



# INVESTOR BRIEFING

Why investors need to support mandatory reporting by the food industry

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## Key messages



This investor briefing summarises the Government's Food Strategy publication, released in June 2022 in response to the National Food Strategy recommendations made by an Independent Review published in July 2021. The briefing focuses mainly on what the Government has committed to for mandatory food business reporting of healthy and sustainable food sales, and what this means for investors. Other commitments within the Government's Food Strategy are mentioned for context.

The briefing also provides information on the Investor Coalition on UK Food Policy that has, since July 2021, grown to include 23 investors representing £6 trillion in assets under management. This coalition, facilitated by The Food Foundation and led by Rathbone Greenbank Investments, has written to the UK Government (twice) and met with ministers and government departments to emphasise both the business case, and their support for mandatory reporting of healthy and sustainable food sales by large businesses.

This briefing makes the case for more investors to join the coalition and be part of a new formal channel of engagement between investors and the UK Government on food policy matters.

# WHY THE FOOD SYSTEM MATTERS TO INVESTORS

The food system challenges we face are complex (see **Box 1**), but not insurmountable. We need a transition that involves the protection and restoration of natural habitats, the widespread adoption of sustainable farming practices, a significant reduction of food waste and crucially, a consumption shift to healthy and sustainable diets. The food industry, especially downstream businesses such as supermarkets, restaurant chains, caterers, takeaways and manufacturers, has a key role to play in our transition to healthy, affordable and sustainable diets.



## BOX 1: FOOD SYSTEM IMPACTS

- Globally over 800 million people go hungry, while two billion people are living with obesity or overweight<sup>1</sup>
- In England 63% of adults are overweight or living with obesity (67% of men, 60% of women)<sup>2</sup>
- The food system contributes 37% of greenhouse gas emissions, with agriculture representing 23%<sup>3</sup>
- Agriculture is responsible for 80% of global deforestation<sup>4</sup>
- One third of all food produced is either lost or wasted<sup>5</sup>

**“ We need a transition that involves the protection and restoration of natural habitats, the widespread adoption of sustainable farming practices, a significant reduction of food waste and crucially, a consumption shift to healthy and sustainable diets.”**



In our **2019 Plating Up Progress report** for investors we summarised the physical risks and the transitional risks and opportunities that investors should be aware of that relate to these impacts (see **Figure 1**).

System-wide risks also exist and extend beyond the food industry itself. The physical risks to society from climate change, water scarcity, biodiversity loss, and the societal costs of an unhealthy food system, will impact the wider economy as well as individual food companies (for example, flood damage from extreme weather events and rising costs for health services from poor diets). Tipping points in earth systems could be reached through land conversion in the Amazon, for example, and these impacts would be seen far beyond the food industry<sup>6</sup>. Investors are not just exposed to risks that relate directly to the food businesses they invest in but need to consider the system-wide risks that reach beyond their immediate portfolios. Global events of the last few years and the current food price crisis show how quickly the food sector can be disrupted, and how far-reaching food industry disruption can then be for the wider economy.



**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

Mandatory reporting on food sales (as per the National Food Strategy).  
Taxes on sales of unhealthy food and drinks.  
Labelling for nutritional and environmental impact of food and drinks.  
Regulation on food waste.  
Regulation on deforestation and land use conversion in supply chains.  
Reporting on greenhouse gas emissions (to include Scope 3)

Consumer demand

Demand for healthier products & plant-based foods.  
Demand for greater transparency and traceability.

As this briefing explains, while the Government's Food Strategy has been criticised for being weak, it does include a commitment to create a reporting framework for the food industry, as well as to further assess policy on food labelling, food waste and scope 3 greenhouse gas emissions. This matches four of the six policy interventions identified in 2019 as transitional risks (**Figure 1**). Concerning taxes on sales of unhealthy food and drinks, the Government's response has been disappointing, although there already exists a sugar tax on soft drinks, with additional delayed regulation to restrict promotions of unhealthy food due in autumn 2022. Regulation on deforestation has already, in part, begun though an existing **consultation**.

So, despite a sense that little has changed, in the three years since the original 2019 Plating Up Progress report, we have seen at least some development in terms of regulatory intent. In the next section we review the recommendations made in the original independent National Food Strategy of 2021, and then compare that to the Government's response in June 2022.

# WHAT WAS RECOMMENDED BY THE 2021 NATIONAL FOOD STRATEGY?

## The National Food Strategy's recommendation for mandatory reporting

The National Food Strategy Independent Review was released in July 2021 and made a number of key recommendations for changing the food system in England, one of which was for mandatory reporting by large food businesses. The specific details are shown in (Box 2).

National  
Food Strategy  
Independent Review

THE  
PLAN.

### BOX 2: THE NATIONAL FOOD STRATEGY'S RECOMMENDATIONS 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.



# THE GOVERNMENT'S RESPONSE TO THE NATIONAL FOOD STRATEGY RECOMMENDATIONS

In June 2022, after a series of delays, the Government published its response in a Food Strategy paper (confusingly, this was not a white paper as anticipated and used a very similar title to the Independent Review that it was a response to).

