, and specifically our pledge and our commitment to reduce the food emissions of our operations.

Brendan Collins:

So you mentioned earlier that many of the clients of Aramark have their own goals, their own achievements. How does the company essentially split credit or otherwise arrange expectations to support the efforts of the customers under whose roofs you operate with Aramark's own goals?

Alan Horowitz:

The bottom line is what we do in the sustainability space is a partnership with our clients. So, yes, we have lots of colleges and universities, companies, healthcare providers, you name it, who have their own set of commitments. They may be also their own net-zero targets, their own waste reduction objectives, some have zero waste platforms. So our job as we pursue new partnerships or build on existing ones is to collaborate with those clients, understand where the connections are, where the programs are aligned, where they're not, have those discussions, and build a plan around them, and then ensure that day in and day out we are operating in a manner that is driving delivery of those commitments. To your earlier point, some are more readily quantifiable than others, and we can have food waste goals that can be tracked, particularly back of house food waste numbers.

We can have collective targets around emissions on site, but it's easier, we can quantify actually those food emissions. At times it's harder to quantify the emissions associated with our operations because we may not have sub-metering that's focused on our own activities. So these are nuances and complexities that we do need to manage, but, at the end of the day, our ability to deliver on our commitments is directly and dependent, in fact, on the partnerships that we build with our clients. And as you say, it's a heterogeneous client base, and the nature and extent and degree of the commitments of those clients can vary substantially. So it's about day in and day out working on the ground to connect the dots and hopefully pursue this sustainability journey together.

Brendan Collins:

Well, how do you see Aramark's programs evolving over the next few years, and are there trends in the industry that you're watching very closely?

Alan Horowitz:

We're always watching trends. Of course, we have a close eye on the regulatory developments. We can talk about the SEC's climate disclosure rule that was finalized the other day, there are European regulatory reporting requirements, CSRD in particular, there's the California rule, and then there are a host of municipality or state local regulations emerging in the circularity space, single use plastics, food waste. So we're continuously of course monitoring those developments, and engaged in the policy development work where it makes sense too. We're actively involved with a number of NGOs trying to drive progress across a number of those areas. So we're looking outside, but we're also of course continuing to look inside and understanding from a materiality perspective, a prioritization perspective, what makes sense, where Aramark should be focusing its effort, Be Well. Do Well. as a platform is a reflection of materiality work we did several years ago. We are actually

coming up on the five-year timing framework of that current set of goals and are about to embark on a strategic initiative to refresh those goals.

And those will be informed by core classic prioritization or materiality reviews that are often behind them. And in particular now with the CSRD double materiality framework, we expect to use that at least in part to inform what makes sense, what matters for Aramark, what matters for Aramark's clients and consumers, what matters for all of our stakeholders. Our stakeholder community is vast, from investors to students buying food each and every day on college campuses and everyone in between. So our job is to look inside, look outside, and align on a set of priorities that makes sense for us, while being careful that we don't complicate things in a way that would undermine our progress. We want to be focused on the right things and make real tangible progress.

Brendan Collins:

So you mentioned a few different regulatory frameworks that have emerged or not emerged on climate reporting specifically. You mentioned the SEC's rule on climate reporting, which came out a few days before we recorded this podcast, and most notably the SEC decided to exclude Scope 3 emissions. You mentioned the European Union's Corporate Sustainability Reporting Directive, the CSRD, that is a different flavor and certainly would incorporate the holistic reporting style that Scope 3 emissions reflect. And, in addition, we have California's pair of climate disclosure rules that are still working their way towards implementation and being fully fleshed out as to what that means, but certainly a wide net that captures many companies and that also includes Scope 3 emissions. So what are your thoughts about how those mandatory reporting frameworks address or create challenges for a company, even a company that is as focused on reducing Scope 3 emissions as Aramark is?

Alan Horowitz:

It's a complex world. The reality of it is that we have to walk and chew gum at the same time. We've got to keep a clear eye on these emerging frameworks, ensure we are positioned to comply regardless of the differentiation, and we can get into the details of how CSRD, SEC, California compare and contrast. But the bottom line is there is a common denominator here. Scope 3 is covered, as you say, by California and CSRD, and, of course, it's covered by us. We've made a firm commitment in this space, we are investing in carbon accounting software and other initiatives to ensure we understand our footprint clearly, that we can communicate that footprint effectively and transparently, and that we're accountable for where we are and where we're going. 2050 net-zero targets are easy in quotes to secure, they're much harder to deliver. And our obligation is to not only commit to delivering them, but to demonstrate year in and year out how we're doing.

That's important for us in the governance that we deploy internally. I am accountable to our leadership, our board, our people, to be able to demonstrate where we are and where we aren't against those targets because those are the public commitments. So back to your question, the regulatory framework is getting more complicated, for sure. We have to ensure that we have the right attention to those requirements, that we're in a position to comply, but that's not what's driving us frankly. Our goals and our programs are driving us, our commitments to our clients, as we've said, that are quite sophisticated and diverse and expect a lot of us, and just like we expect a lot of ourselves. So I hope that over time the twain shall meet, that what we need to do to comply with CSRD, SEC, California, and other requirements that are yet to emerge, and we can speculate on where those will come from, while delivering against these commitments.

This is hard work and we don't have all the answers. I think it's ignorant to suggest that companies who have secured net-zero targets necessarily know exactly how they're going to get there. Scope 3 as a reflection of the intense debate that SEC I'm sure went through in terms of whether to include it. It's a reflection of how complicated and still uncertain Scope 3 accounting is and how changeable it is. So the external policy environment is important for driving consistency and expectations, and certainly through the lens of investors and other stakeholders, but our programs are a function of our mission, our commitment to do the right thing, to protect and enhance the health of people and the planet.

Brendan Collins:

Well, I think there's no better way to end this podcast than on that note. I want to thank you for sharing your time with us, for breaking down for us in an understandable way the very complicated problems that companies can face in this area when they really roll up their sleeves to tackle sustainability issues. So thank you.

Alan Horowitz:

My pleasure, Brendan. Enjoyed the chat. And thanks for the opportunity.

Brendan Collins:

You bet. And I hope we'll have you back someday to hear more about how Aramark's been doing on this subject. To you and our listeners, I wish a very pleasant day, and thank you.

Steve Burkhart:

Thanks again to Brendan Collins and Alan Horowitz. Make sure to visit our website, www.ballardspahr.com, where you can find the latest news and guidance from our attorneys. Subscribe to the show in Apple Podcasts, Google Play, Spotify, or your favorite podcast platform. If you have any questions or suggestions for the show, please email podcast@ballardspahr.com. Stay tuned for a new episode coming soon. Thank you for listening.