

# **INVESTOR COALITION ON FOOD POLICY, AND SHARE ACTION - WRITTEN EVIDENCE (FDO0086)**

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## **Executive Summary**

### **Who are the Investor Coalition on Food Policy?**

The Investor Coalition on Food Policy<sup>1</sup> (the Coalition) was set up in response to the National Food Strategy (NFS) in July 2021 and now has over 30 members, representing over £6 trillion in assets under

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<sup>1</sup> <https://foodfoundation.org.uk/initiatives/investor-coalition-food-policy>

management or advice. It exists to harness the power of the investment community to engage with government on food system related issues.

There are a wide range of different financial institution members, from large institutional investor names to smaller sustainability-focused ones, signalling the rise in investor interest in the risks and opportunities facing the food sector. There is a Coalition advisory group of investors made up of Greenbank, Guy's and St Thomas' Foundation and Legal and General Investment Management. The Food Foundation serves as the Secretariat to the Coalition.

The current focus of the Coalition is advocating for well-designed regulation and standard setting to promote greater transparency and accountability among UK food businesses, as well as changing food policy and business practices, all of which is required to support the creation of a healthy, sustainable, and affordable food system. The Coalition has actively contributed to the UK Government's Food Data Transparency Partnership (FDTP) since its inception.

Investors have significant influence over companies and the wider economy as the owners of companies and providers of capital. A key mechanism for doing this is through stewardship and engagement. Stewardship describes how investors "responsibly allocate, manage and oversee capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society"<sup>2</sup>. Engagement and voting are two of the most common stewardship tools used by investors. In recent years, there has been an increase in shareholder resolutions being filed at multinational food companies such as Tesco, Nestle, Unilever, Kraft Heinz and Coca-Cola<sup>34</sup>. There has also been a growth of collaborative investor engagement initiatives that focus on food issues such as the FAIRR Initiative, ShareAction's Healthy Markets Initiative and the Access to Nutrition Initiative.

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<sup>2</sup> <https://www.frc.org.uk/>

<sup>3</sup> Sophie Lawrence, Rathbone Greenbank Investments, *The Investor Case for Health and Nutrition*, July 2022, <https://www.esginvestor.net/the-investor-case-for-health-and-nutrition/>

<sup>4</sup> Financial Times, *Investors push Nestlé and Kraft Heinz to set new health targets*, April 2022, <https://www.ft.com/content/545651c2-c408-4cad-b724-698ed896ee89>

## Who is ShareAction?

ShareAction is a UK-registered charity established to promote transparency and responsible investment practices throughout the financial services sector. We are a member organisation and count amongst our members well-known NGOs and charitable foundations, as well as over 26,000 individual supporters. Among other activities, we work with the financial services sector, including asset management firms, to promote integration of sustainability factors in investment decisions, long-term stewardship of assets and the consideration of the views of clients, beneficiaries and pension scheme members.

ShareAction is currently coordinating a coalition of Nestlé shareholders, with a combined \$1.68 trillion in assets under management, to file a shareholder resolution calling for the company to set a target to increase the proportion of its sales that come from healthier products. This resolution will be voted on at Nestlé's AGM on 18 April 2024.

## Why is there a need for a level playing field and a systemic approach?

Investors are increasingly aware of the **material financial risks** facing companies and our wider economy if we fail to transition our food system to one which is healthy, sustainable and affordable. This extends beyond nutrition, to other **sustainability risks** such as climate change, food waste and nature. Planet Tracker analysis predicts that if food system risks are unmitigated, individual firms could lose up to 26% of their value, with a sector average 7% hit for the food sector (based on the largest 40 companies)<sup>5</sup>.

Focusing on health, rising levels of diet-related poor health and rising obesity levels create a multitude of risks for investors.

First, the mounting **economic costs** of diet-related diseases generate direct and indirect risks which are material for company bottom lines and therefore the investors in these companies.

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<sup>5</sup> Planet Tracker, *Financial Markets Roadmap For Transforming The Global Food System*, March 2023, <https://planet-tracker.org/wp-content/uploads/2023/03/Financial-Markets-Roadmap-for-transforming-the-Global-Food-System.pdf>

One of the principal risks is **government regulation**, which is likely to increase as Governments respond to the obesity-related disease crisis and associated increases in healthcare costs. This already includes a range of fiscal measures such as the introduction of sugar and salt taxes. Policy uncertainty is also a concern, as companies need to invest several years ahead of time in reformulating products or redesigning store layouts in order to comply with new regulation. Investors also have exposure to companies operating globally, and therefore regulation in several jurisdictions needs to be considered as part of an investor's assessment of the risks. Globally, over 50 countries have implemented taxes on sugar-sweetened beverages to date<sup>6</sup>.