## Business reporting on sales of health and sustainable food

Whilst generally considered to have been **weak**, the Government's response did include commitments to "create a more transparent food system", recognising the need for improved reporting standards by the food industry and the creation of a Food Data Transparency Partnership (FDTP). The FDTP is intended to develop consistent metrics by which to measure the health, environmental sustainability, and animal welfare impacts of food. These metrics will provide the foundation upon which the

partnership's activities and any future interventions will be built, seeking to minimise burdens on businesses and considering the effects of policy choices across the UK.

This commitment is in part intended to improve customer information and in part to lead to the creation of streamlined reporting requirements for food businesses, relating to both the production and sale of food, by the end of 2023. **Box 4** provides a summary of this and where more clarity is needed.

### BOX 4: WHAT IS INCLUDED IN THE GOVERNMENT'S COMMITMENT ON BUSINESS REPORTING?

#### Q Will the reporting be mandatory?

A The Government will consult on implementing mandatory public reporting against a set of health metrics and explore a similar approach to sustainability and animal welfare.

#### Q What food sectors will be included?

A Food retailers, out of home sector (restaurants and caterers), takeaways and online delivery platforms, manufacturers.

#### Q What size of companies are being considered for reporting?

A "Large" but unspecified although this tends to range from having at least 50 or 250 employees as a minimum.

#### Q Will this include sales of foods high in saturated fat, salt and sugar, and sales of fruit & vegetables?

A Not specified but expected to be part of "health metrics".

#### Q Will this include sales of major nutrients: fibre, saturated fat, salt and sugar?

A Not specified but potential to at least be considered as part of "health metrics".

#### Q Will this include sales of protein by type?

A Not specified but expected that livestock-related metrics around animal welfare are to be included. It will be important to ensure that reporting on sales of animal-based proteins vs plant-based is included.

#### Q Will this include reporting on greenhouse gas emissions?

A Large companies are already required to report on scope 1 & 2 emissions. The Government will explore how to extend this to include scope 3 emissions (which include the emissions embedded in the food purchased by the companies).

#### Q Will this include supply chain metrics on sustainable production of animal-based proteins?

A Animal welfare is expected to be included in the consultation as well as sustainable seafood. We would also hope that this includes more focused metrics for "better meat".

Beyond the commitment on business reporting, the Government has also committed to create labelling standards that include sustainability and health claims, animal welfare and country of origin labelling. The metrics and data that underpin these labelling standards will, in all likelihood, align with the metrics that underpin the business reporting requirements. However, the implication is that labelling across all of these will not be mandatory, although companies wanting to use environmental labelling will at least need to comply with a standardised approach.

### The Government's wider commitments

**Box 5** provides a summary of the Government's wider commitments to, compared to the recommendations made in 2021's National Food Strategy report.

#### BOX 5: SUMMARY OF THE GOVERNMENT'S WIDER COMMITMENTS

2021 National Food Strategy recommendation	2022 Government Food Strategy response	Included?
1. Sugar and salt reformulation tax	Not included. Did include some recognition that there is a regulatory role for government, but also that government intervention can cause "unintended consequences".	✗
2. Mandatory business reporting	As discussed in previous section although unclear what will be mandatory.	✓
3. Introduce an "Eat and learn" initiative for schools	Commitments made in earlier Levelling-up White Paper on school food reporting (initially voluntary). But many elements of this recommendation still not included.	Partly
4. Expand Free School Meal eligibility	Not included but "will continue to keep free school meal eligibility under review".	✗
5. Fund the Holiday Activities and Food Programme for the next 3 years	Done.	✓
6. Expand Healthy Start scheme	Not included.	✗
7. Trial a "Community Eatwell" programme	Committed to a pilot via the earlier Levelling-up White Paper.	✓
8. Guarantee the budget for agricultural payments until at least 2029	Committed to maintain current levels of spending during this Parliament (until May 2024) but not beyond.	✗
9. Rural land use framework based on the Three Compartment Model	Commitment to create a land-use strategy, but few additional details provided.	✓



**BOX 5: SUMMARY OF THE GOVERNMENT'S WIDER COMMITMENTS** *CONTINUED*

2021 National Food Strategy recommendation	2022 Government Food Strategy response	Included?
10. Minimum standards for trade, and a mechanism for protecting them	Commitment to use tariff system to protect producers, but no specifics provided	✘
11. £1billion for food system innovation	Commitment to a farming What Works centre, plus various other pots of farming/food research and innovation funding	Partly
12. National Food System Data programme	Food Data Transparency Partnership and land use framework will establish some of the groundwork, but does not commit to a leading role for Government in driving this forward	Partly
13. Strengthen procurement rules	Consultation on making government buying standards for food mandatory, but no commitment to update the requirements themselves.	Partly
14. Targets and legislation for long-term change (Food Bill)	No progress on a food bill. No commitment to new legal targets, or independent monitoring/oversight. Weak commitment to reporting on progress in 2024.	✘

The clearest gaps in the Government response are the lack of commitment for a sugar and salt reformulation tax (although expectations were not high for that), a general lack of clarity for a strategy to make healthy food more affordable for people on lower incomes, clear standards for trade, and the Government's refusal to underpin the policy development process with a legally binding Food Bill.





