

Memorandum of Understanding (MoU) on the provision of nutrition information & ingredient listing of spirits drinks sold in the EU

1st Implementation Report

Rollout progress during Phase I (until 31 December 2020)

May 2021

Executive Summary

Europe's spirits sector has successfully delivered on the first milestone commitment of the Memorandum of Understanding (MoU). Notwithstanding the unforeseen difficulties and challenges presented by the COVID-19 crisis, rapid, consistent rollout progress was achieved on the commitments made in 2019. By the end of Phase I on 31 December 2020, around 25% of all hl and all 700ml bottles of spirit drinks released on the market in the 31 countries analyzed (EU-27 plus UK, Switzerland, Norway and Iceland) included on-label energy information in conformity with the MoU, delivering real added value to European consumers.

While a good deal of the progress in the rollout of energy on-pack labels has been driven by larger brands sold in high volumes, a growing number of smaller producers have also enacted label changes in line with the MoU. Roll-out speed and progress varied between countries. While a number of countries significantly over-achieved on the committed threshold, more progress will need to be made in Phase II in those countries in which progress has been slower and the threshold could not yet be reached.

Further significant progress can also be observed by looking at other key parameters of the MoU: more and more producers have started to report on compliance intent and roll-out and more and more trade associations have signed up to the MoU since 2019, thus widening the geographical reach and impact of this landmark co-regulatory initiative in the EU.

Rapid progress has also been achieved in key initiatives to provide digital consumer information. The spirits sector has teamed up with the wine sector to build a bespoke E-label Platform to allow the development of tailored e-labels in an easy, reliable and cost-efficient way. The moderate cost structure will enable producers of all sizes, and SMEs in particular, to participate to create e-labels. The beta-version of the Platform, which is entirely financed by private means from the sectors, will be piloted in Q2/2021 for full operational deployment shortly thereafter.

In Spain, the national trade association has teamed up with GS1 Spain to develop a dedicated national digital labelling solution in line with the MoU's commitments. Thanks to the project, already today consumers can access product-specific information from their mobile phone by scanning the barcode. The project's rollout has been a great success, with 41% of spirits SKUs¹ on the Spanish market already providing on-line consumer information directly through this system.

The MoU has proven its value by providing the sector with an appropriate, harmonized long-term framework governing the provision of nutrition information & ingredient listing for spirits drinks sold in the EU. This, in turn, has enabled the sector to make rapid progress in the roll-out, bringing more and

¹ Stock-Keeping Unit (SKU)

more labelled products to European consumers with SKU-specific information included that goes well beyond what is currently mandated by EU rules.

In this context, it is important to keep in mind that label changes are a costly and complex process, particularly for globally traded brands. Whenever a producer of a spirit drink sold on a global scale decides to include energy information on the label, a regulatory due diligence review of up to 163 countries may be required. Nutrition labelling regulations vary across countries and compliance rules may apply, even if the placing itself can be voluntary (as is the case in the EU today). Thus, whilst many labels are designed to be shared across different countries, different rules on providing nutrition information add an additional layer of complexity to this process which can cost up to €60,000 for a global brand.

In terms of conception and implementation, the MoU can thus be considered a best practice example inspired by, and modelled along, the European Commission's *Principles for Better Self- and Co-regulation*.²

To build on, and complete, the success of this remarkable initiative, and to acknowledge the significant efforts and financial investments made by those producers implementing the MoU, it would be a fair and natural step for the European Commission to include the specific voluntary approach enshrined in the MoU as mandatory provisions in the upcoming proposal on food information to consumers that is expected for late 2022.

I. INTRODUCTION: MOU SIGNATURE, ROLLOUT & REPORTING PROCESS

Signed on 4 June 2019, the **Memorandum of Understanding on the provision of nutrition information & ingredients listing of spirit drinks sold in the EU**³ (hereafter referred to as: 'MoU'), formalizes the spirits sector's commitment to make nutrition information and ingredients listing available for spirits sold in the EU by the end of 2022 (on-pack and/or online). The MoU reflects the sector's ambition to go beyond current legal labelling obligations in the EU – under which alcoholic beverages above 1.2% ABV are exempted from providing such information – and make such information available in accurate, meaningful and transparent ways for the benefit of consumers. In July 2019, the MoU's signature and approach was endorsed by the European Commission in a **public letter**⁴ by EU Health Commissioner Vytenis Andriukaitis and EU Agriculture Commissioner Phil Hogan.