There is also a **reputational risk** for companies, where customers and other stakeholders deem a company's approach to be inadequate due to their continued focus, promotion and offering of unhealthy and unsustainably produced foods, with increasing consumer expectations that companies operate responsibly.

Investors also need to understand the **systemic risks** posed by current trends in food, diet and obesity. The combined cost of obesity-related disease to UK businesses alone is estimated to be £27bn per year<sup>7</sup>. In addition, 63% of the years lost to poor health are in the working age population, meaning obesity has a significant impact on productivity and absence rates. The rising incidence of obesity-related disease is also placing a significant burden on the UK's already stretched health service, with NHS costs attributable to overweight and obesity predicted to reach £9.7 billion by 2050<sup>8</sup>.

However, there are also **opportunities**, which come with a higher demand for affordable, healthy options<sup>9</sup> and changing dietary preferences, which also leads to a system-wide opportunity to improve health. Good health is an asset both to investors and the wider economy. McKinsey Global Institute estimates that better health could add \$12tn to

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<sup>6</sup> [Countries that have implemented taxes on sugar-sweetened beverages \(SSBs\) | Obesity Evidence Hub](#)

<sup>7</sup> <https://www.theguardian.com/society/2023/jan/31/higher-obesity-levels-linked-to-lower-productivity-in-england-research-shows#:~:text=Obesity%20is%20estimated%20to%20cost,example%20by%20causing%20sore%20joints>.

<sup>8</sup> <https://www.gov.uk/government/publications/health-matters-obesity-and-the-food-environment/health-matters-obesity-and-the-food-environment--2>

<sup>9</sup> <https://www.euromonitor.com/article/consumers-want-more-healthy-packed-food>

global GDP in 2040, representing an eight percent boost and lead to 120 million more full-time workers joining the global workforce<sup>10</sup>.

The risks facing the food sector are too complex and wide-ranging for companies to tackle them in isolation. Well-designed regulation, such as fiscal measures and mandatory reporting of health performance can help to ensure a level playing field for companies. This has been a focus of the Coalition's work to date, in support of one of the National Food Strategy's recommendations which was to build a mandatory reporting framework for companies to disclose their health and sustainability performance.

### **Why is well-designed regulation an important part of creating the right commercial incentives for companies?**

Well-designed regulation creates an essential enabling environment for businesses seeking to address the direct and systemic risks facing them and to build long-term economic sustainability into their business models. It can also help unlock the potential of companies and their investors to have a more positive impact on people. It also creates a level playing field for companies, incentivising them to shift their product portfolios to healthier options, something which is difficult for companies to address in isolation.

Realistically, if you leave it to the market, some socially responsible food sector companies will act, but laggards will not. Incentives via regulation may, however, move people and businesses. Investors have witnessed this first hand through their extensive engagement with companies in their portfolio on this issue. The Soft Drinks Industry Levy (SDIL) is a good example of a government intervention which has successfully changed the commercial incentives for companies, stimulating the reformulation of drinks, positively impacting population health, and having a negligible impact on company turnover<sup>11</sup>.

There is an opportunity for commercial interests and health outcomes to align with the support of well-designed government regulation. Companies that are providing solutions for changing health needs are going to be more resilient in the long-term. There is also a role for innovative new brands that are providing healthier products. This is

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<sup>10</sup> [https://foodfoundation.org.uk/sites/default/files/2023-05/PuP\\_Policy%20Briefing%20report\\_Financial\\_risks\\_FINAL.pdf](https://foodfoundation.org.uk/sites/default/files/2023-05/PuP_Policy%20Briefing%20report_Financial_risks_FINAL.pdf)

<sup>11</sup> A multi-method evaluation of the UK Soft Drinks Industry Levy, Jean Adams, MRC Epidemiology Unit, University of Cambridge

currently already happening but at a small scale. For example, Impact for Urban Health has supported a scheme called Mission Ventures which helps healthier 'challenger brands' to break through and displace well-established, unhealthier products in families' shopping baskets<sup>12</sup>.

