



# PLATING UP PROGRESS 2021

Recommendations for policy makers, food businesses and investors



## SECTION 2c: RECOMMENDATIONS FOR INVESTORS



## SECTION 2c: Recommendations for investors



### WHO SHOULD READ THIS?

Investors looking to gain an understanding of the next steps we recommend are taken to accelerate food business reporting on key issues.



### WHAT THIS SECTION INCLUDES

This section provides examples of positive investor engagement with both businesses and policy makers from the last twelve months, in the context of the National Food Strategy report in England and important milestones in 2021 around COP26, and the UN Food Systems Summit.

We reiterate our [Plating Up Progress 2020](#) recommended “asks” that investors should include in their engagement with food businesses.

We highlight two opportunities for investors to make a difference:

1. Using the unprecedented amount of relevant data now made available across existing benchmarking initiatives.
2. Going beyond business engagement and international initiatives to engage directly with national governments as key levers for change in the food industry.



### RECOMMENDED PRE-READ

Executive summary and Section 1 of this report.



### WHERE CAN YOU FIND OUT MORE?

Explore our [Plating Up Progress \(PUP\) dashboard](#) for key insights into food industry leadership and comparisons between companies

**PROJECT CONTACT:** Will Nicholson, Project lead – Plating Up Progress, [will.nicholson@foodfoundation.org.uk](mailto:will.nicholson@foodfoundation.org.uk)

# INVESTOR ENGAGEMENT IN 2020

The last twelve months have seen significant change in the food industry.

Firstly, there has been a change of focus in the commitments and reporting from supermarkets, with an increase in reporting of sales-based data and more businesses setting targets for healthier and, in some cases, more sustainable food sales (see Section 1 of this report).

Secondly, Covid-19 has continued to exert a negative influence on many businesses, especially the out of home sectors. This has been reflected in a slow-down in new commitments and reporting from these sectors. There are exceptions of course – for example, the Greggs Pledge with commitments for healthy food sales, net zero, increasing availability for vulnerable groups and eliminating food waste.

Thirdly, the National Food Strategy report was released in July with, among many other recommendations, a clear call for the government to make reporting on healthy and sustainable food sales, as well as food waste, mandatory for large food businesses (see **Box 1**).

## BOX 1: THE NATIONAL FOOD STRATEGY'S RECOMMENDATION FOR MANDATORY REPORTING

There should be a statutory duty for all food companies with more than 250 employees – including retailers, restaurant and quick service companies, contract caterers, wholesalers, manufacturers and online ordering platforms – to publish an annual report on the following set of metrics:

- Sales of food and drink high in fat, sugar or salt (HFSS) excluding alcohol
- Sales of protein by type (of meat, dairy, fish, plant or alternative protein) and origin<sup>†</sup>
- Sales of vegetables<sup>††</sup>
- Sales of fruit
- Sales of major nutrients: fibre, saturated fat, sugar and salt
- Food waste
- Total food and drink sales.

<sup>†</sup> For all protein this should include country of origin. For pork, poultry, dairy, eggs and fish, it should additionally include welfare or method of production accreditations (e.g. Red Tractor, RSPCA, Freedom Food, organic, pasture-fed, Better Chicken Commitment, MSC).

<sup>††</sup> "Fruit and vegetables" includes frozen, tinned and composite meals as well as fresh.

2021 has also seen a number of notable gear shifts in the role investors can take in creating change in the food industry. Here we highlight two of them:

1. **Collaborative investor engagement with businesses on nutrition.**
2. **An increased role for investors in government policy engagement on healthy and sustainable food.**

### Business engagement

Tesco committed to increase the sales of its healthy food and drinks in the spring of 2021. This followed months of engagement and advocacy from an investor coalition demanding that the supermarket improve their nutrition strategy to match their more progressive strategy on environmental issues. Led by the NGO ShareAction, the coalition filed a shareholder proposal<sup>1</sup> calling on Tesco to reduce its exposure to less healthy food and drink products. While it may not be realistic for investors to claim all of the responsibility for the supermarket's new commitment, it shows very clearly how a targeted and collaborative approach can accelerate change in food industry commitments. Importantly, the co-filing group will be continuing to engage with the company on an ongoing basis, as part of the agreement in withdrawing the initial resolution. Tesco's new targets around both healthy food sales and disclosure on protein sales are shown in their profile in our PUP dashboard [HERE](#).