This document constitutes the **1st Implementation Report** on rollout progress of the MoU's commitments, in line with the reporting process outlined in the MoU until the end of its implementation period on 31 December 2022:

² <https://ec.europa.eu/digital-single-market/sites/digital-agenda/files/CoP%20-%20Principles%20for%20better%20self-%20and%20co-regulation.pdf>

³ <https://spirits.eu/upload/files/publications/CP.MI-098-2019-MoU-Final%20Version%20on%20website%20without%20signature-%204%20June%202019.pdf>

⁴ https://ec.europa.eu/food/sites/food/files/safety/docs/fs_labelling-nutrition_legis_alcohol_comm-letter_20190704.pdf

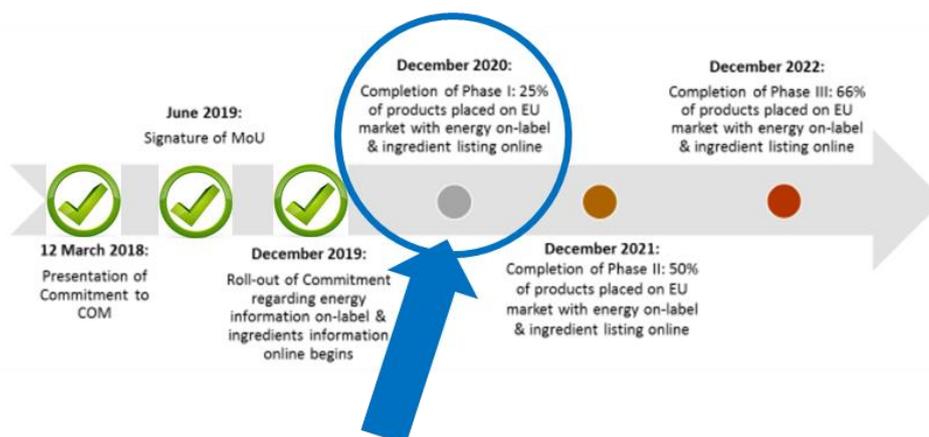


Figure 1: Rollout & reporting timeline of the MoU

- ➔ **Next steps foreseen for Phases II & III:** the **2nd Implementation Report** will be prepared in spring 2022, evaluating the rollout progress made in Phase II (i.e. until 31 December 2021). A **3rd Implementation Report** will be prepared to evaluate the rollout progress made in Phase III (i.e. until 31 December 2022).

II. DELIVERING ON THE COMMITMENTS

1. More & more energy-labelled spirits bottles (SKUs) are being placed on the market

Europe's spirits sector has successfully delivered on the first milestone commitment of its MoU. Notwithstanding the unforeseen difficulties and challenges presented by the global COVID-19 crisis, by the end of Phase I on 31 December 2020, it is estimated that, on average, around 25% of all hl and all 700ml bottles of spirit drinks released on the market in the 31 countries analyzed (EU-27 plus, UK, Switzerland, Norway and Iceland) included on-label energy information in conformity with the MoU, delivering tangible added value to consumers.

Market data analysis confirms that a good deal of the progress in Phase I has been driven by larger brands sold in high volumes, many of which have been among the first to update their labels in line with the MoU. At the same time, a considerable – and growing – number of smaller producers have also reported on label changes in line with the MoU.

While the overall roll-out target has been met, roll-out speed and progress has varied between countries. Of the 31 countries analyzed (EU-27 plus, UK, Switzerland, Norway and Iceland), rollout progress in Phase I can best be summarized as follows:

Group 1: countries that substantially exceeded the threshold, some reaching compliance levels of almost 40%. This group includes: Ireland, Iceland, Malta, Spain, and the UK.

Group 2: countries that achieved or over-achieved the 25% threshold, including: Belgium, Cyprus, Denmark, France, Greece, Norway, Portugal, Slovenia, Sweden, and Switzerland.

Group 3: countries that were nearing the 25% threshold: Austria, Finland, the Netherlands.

