

WHEREAS: The growing plastic pollution and packaging waste crises pose increasing risks to Constellation Brands (“Constellation”). Corporations could face an annual financial risk of approximately \$100 billion should governments require them to cover the waste management costs of the packaging they produce.¹ New laws to this effect were recently passed in Maine, Oregon, Colorado, and California,² while the European Union has enacted a \$1 per kilogram tax on all non-recycled plastic packaging waste.³

A circular economy for packaging, whereby packaging is designed for reuse or recycling and kept in the economy and out of the environment, plays an important role in a net-zero emissions world. Constellation states it is committed to emissions reductions, yet has taken virtually no action to ensure the circularity of its product packaging,⁴ despite the fact that its sold products and packaging contribute significantly to Scope 3 emissions at their end-of-life (“EOL”).⁵

More than 100 leading companies have committed to promoting a circular economy for packaging by taking financial responsibility for the collection, sorting, and recycling of packaging at EOL, a policy known as Extended Producer Responsibility (“EPR”).⁶ In areas lacking EPR, companies should make voluntary financial contributions to improve recycling rates.

The Recycling Partnership (TRP), the leading NGO working to improve recycling, finds that \$17 billion is needed to modernize and expand recycling infrastructure, and that doing so will save the equivalent of 710 million metric tons of CO₂ over ten years.⁷ To improve plastic recycling infrastructure alone, TRP recommends that companies contribute at least \$88 for every metric ton of plastic used.⁸

Competitors Molson Coors, Heineken, Diageo, and at least 26 other major companies make voluntary contributions to expand recycling infrastructure.⁹ Constellation is not known to voluntarily contribute financial resources to help ensure its packaging never becomes waste.¹⁰

Competitor Diageo is exploring reuse opportunities, has endorsed EPR, and set goals to use 100% recyclable packaging, incorporate recycled materials, and reduce unnecessary packaging. Constellation lacks each of these goals and earned an “F” grade on a recent report evaluating corporate packaging sustainability.¹¹

Our Company could avoid regulatory, environmental, and competitive risks by adopting a circular economy approach to packaging and by contributing to necessary recycling infrastructure.

¹ https://www.pewtrusts.org/-/media/assets/2020/07/breakingtheplasticwave_report.pdf, p. 9

² <https://www.packworld.com/news/sustainability/article/22419036/four-states-enact-packaging-epr-laws>

³ https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/revenue/own-resources/plastics-own-resource_en

⁴ <https://www.asyousow.org/report-page/plastic-pollution-scorecard-2021/data-visualization>

⁵ <https://ghgprotocol.org/scope-3-technical-calculation-guidance>

⁶ https://ellenmacarthurfoundation.org/extended-producer-responsibility/overview?_ga=2.194255722.613184023.1673367048-710010554.1662564816&_gl=1*18c5mjb*_ga*NzEwMDEwNTU0LjE2NjI1NjQ4MTY.*_ga_V32N675KJX*MTY3MzM2NzA0OC4xNC4wLjE2NzMzNjcwNDguNjAuMC4w

⁷ <https://recyclingpartnership.org/paying-it-forward/>

⁸ <https://plasticiq.org/>

⁹ <https://www.asyousow.org/report-page/plastic-pollution-scorecard-2021/>, p. 17

¹⁰ <https://www.asyousow.org/report-page/plastic-pollution-scorecard-2021/data-visualization>

¹¹ <https://www.asyousow.org/report-page/plastic-pollution-scorecard-2021/>, p. 5

RESOLVED: Shareholders request that the Constellation Brands Board issue a report, at reasonable expense and excluding proprietary information, describing opportunities for the Company to support a circular economy for packaging.

SUPPORTING STATEMENT: The report should assess, at Board discretion:

- The reputational, financial, and operational risks associated with failing to promote a circular economy for packaging;
- Opportunities to develop policies or goals to determine an appropriate level and frequency of voluntary financial contributions to recycling infrastructure, increase use of recycled content, and design for recyclability; and
- The potential to more rapidly reduce dependence on single-use packaging by developing and supporting refillable bottle systems and infrastructure.