



INVESTOR BRIEFING

What do investors need to monitor to ensure food industry net zero commitments are credible?

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Key messages

- The world will not be able to bring global warming within 1.5 degrees unless food system related greenhouse gas emissions are reduced
- Data on emissions for individual foods remains unreliable, with generic datasets on emissions not capturing the wide ranges in emissions between and within food products
- While protocols and better datasets are being developed, investors ought to look for, and monitor, existing indications of progress within companies
- Where food companies have net zero commitments, investors need to look for three things:
 1. Are they removing deforestation and land-use conversion from businesses and supply chains,
 2. Are they cutting food waste across their supply chain and not just in their own operations, and
 3. Are they shifting sales away from animal-based foods and towards plant-based foods.

Investors should engage with policy makers to push for incentives and regulations for food businesses to reduce emissions, as well as engaging with individual companies. Investor action should include:

- Advocating for mandatory food industry reporting of key health and sustainability metrics
- Setting an expectation for individual companies to include scope 3 emissionsⁱ in their net zero commitments
- Monitoring progress against the three key metrics outlined above where food companies have net zero commitments

ⁱ Scope 3 emissions are those that are not produced by the company itself, but produced further along their supply chain - for example from supplier organisations.

INTRODUCTION: FOOD & CLIMATE CHANGE

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, the tackling of food waste and, crucially, a consumption shift to healthy and sustainable diets. The food industry has a key role to play in this transition.

BOX 1: FOOD SYSTEM IMPACTS ON HEALTH AND THE ENVIRONMENT

- Between 702 and 828 million people were affected by hunger globally in 2021¹, while two billion people have obesity or overweight² and one in five deaths are associated with poor diet³
- The food system contributes 37% of greenhouse gas emissions globally, with agriculture representing 23%⁴
- Agriculture is responsible for 80% of global deforestation⁵ and 70% of freshwater withdrawals⁶
- One third of all food produced is either lost or wasted⁷

This list is only a snapshot of food system issues, with food and agriculture also contributing to multiple additional planetary risks, such as poor soil health, antimicrobial resistance, excessive chemical use, plastics use, human rights violations, and animal welfare issues. Research has repeatedly shown that avoiding the worst effects of climate change will require:

- 1 a shift in how we produce food so that deforestation, soil degradation and land-use conversion is halted and reversed
- 2 cutting food loss and waste across the value chain,
- 3 a shift in our diets from animal-based foods to more fruit and veg, pulses, nuts, and wholegrains to reduce the demand drivers on livestock production⁸.

This briefing looks at the current climate change commitments by major UK-operating food retailers, restaurant chains and caterers, and provides an analysis - based on the three shifts listed above - to help investors understand whether these commitments are currently credible. It then proposes a strategy for investors to accelerate progress in the industry.

CURRENT DATA STANDARDS ARE INADEQUATE

Climate change reporting standards for the food industry have seen a greater focus in recent years as our collective understanding of the complexities around greenhouse gas accounting for food systems has evolved. Research into on-farm emissions has shown a clear trend for animal-based foods having significantly higher greenhouse gas emissions than most other foods⁹, but with wide ranges in emissions between and within food products. This means that, while generic datasets for greenhouse gas emissions from different food products are useful, they have limitations when it comes to setting reduction targets unless the data can be made more accurate.

In order to provide some standardisation for quantifying this, the Science Based Targets initiative is presently releasing a **standard for food and agriculture companies** to set targets for emissions reductions from the production of key food and agriculture commodities (especially where a land-use risk exists). This relates to companies concerned with either production-based emissions (e.g. agricultural producers) or supply chain emissions (e.g. for companies further downstream - such as traders, food manufacturers and retailers). Similarly, Greenhouse Gas Protocol **guidance** has been released for the agriculture sector, setting out a framework for businesses to assess greenhouse gas emissions from food production. Neither of these however are designed to produce a definitive dataset for quantifying a company's greenhouse gas emissions from food production.