Group 4: countries in which progress had not yet reached the threshold level: Bulgaria, Croatia, Czechia, Estonia, Germany, Hungary, Italy, Latvia, Lithuania, Poland, Romania, and Slovakia.



Figure 2: Samples of energy on-pack labels

To assess the actual situation in different countries, the following methodology was deployed:

- Internal data aggregation of volume share of energy-labelled SKUs released on the market
- Share of top 20 spirits brands sold in a market which are already energy-labelled
- In-store checks to confirm specific SKU share (not volume share) of on-shelf energy labelled products

With regards to the situation in different countries, please find below a summary of the situation in Ireland, Spain, Belgium and Bulgaria:

Ireland

Ireland is the country with the highest level of energy on-pack labels, significantly exceeding the 25% threshold. Based on the internal data collected by members on energy-labelled SKU volumes released onto the Irish market, the share has been estimated to have reached more than 38% by the end of Phase I. Analysis of Euromonitor market data confirms that the actual overall share is likely to be higher given that 50% (=10) of the top 20 spirits brands sold on the Irish market are already energy-labelled. The high share has also been confirmed by two in-store checks which confirmed that a typical (purely numerical, not volume-based) share of energy-labelled SKUs in supermarket shelves is in the range of 25% – 33%.⁵

Spain

Spain has achieved a very high level of energy on-pack labels (above the 25% threshold). Based on the internal data collected by members on energy-labelled SKU volumes released onto the Spanish market, the share has been estimated to have reached more than 27% by the end of Phase I. Analysis of Euromonitor market data confirms that the actual overall share is likely to be higher given that 40% (=8) of the top 20 spirits brands sold on the Spanish market are already energy-labelled. In addition, Spain has been the frontrunner in the provision of SKU-specific digital e-labels which are already available for 41% of SKUs on the Spanish market (for details, see paragraph 4.c. further down in this report).

Belgium

⁵ Supermarket 1 (Gala supermarket in Foxford, Mayo): 82 SKUs on shelf, 20 SKUs (25%) included energy information on label. Supermarket 2 (Supervalu supermarket in Castlebar, Mayo): out of 216 SKUs on shelf, 72 SKUs (=33%) included energy information on label.

Belgium is an example of a country that has met the 25% threshold during Phase I. Internal data collection estimates the share of energy-labelled SKU volumes released onto the Belgian to be at least 25%. Two in-store checks showed that a typical (purely numerical, not volume-based) share of energy-labelled SKUs in supermarket shelves was in the range of c. 17%. Combined with the available market data, it can be deduced that the actual volume share sold with energy on-pack is considerably higher given that 40% (=8) of the top selling 20 spirits brands are already energy-labelled.⁶

Bulgaria

Bulgaria is an example of a country that has seen a comparatively slower uptake. Positively, in addition to the direct corporate signatories of the MoU, local producers have also reported their efforts to release energy-labelled SKUs on the market. Based on the internal data collected by members on energy-labelled SKU volumes released onto the Bulgarian market, the share has been estimated to have reached around 10% by the end of Phase I. This is confirmed also by Euromonitor market data, according to which 10% (=2) of the top 20 spirits brands were energy-labelled by 31 December 2021. Based on in-store checks in the Sofia region, the typical (purely numerical, not volume-based) share of energy-labelled SKUs in supermarket shelves was determined to be in the range of 6% – 16%.⁷

- ➔ **Next steps:** the sector will contact, and liaise with all of the top 25 spirits producers in the EU to encourage MoU compliance and will re-double rollout efforts in Group 4 countries to accelerate progress there.

Costs and complexities of label changes

Due to the costs and complexities involved, label changes cannot be implemented easily. A particular challenge that needs to be tackled in the roll-out of new labels in line with the MoU is the global environment in which many spirits drinks producers operate. Spirits are exported globally from a particular place of manufacture (which sometimes cannot be moved, as is the case for spirit drinks with a Geographical Indication [GI]). Whenever a producer of a spirit drink sold on a global scale decides to include energy information on the label, a regulatory due diligence review of up to 163 countries may be required. Nutrition labelling regulations vary across countries and compliance rules may apply, even if the placing itself can be voluntary (as is the case in the EU today). Thus, whilst many SKUs are designed to be shared across different countries, different rules on providing nutrition information may apply, adding an additional layer of complexity to the process of label changes. As a result, to physically make changes to labels can thus cost up to €60,000 for a global brand.