### BOX 2: KEY ASKS FROM INVESTORS TO THE GOVERNMENT, IN SUPPORT OF THE NATIONAL FOOD STRATEGY RECOMMENDATIONS

We therefore call on the Government to demonstrate clear leadership and ambition in its response to National Food Strategy in order to create a food system that promotes health and wellbeing for the entire population while preserving and enhancing the environmental systems on which we all rely.

Specifically, we encourage the government to:

- **Implement clear and consistent mandatory reporting requirements for companies in the food sector;**
- **Consider the full range of regulatory tools at its disposal - including fiscal interventions and enhanced regulation - to promote sustainability in the food system, focusing in particular on internalising the externalities borne by the environment and society;**
- **Be bold and ambitious in its response to this major social and environmental challenge.**

#### Signatories:

- Rathbone Greenbank Investments
- Aviva Investors
- Castlefield Investment Partners LLP
- EOS at Federated Hermes (on behalf of its stewardship clients)
- Guy's & St Thomas' Foundation
- Newton Investment Management
- ShareAction
- The Food Foundation
- Legal and General Investment Management

### Government policy engagement

Facilitated by The Food Foundation, and inspired in part by our April [policy briefing](#), Rathbone Greenbank Investments organised a group of investors, representing £2.8 trillion in assets under management or under advice, to co-sign an [open letter](#) to the UK government in support of the National Food Strategy. This letter specifically supported the recommendation for mandatory reporting by food businesses and called on the government to use a regulatory framework to tackle the multiple health and environmental challenges within the food system. See **Box 2** for the main asks from the investors' letter to the government.



# RISKS AND OPPORTUNITIES

In 2019 we summarised the physical risks and the transitional risks and opportunities that investors should be aware of (see **Figure 1**).

**FIGURE 1: EMERGING RISKS AND OPPORTUNITIES IN THE FOOD SECTOR, BASED ON PLATING UP PROGRESS PART 1: INVESTOR BRIEFING (2019)**