In short, it remains difficult for food companies to accurately measure, report on, and quantify reductions in the supply chain emissions of the food they buy. Similarly, it remains challenging for food businesses to quantify their entire greenhouse gas emissions to include scope 3 emissions. This problem persists despite the collective efforts of industry and other stakeholders to solve these challenges. For example the UK charity **WRAP** which recently partnered with the food business sustainability platform Foodsteps to strengthen their reporting protocols.

Why does this matter for investors?

Investors are therefore in the difficult position of wanting to ensure that the companies in their portfolios are acting to reduce impacts on climate change, but without universally accepted reliable to do ▶



so. Faced with this dilemma, investors have two options: trust the companies' net zero commitments but risk relying on inaccurate data, or look for other existing indications of progress within companies while the protocols and better datasets are being developed. This briefing provides a strategy for implementing the latter approach, using data on UK food businesses as an example.

There is no doubt net zero commitment are to be welcomed. It is important however that net zero commitments are credible and that a company can show that it is implementing the right strategies that will take it towards net zero. The three 'must have' strategies for this are halting deforestation and land-use conversion, cutting food waste across the value chain, and reducing demand for livestock production. In high income countries this means a dietary shift away from animal-based foods towards plant-based foods. Without these three strategies it is hard to see how food companies can effectively achieve net zero, without relying too heavily on offsetting their emissions.

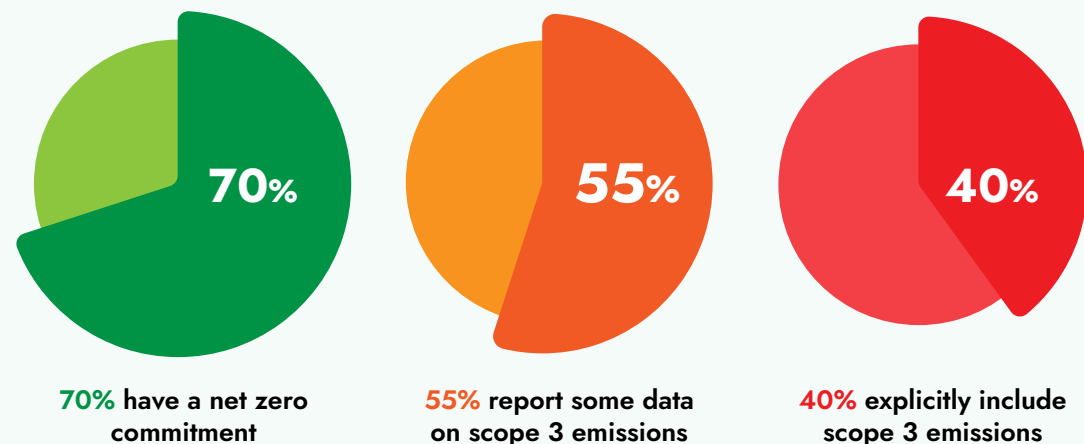
This briefing

Uses the example of 27 major UK-operating food businesses (11 food retailers and 16 restaurant chains and caterers) to indicate where net zero commitments are now the norm across the sector and whether these commitments are credible. We focus on the three strategies described above because they are the least controversial transitions that research shows are needed. In the future we would also like to evaluate whether companies are shifting their supply chains towards regenerative agriculture, but for now the metrics and data around that are lacking, making it hard to differentiate between good and bad practice. In the meantime halting deforestation, cutting food waste, and a dietary shift towards plant based foods are the largely undisputed changes we need to see.

ASSESSING THE CREDIBILITY OF UK FOOD BUSINESSES' NET ZERO COMMITMENTS

Our analysis shows that 19 companies have clear net zero commitments, of which 11 explicitly include scope 3 emissions and 15 are reporting at least some data on food-related supply chain emissions.