# IMPLICATIONS FOR INVESTORS

## Why mandatory, not voluntary, reporting is needed

For investors the biggest opportunity lies in the Government's commitment to consult on health and sustainability metrics as part of the Food Data Transparency Partnership. It is important that investors add their support to the work firstly to get the metrics right and, secondly, to ensure that reporting is made mandatory for large food businesses.

Voluntary schemes can lead to weaker reporting standards and inconsistent metrics, making it difficult to compare and track progress both between businesses and across the industry. The Food Foundation's [Plating Up Progress dashboard](#) demonstrates the importance of mandatory reporting, because it shows the majority of supermarkets, restaurant chains and caterers are not reporting any data on sales of HFSS food, fruit & veg or on the sales of animal-based and plant-based proteins (see **Box 6**). Reporting on food waste and supply chain data for animal-based proteins is slightly better although, for the latter, plagued by inconsistency.

More complete data on this and wider metrics used in our [Plating Up Progress dashboard](#) can be found here for UK-operating [supermarkets](#), [caterers](#), [quick service restaurant chains](#) and [casual dining chains](#).

While there are signs of leadership from some supermarkets, for example Sainsbury's and Tesco have targets for sales of healthy food as well as disclosing sales of protein by type, and Sainsbury's has an additional target to increase sales of vegetables, these remain the exceptions. The level of disclosure outside of the supermarket sector is significantly worse.

### BOX 6: 2022 SNAPSHOT OF REPORTING FROM SUPERMARKETS, AND MAJOR RESTAURANT CHAINS AND CATERERS IN THE UK

- 19% of businesses assessed are reporting on sales of healthy or healthier food (45% of supermarkets but no restaurant chains or caterers)
- 22% of businesses assessed are reporting on sales of fruit or vegetables (18% of supermarkets and 25% of restaurant chains and caterers)
- 7% of businesses assessed are reporting on sales of animal-protein vs plant-based proteins (18% of supermarkets but no restaurant chains or caterers)
- 40% publicly report data on food waste, although not all consistently and not all to the standard recommended by [WRAP's Food Waste Reduction Roadmap](#)
- 70% report some data on certifications of sustainable fish and seafood (wild catch or farmed)
- 26% are ranked in the first two tiers in the Business Benchmark on Farm Animal Welfare
- Less than 60% report some data on certified soy in animal feed in their supply chains or include soy in their deforestation-free commitments.

**“ Without mandatory reporting we will continue to see major reporting gaps and at best inconsistent reporting across the food sectors.”**

### Investor coalition for engaging on government mandatory reporting

In 2021 Rathbone Greenbank Investments, The Food Foundation and Guy's & St Thomas' Foundation brought together a group of investors to write to the UK Government in support of the mandatory reporting recommendation.

This group has now grown into the Investor Coalition on UK Food Policy with the following aims:

1. To ensure that mandatory reporting is implemented. As a minimum this needs to include sales of HFSS food, sales of fruit & vegetables, sales of animal-based vs plant-based proteins, as well as food waste and reporting on the sustainability of supply chains for animal-based protein.
2. To create a formal channel for investors to engage with the Government on food policy more broadly. With food systems being so crucial to both health and environmental outcomes, having the ability to engage with governments will be crucial for investors to drive positive change beyond their own stewardship and engagement with the industry.
3. To align this policy engagement with existing investor engagement so that expectations on businesses and on the Government are complementary.

In November 2021 the Coalition wrote again to the UK Government, with the number of signatories growing to **23 organisations, representing £6 trillion in assets under management**. This has resulted in meetings with ministers and government departments and a direct communication channel between the investor coalition and government departments. The coalition is now working to ensure investors have a seat at the table in the Food Data Transparency Partnership, and for subsequent food policy issues. The long-term goal is for the investor coalition to be a positive influence on UK Government food policy to accelerate the transition to healthy, affordable and sustainable diets.

### What should investors do next?

Even if an ESG focus is not a specific priority for an individual investor, improved disclosure by any industry is important for understanding risks and opportunities. The aim of the coalition is to improve disclosure across the downstream sectors of the food industry, to the benefit of all stakeholders, including investors.

This briefing is an invitation for investors to join the Investor Coalition on UK Food Policy to help ensure appropriate mandatory reporting by large food businesses is brought into legislation.

You can find out more by contacting Will Nicholson at The Food Foundation, [will.nicholson@foodfoundation.org.uk](mailto:will.nicholson@foodfoundation.org.uk). Alternatively contact The Food Foundation about the investor coalition [here](#).

## References

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