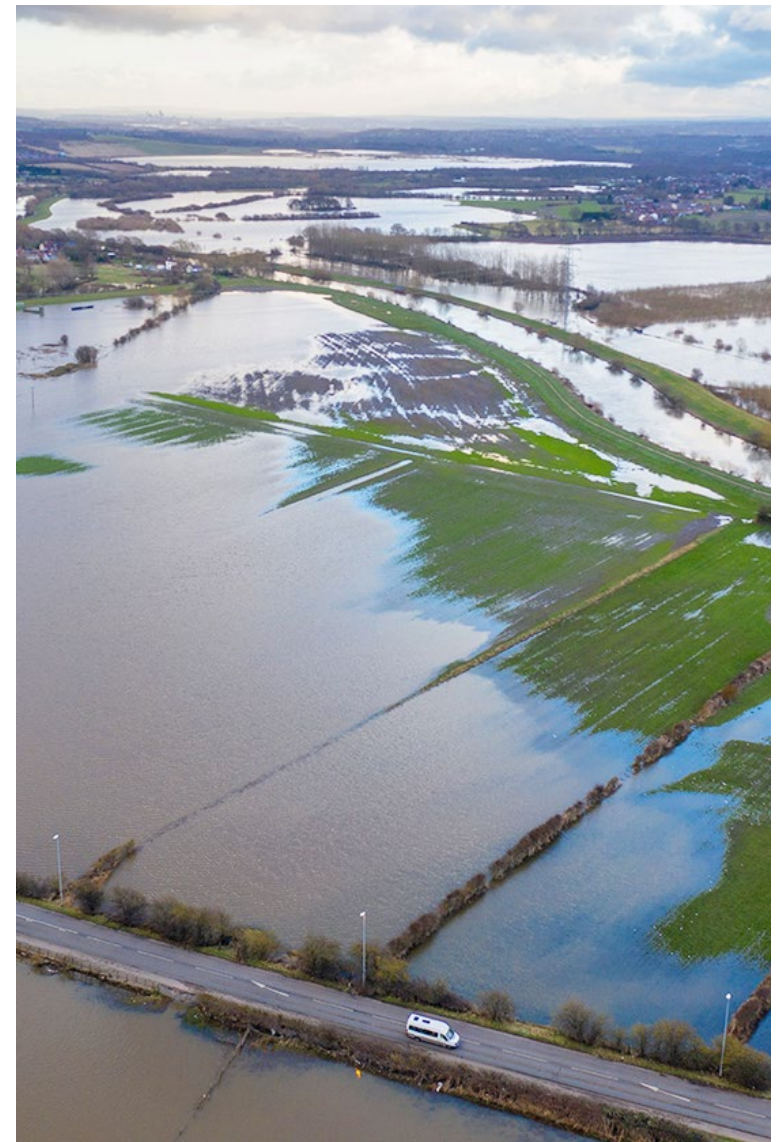
## PHYSICAL RISKS OF INACTION

Supply & price volatility for:

- crops, animal feed & livestock due to extreme & chronic weather events, such as flooding
- crops, animal feed & livestock due to water scarcity
- wild-catch fish due to overfishing
- crops due to pollinator deficit

## TRANSITIONAL RISKS AND OPPORTUNITIES

Policy intervention	<p>Mandatory reporting on food sales (as per the National Food Strategy).</p> <p>Taxes on sales of unhealthy food and drinks.</p> <p>Labelling for nutritional and environmental impact of food and drinks.</p> <p>Regulation on food waste.</p> <p>Regulation on deforestation and land use conversion in supply chains.</p> <p>Reporting on greenhouse gas emissions (to include Scope 3)</p>
Consumer demand	<p>Demand for healthier products &amp; plant-based foods.</p> <p>Demand for greater transparency and traceability.</p>

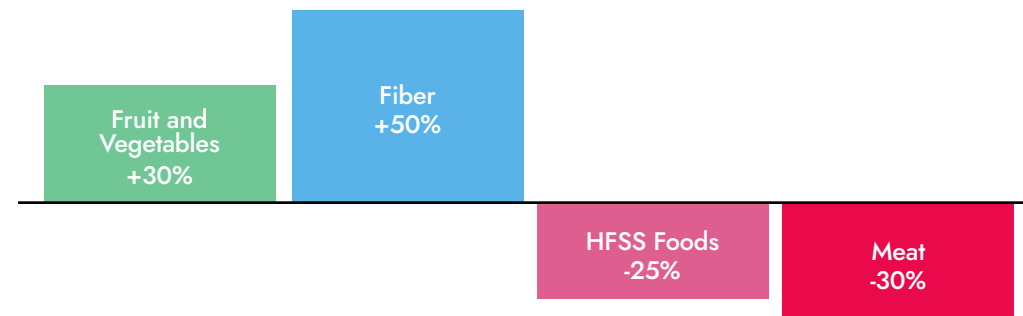


Over the past two years, these risks and opportunities may in fact have become more pressing given the elevated priority of food issues in policy thinking. Not only has the National Food Strategy report made recommendations for mandatory business reporting on food sales, but it also recommended a sugar and salt tax on processed foods and proposed goals for our national diets to include 30% more fruit and vegetables, 50% more fibre, 25% less foods high in fast, salt or sugar, and 30% less meat (**Figure 2**).

In addition, through its 2020 Obesity Strategy<sup>2</sup>, the UK government has committed to policies including a 9pm watershed on TV and a ban of paid-for advertising online for junk food advertising, restrictions of multi-buy and location-based promotions for unhealthy food, and calories labelling on menus in large out of home food businesses. All of these will, of course, impact on the food industry.

Understanding where food businesses are exposed to risks or are able to capitalise on opportunities across an investment portfolio will become increasingly important in the future for investors. We also recommend investors to look beyond traditional engagement around public equity on these important topics because, for example, a number of supermarkets are in the process of being bought through private equity. This means that alternative investment processes such as tradeable bonds should also be considered, and corporate engagement should be coupled with government engagement as described earlier.

**FIGURE 2:** NATIONAL FOOD STRATEGY RECOMMENDATIONS FOR CHANGES TO THE NATIONAL DIET BY 2032 TO MEET HEALTH, CLIMATE AND NATURE COMMITMENTS



SOURCE: NATIONAL FOOD STRATEGY: THE PLAN

“Over the past two years, these risks and opportunities may in fact have become more pressing given the elevated priority of food issues in policy thinking.”