THE PROPORTION OF MAJOR UK FOOD BUSINESSES WITH CLEAR NET ZERO COMMITMENTS



However, as explained above, the data quality for food-related supply chain emissions is currently insufficient for investors to be sure companies are on track to meet comprehensive net zero targets (i.e. net zero commitments that include scope 3).

Looking beyond these commitments and disclosures we find that companies have inconsistent evidence around deforestation-free supply chains, food waste and a shift in their sales towards plant-based. See **Table 1 & Table 2** for an overview of how companies perform across these metrics.

Deforestation and land-use change

All 11 supermarkets have partial data to evidence deforestation-free supply chains, although in most cases this is limited to own-brand products and remains reliant on mass balanceⁱⁱ or credit-based certification (i.e. no guarantee of segregated supply chains or sourcing from regions that are deforestation free). Ten out of 16 restaurant chains and caterers have partial data on deforestation, but as with the supermarkets, rely mainly on mass balance or credit-based certification.

Food waste across supply chains

Whilst most companies are reporting on their own operational food waste and have reduction targets, only four out of 27 can show clear strategic focus for a reduction in food waste across their supply chain. While we recognise that this is challenging, given that these companies only have a certain amount of influence over their supply chains, there are frameworks for helping companies to address this (for example within WRAP's Food Waste Reduction Roadmap's [🔗 toolkit on whole value chain reduction](#)).

Shifting food sales from animal-based to plant-based foods

No companies have targets for reducing animal-based food sales but 14 of the 27 companies have partial data or targets that suggest some movement on this topic. These variously involve reporting on sales of animal and plant proteins (two supermarkets), and in a very few cases having targets to increase sales of plant proteins, as well as increasing sales of fruit and vegetables across some or all food categories or menus. The problem remains that none of these include clear targets and data to indicate an actual sales shift from animal-based to plant-based foods, and without that it is hard to see a pathway to net zero that is not overly reliant on offsetting emissions.

ⁱⁱ The mass balance approach is an accounting principle that matches inputs with outputs from a production process, to determine what proportion of material used and produced is sustainable.

BOX 2: TARGET SETTING AND DATA TRANSPARENCY AMONG BUSINESSES FOR THE KEY THREE METRICS

- No companies can yet evidence completely deforestation-free (segregated) supply chains. But 77% have partial data on this.
- 15% can show clear strategies for reducing food waste in their supply chains.
- No companies have targets to shift sales from animal-based to plant-based foods. But 55% have either data on protein sales or partial targets to increase sales of fruit & vegetables.



TABLE 1: ARE RETAILERS IMPLEMENTING STRATEGIES TO SUPPORT NET ZERO?

KEY

No policies or target

Target or data

Target & data

Target metrics	Tesco	Sainsbury's	Asda	Morrisons	Coop	M&S	Lidl	Aldi	Waitrose	Iceland	Ocado
Net zero target?	●	●	●	●	●	●	●	●	●	●	●
Net zero commitment explicitly includes scope 3?	●	●	●	●	●	●	●	●	●	●	●
<i>Implementation metrics</i>											
Reporting on supply chain emissions for food?	●	●	●	●	●	●	●	●	●	●	●
Company has a target for, and reports on, an increase in fruit & veg as % of food procurement or sales.	●	●	●	●	●	●	●	●	●	●	●
Company has a target for, and reports on, a % shift in protein procurement or sales that come from animal vs plant-based protein sources.	●	●	●	●	●	●	●	●	●	●	●
Company has a target for, and reports on, zero net land-use conversion through company's reliance on palm oil, soy (in animal feed), and beef as a product or an ingredient.	●	●	●	●	●	●	●	●	●	●	●
Company demonstrates collaboration with its main suppliers to track, measure and act on food waste in its farm supply chain.	●	●	●	●	●	●	●	●	●	●	●



TABLE 2: ARE RESTAURANTS AND CATERERS IMPLEMENTING STRATEGIES TO SUPPORT NET ZERO?