Furthermore, from a competitiveness point of view, companies may need to meet certain minimum order quantity criteria for packaging components before country-specific label change can be implemented in a commercially feasible way. In other words, country-specific label requirements can act as a market-entry barrier. In fact, in some cases, the production and distribution of some small-volume SKUs was discontinued in certain countries as it was no longer financially feasible to make the required label changes.

⁶ Supermarket 1 (Carrefour market TOMBERG, Woluwé St Lambert): out of a total of 1,081 spirits bottles on shelf, 189 (=17.4%) included energy information on label. Considering that these figures include top selling SKUs, it can be extrapolated that more than 25% of all SKUs by volume sold are labelled. Supermarket 2 (Delhaize Proxy Toison D'Or, Saint-Gilles): 26 SKUs (=17.8%) out of a total of 146 SKUs included energy information on label.

⁷ Supermarket 1 (Avanti alcohol store, Christo Smirmenski Str 46A, Sofia): 45 out of 720 SKUs (=6%) energy-labelled. Supermarket 2 (Billa supermarket, Zlatovrah Str 4, Sofia): 40 out of 250 SKUs (=16%) energy-labelled.

2. More & more producers report on compliance & roll-out progress

The number of spirits producers across Europe that have reported to the sector association's secretariat their compliance with the MoU has grown sharply and constantly during the past 18 months – and continues to do so by the day. By the end of Phase I on 31 December 2020, the companies that had confirmed their compliance with the MoU and were reporting regularly on roll-out progress included:

- ✓ 11 of Europe's 25 biggest spirits producers
- ✓ Various mid-sized producers from a number of different Member States
- ✓ Numerous SME distillers from across Europe

The broad momentum observed – in terms of geographical spread and different sizes of companies – and the positive dynamics in terms of the growing number of compliant companies involved confirms the success of the co-regulatory initiative so far.

- ➔ **Next steps:** the sector is fully committed to building on this momentum and grow the number of compliant producers further in 2021 and 2022.

3. More & more trade associations are signing up to the MoU

Since the initiation of the MoU in June 2019, 6 additional trade associations have signed up, thus widening the reach and impact of the MoU across Europe. The six additional signatories are:

- ✓ **Denmark: VSOD** (signed in September 2019)
- ✓ **Finland: SAJK** (October 2019)
- ✓ **Sweden: SVL** (December 2019)
- ✓ **Latvia: LANA** (June 2020)
- ✓ **Portugal: ANEBE** (September 2020)
- ✓ **Estonia: ATML** (February 2021)

(NB: some co-signing ceremonies originally foreseen for 2020 had to be postponed due to the COVID-19 restrictions.)

Notably, with the recent additions of Denmark's VSOD and Estonia's ATML, the circle of signatories has grown beyond the membership of spiritsEUROPE, thus confirming the openness and broad sectorial acceptance of the initiative.

In each case, the signing of the MoU marked the start of an **extensive cooperation and support process** by the trade association including:

- ✓ **Detailed presentations of the MoU**, outlining the roles and responsibilities for the member companies of the respective national spirit drinks organization, typically including both SMEs as well as large companies.
- ✓ **Individual implementation workshops** with each co-signing organization (sometimes held in local language) during which the obligations and responsibilities stemming from the MoU for the sector were explained.
- ✓ **Sharing of available support materials** (e.g. guidance notes, Q&A documents).

- ➔ **Next steps:** further signatories to be added in 2021 and 2022.

4. Development of bespoke digital consumer information schemes: the E-label Platform & related initiatives

The MoU contains an important and highly innovative on-line element according which the spirits sector will make information on the ingredients of a spirit drink directly available to consumers via a bespoke e-label that can easily be accessed through QR- and/or bar-code scans.

This way, consumers can easily find information on which ingredients a given spirit drink contains. Whilst there is a clear understanding and commitment of the sector to make this information available in a marketing-free space, further consumer-relevant information can be included by spirit drinks producers in the e-label, such as information on the production process and/or the recyclability of the spirit drink's packaging.