Beyond the more immediate political agenda on food and health in the UK, while Covid-19 might have temporarily distracted the world from wider environmental concerns, the impact of climate change on our lives is also gathering pace with an increasingly urgent global scientific voice calling for rapid change<sup>3</sup>. Changes in the food system (how we produce food and what we eat) have to be part of the global response to the climate change threat if we are to achieve a 1.5°C or even a 2°C target<sup>4</sup>.

International milestones in the second half of 2021 such as the UN Food Systems Summit, COP26 and Nutrition 4 Growth represent opportunities to set clear expectations on countries and on the food industry to demonstrate how they are part of a transition to healthy, just and sustainable food systems.

Here we reiterate the key questions for investors to ask in business engagement from our 2020 report (see **Figure 3**). A business engagement approach should be coupled with a policy engagement approach where investors can reinforce demands for an ambitious response from governments.

**FIGURE 3: INVESTOR QUESTIONS TO ASK BUSINESSES (FROM PLATING UP PROGRESS 2020)**

### Key investor “asks”

#### DIETARY SHIFTS

1. Does the company have targets for a proportionate shift in products and sales away from unhealthy, energy-dense and nutrient-poor food and drinks?
2. Does the company have targets for increasing sales of fruit and vegetables?
3. Does the company have targets for a proportionate shift in products and sales away from animal products and towards sustainable proteins and plant-based proteins?

#### SUSTAINABLE SUPPLY CHAINS

1. Does the company have a science-based target for absolute reductions in scope 3 greenhouse gas emissions from food purchases by working with suppliers to reduce their emissions and setting sales-weighted targets to reduce their reliance on carbon-intensive food products?
2. Does the company have targets and performance data for land use conversion-free (including but not limited to deforestation-free) palm oil, soy and beef?
3. Does the company have a target and performance data for sustainably sourced seafood and farmed fish?
4. Does the company have targets and performance data for sustainable farming practices in its supply chain (for example organic, LEAF)?

5. Has the company performed a supply chain mapping of foods sourced from water-scarce regions?
6. Is the company measuring food waste and setting waste reduction targets both within its own operations and for customers and suppliers?
7. Does the company have a target and performance data for all packaging to be easily recyclable?
8. Does the company have a target and performance data to eliminate single-use plastics?
9. Does the company have a target and performance data for foods to be certified to higher animal welfare standards, including a reduction in antibiotic use?

#### HUMAN RIGHTS

1. Does the company pay its workforce a real living wage?
2. Does the company’s human rights engagement and monitoring extend to high-risk suppliers beyond tier 1?

## KEY MESSAGES

We see two clear opportunities for investors to increase their positive influence and accelerate change in the food industry.

- **Aligned benchmarks and industry dashboards – such as our Plating Up Progress dashboard, the World Benchmarking Alliance’s global Food and Agriculture Benchmark, Access To Nutrition Initiative’s indexes for food manufacturers and retailers, and ShareAction’s Healthy Markets campaign – mean that investors have more good quality information available now than ever before. A common set of metrics and asks has now emerged from which investors can make clear and consistent demands of food businesses.**
- **Investors have a largely untapped role to play in engaging with governments on food issues. The recent investors’ letter to the UK government in support of the National Food Strategy recommendations can provide an initial momentum from which to engage more actively with the government’s response to this and on subsequent policy decisions. Investor coalitions need to use their power to influence governments and engage on policy around food issues, for example working to elevate the importance of food systems in tackling climate change and governments’ commitments in COP26. This policy engagement should complement the business engagement that many investors are already involved in.**

## References

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## About Plating Up Progress

This report is an output of Plating Up Progress, a Food Foundation project. The project has two aims. First, to forge a consensus on metrics and reporting mechanisms that allow assessment of food industry progress in transitioning to sustainable and healthy diets. Second, to engage stakeholders to advance the uptake of these metrics and track progress in the industry.

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### The Food Foundation CIO

c/o Spayne Lindsay & Co. LLP; 55 Strand, London, WC2N 5LR  
+44(0)20 3086 9953

[foodfoundation.org.uk](http://foodfoundation.org.uk)  [@Food\\_Foundation](https://twitter.com/Food_Foundation)

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