KEY

No policies or target

Target or data

Target & data

Target metrics	Compass Group	Sodexo	Elior	Aramark	ISS	McDonald's	KFC	Burger King	Domino's Pizza	SSP	Greggs	Wetherpoons	Mitchells & Butlers	Whitbread	Nando's	The Restaurant Group
Net zero target?	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Net zero commitment explicitly includes scope 3?	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Implementation metrics																
Reporting on supply chain emissions for food?	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Company has a target for, and reports on, an increase in fruit & veg as % of food procurement or sales.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Company has a target for, and reports on, a % shift in protein procurement or sales that come from animal vs plant-based protein sources.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Company has a target for, and reports on, zero net land-use conversion through company's reliance on palm oil, soy (in animal feed), and beef as a product or an ingredient.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Company demonstrates collaboration with its main suppliers to track, measure and act on food waste in its farm supply chain.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

INVESTOR CALL TO ACTION

Business engagement:

Investors should engage with individual companies to set expectations that net zero commitments include scope 3 emissions, and that businesses are backing this up with strategies and targets that show they are shifting their business models to align with those commitments (see **Box 3**)

BOX 3: RECOMMENDED INVESTOR EXPECTATIONS FOR FOOD COMPANIES

- set absolute reduction targets for scope 3 and develop reliable datasets for scope 3 emissions over time
- move to segregated deforestation-free supply chains and extend commitments beyond own-brand products,
- cut food waste in half across the value chain, including working with suppliers to halve food waste in their supply chain,
- shift sales away from animal-based to plant-based foods,

Even fairly small reductions in sales of animal-based foods can have a significant impact at a population level. Encouraging businesses to shift demand towards plant based foods through changing product offerings and shifting marketing and R&D spend away from animal foods and towards plant based foods is important. However, investors also need to be aware that these strategies will be challenging for some in the industry, where the business case for doing so may not yet be obvious, for example, those companies heavily reliant on sales of meat, or sales of products strongly associated with deforestation.

As such there is an additional requirement for investor engagement at a more macro level: with policymakers. The Government has the power to set industry standards and requirements for reporting and targets which can be an effective route to creating change in the industry.

Government engagement:

Investor pressure on companies and voluntary agreements on metrics and reporting standards will not be enough on their own. One way to improve industry-wide disclosure and reporting on these key strategies is the introduction of mandatory requirements for businesses to report on deforestation in their supply chains, on food waste across their value chain, sales of animal-based vs plant-based proteins, and sales of fruit and vegetables (see our earlier investor briefing on the **case for mandatory food industry reporting in the UK**).

The Food Data Transparency Partnership (FDTP), created by the Government, will be a key place for investors to push for mandatory reporting of these key metrics. The Government committed to establishing a FDTP and mandatory reporting across a range of metrics in their 2022 Food Strategy white paper, but this commitment has not yet been implemented. Keeping the commitment on the agenda is critical for ensuring that businesses are moving towards more sustainable and healthy practices. The case for mandatory reporting also needs to be made beyond the UK, and investors can play an important role by engaging with national governments and inter-governmental bodies to show why a lack of reporting from the industry is hindering progress. Given the urgency of the situation, investors should be insisting on mandatory reporting and targets for key metrics around deforestation, food waste and sales of animal-based vs plant-based foods.

Looking ahead

There will be co-benefits to both society and the planet from a healthier population eating more fruit and vegetables and less animal protein. There will be more breathing space for biodiversity, protection and restoration of ecosystems, and more efficient use of the food we do produce from reducing food waste. Climate change is one of the main challenges of our time. But the opportunity for investors to shift the food industry towards more healthy and sustainable business practices will have benefits that reach far beyond net zero.

To find out more about The Food Foundation's investor briefing series and the Investor Coalition on UK Food Policy, please email us at office@foodfoundation.org.uk



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