To make this type of information readily available to as many consumers as quickly as possible, the sector has embarked on the following 4 parallel work-streams:

- a. Development of an E-Label Platform that is open to all spirit drinks producers
- b. Cooperation with GS1 on spirits-specific attributes & data-sharing principles
- c. Cooperation between the sector & GS1 on a national e-label system in Spain
- d. Ensuring broader accessibility & availability of reliable multilingual digital consumer information on spirit drinks

a. Development of an E-Label Platform that is open to all spirit drinks producers

The sector has teamed up with its partners from the European wine sector represented by the Comité Européen des Entreprises Vins (CEEV) to build a bespoke E-label Platform to allow the development of tailored e-labels in an easy, reliable and cost-efficient way.

The Platform allows the creation of e-labels with a few mouse clicks which can then be integrated into spirits (and wine) labels. The moderate cost structure will enable producers of all sizes, and SMEs in particular, to participate. This way, even the smallest producers of spirits drinks will be able to create e-labels and be part of the digital consumer information journey that is currently transforming the behaviour of European consumers, who – in light of the COVID-19 pandemic – are getting increasingly used (and who are increasingly expecting) to finding consumer information by digital means.

➔ **Next steps:** the beta-version of the Platform, which is fully financed by private means, will be tested in selected pilots in Q2/2021 and will fully operational for deployment thereafter.

b. Cooperation with GS1 on spirits-specific attributes & data-sharing principles

Following the signature of the MoU, the sector has intensified its partnership with GS1 Europe – the global standardization body which coordinates the bar-code – in the quest to make consumer information more easily and widely available via bar-code scanning. A dedicated Working Group structure has been established to address all questions related to the digital provision of product-specific consumer information via a standardized e-label. Regular meetings are taking place to jointly define key attributes and data-sharing principles. This work is also contributing to the successful development of the E-Label Platform (as described in the previous paragraph) for which an automated interface with the GS1 database is foreseen.

➔ **Next steps:** conclude agreement on spirits-specific attributes and data sharing principles, including the creation of a seamless interface linking the GS1 database with the sectors' E-Label Platform.

c. Cooperation between the sector & GS1 on a national e-label system in Spain

In Spain, national trade association EspirituososEspaña – 90% of whose members are also members of GS1 – has teamed up with GS1 Spain to develop a dedicated national digital labelling solution in line with the MoU's commitments. Thanks to the project, product-specific consumer information is made available digitally to retailers, mobile phone users and via a public website. Dedicated icons indicate to consumers that they can access the product-specific information from their mobile phone by scanning the barcode:

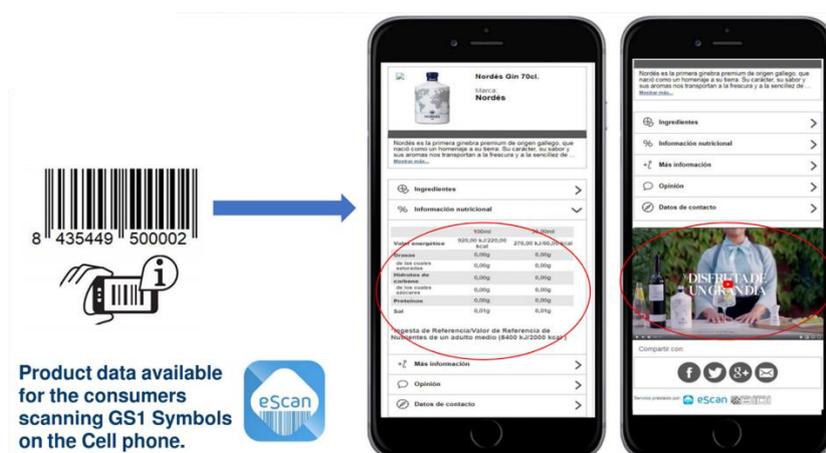


Figure 3: EScan system & provision of SKU-specific digital consumer information in Spain

The project's rollout has been a success so far. By the end of Phase I on 31 December 2020, 41% of spirits SKUs on the Spanish market – and thus considerably more than the 25% originally foreseen under Phase I – were reported to provide on-line consumer information directly through this system:

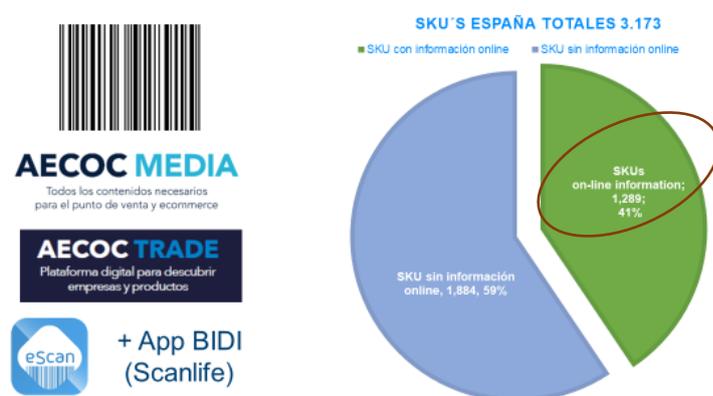


Figure 4: rollout status of SKU-specific digital consumer information in Spain at the end of Phase I

➔ **Next steps:** progress roll-out of the system further during Phases II & III.

d. Boosting accessibility, availability & user uptake of reliable digital consumer information on spirit drinks

To complement and facilitate progress on the above-mentioned workstreams, the spirits sector has re-doubled its efforts to make detailed, reliable consumer information on spirit drinks (including: energy information per 100ml and per serving size/30 ml, list of ingredients, full nutrition declaration and information on the production process of all 47 spirit drinks categories legally sold in the EU) available online.

The sector's consumer information portal www.responsibledrinking.eu has been updated in line with the principles of the MoU to **include information on the raw materials used**. This information is being translated by national associations into their respective national languages, thus broadening the information available (e.g. German version available at: <https://www.spirituosenverband.de/naehrwertangaben/>). In addition, many producers have improved and broadened the digital availability of product-specific information on their respective websites.

Moreover, the sector has started a dialogue with **major spirits consumer app developers** who have expressed an interest into integrating product-specific consumer information into their digital offerings. In light of the high and rapidly rising number of consumers consulting app services a future integration of product-specific information is set to mass-scale the user uptake of digital consumer information.

- ➔ **Next steps:** launch further translations of the consumer information portal. Explore cooperation with app developers to include digital information from the E-Label Platform via Application Programming Interfaces (APIs).

5. Additional investments made by the sector to support the rollout process

As demonstrated by the range of activities described above, producers and trade associations in Europe's spirits sector are making significant efforts and substantial financial investments to ensure a swift roll-out progress of the MoU in line with the commitments made. Thanks to these efforts, and notwithstanding the emergency situation and economic setbacks suffered by the sector in the context of the COVID-19 crisis in 2020, rapid and constant progress could be achieved.

Above and beyond this, and so as to support ongoing implementation efforts across Europe, the associations involved are providing regular **helpdesk & implementation support to producers** in the form of:

- ✓ Development of **Implementation Guidelines to the MoU** in which, amongst others, detailed information is provided on the recommended unit of consumption, tolerance levels for the indication of nutrients as well as the calculation of the energy value of spirit drinks.
- ✓ Organisation of **road-shows** to familiarise members in detail with the commitments as set out in the MoU
- ✓ Provision of **practical advice regarding the implementation**.

- ➔ **Next steps:** reinforce these efforts, particularly in those Member States which have seen a comparatively lower uptake of MoU compliance so far.

III. CONCLUSIONS & OUTLOOK

The MoU has proven its great value by providing the sector with an appropriate, harmonized long-term framework governing the provision of nutrition information & ingredient listing for spirits drinks sold in the EU.

This, in turn, has enabled the sector to make rapid progress in the roll-out, bringing more and more labelled products to European consumers with SKU-specific information included that goes well beyond what is currently mandated by EU rules.

In terms of conception and implementation, the MoU can thus be considered a best practice example inspired by, and modelled along, the European Commission's *Principles for Better Self- and Co-regulation*.⁸

To build on, and complete, the success of this remarkable initiative, and to acknowledge the significant efforts and financial investments made by the producers implementing the MoU, it would be a fair and natural step for the European Commission to include the specific voluntary approach enshrined in the MoU as mandatory provisions in the upcoming proposal on food information to consumers that is expected for late 2022.



⁸ <https://ec.europa.eu/digital-single-market/sites/digital-agenda/files/CoP%20-%20Principles%20for%20better%20self-%20and%20co-regulation.pdf>