### **Why are mandatory rather than voluntary measures necessary?**

History has shown us that voluntary reporting standards are inadequate at driving the necessary scale of change required to change the food environment. Voluntary approaches to data disclosure have only had limited success in increasing transparency in the food industry, despite growing investor engagement on the issue<sup>131415</sup>.

When it comes to voluntary reporting frameworks, their proliferation has also meant that companies are now disclosing a range of different metrics (if they are reporting) which makes it challenging for investors to benchmark company performance across their investment portfolio and to understand how exposed companies are to the risks and opportunities they are facing. It is equally a challenge for those companies that do report, to report against multiple metrics.

Mandatory reporting, which at a minimum should include sales-based reporting of fruit and vegetables, plant and animal-based proteins, and sales of foods high in fat, sugar and salt (HFSS) would help investors understand the direct and systemic risks to their portfolios and facilitate the movement of capital toward companies that are supporting the transition to a sustainable and healthy food system. It would also allow investors and other stakeholders to understand what progress is being made<sup>1617</sup>.

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<sup>12</sup> <https://www.missionventures.co.uk/goodfood>

<sup>13</sup> The Food Foundation, *Mandatory business reporting to accelerate the food industry's transition to healthy and sustainable food*, October 2021, <https://foodfoundation.org.uk/sites/default/files/2021-10/Plating-Up-Progress-Policy-Briefing.pdf>

<sup>14</sup> The Food Foundation, *Implementing Mandatory Business Reporting in the Food Sector*, July 2022, <https://foodfoundation.org.uk/sites/default/files/2022-08/PUP%20Aug%202022.pdf>

<sup>15</sup> <https://accesstonutrition.org/app/uploads/2022/05/UKRI-Final-Report-20220510-KH.pdf>

<sup>16</sup> ShareAction, *Health: An Untapped Asset - How investors can strengthen returns by improving health outcomes*, September 2021, <https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/ShareAction-Health-Report-2021-final.pdf>

<sup>17</sup> The Food Foundation, *Implementing Mandatory Business Reporting in the Food Sector*, July 2022, <https://foodfoundation.org.uk/sites/default/files/2022-08/PUP%20Aug%202022.pdf>

Furthermore, setting clear mandatory disclosure and reformulation expectations would help to address diet-related disease, and enable investors to better hold companies to account; it would rebalance the healthiness of food on our supermarket shelves.

Several large food businesses have already supported the call for mandatory reporting requirements, including Tesco, Sainsbury's, Compass Group and Greggs, as it creates a level playing field for companies, incentivising them to shift their product portfolios to healthier options, something which is challenging for individual companies to address<sup>18</sup>.

## **Responses to Committee questions**

### **1. Key trends in food, diet and obesity, and the primary drivers of obesity, and the evidential base for identifying these trends.**

There are increasing financial, legal, and reputational risks that companies may face if they fail to manage risks related to health. Investors have duties to properly and effectively recognise and act on longer-term risks such as those presented by sub-optimal population health. This, in turn, requires that investors need to ensure that population health considerations are fully integrated into their investment research and decision-making, into their engagement with the companies and other entities that they invest in, and into their public advocacy and engagement with policy makers.

Health presents significant financial opportunities and risks for businesses across all sectors and geographies, with the potential to impact long-term economic prosperity. How companies respond to these opportunities and risks will be key to their resilience and could also be material to their long-term value creation. This includes consideration of a company's direct and indirect impacts on consumer health through their products and services.

Regulatory, consumer, and litigation trends related to health pose material risks to companies, now and in the future. Regulations increasingly require investors to demonstrate how they are addressing a range of sustainability topics, including climate, nature, and human rights<sup>19</sup>

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<sup>18</sup> The Investor Coalition on Food Policy, *Call to UK Government for Mandatory Reporting*, December 2021, [https://foodfoundation.org.uk/sites/default/files/2022-04/Call%20to%20UK%20Govt%20for%20mandatory%20reporting\\_Investor%20letter\\_FINAL.pdf](https://foodfoundation.org.uk/sites/default/files/2022-04/Call%20to%20UK%20Govt%20for%20mandatory%20reporting_Investor%20letter_FINAL.pdf)

many of which overlap with issues (e.g., nutrition, labour rights, air pollution, waste, etc.) that have direct impacts on people's health. As mentioned earlier, over 50 countries have already implemented taxes on sugar-sweetened beverages to date<sup>20</sup> and the EU's Farm to Fork Strategy's plan is likely to introduce mandatory front of-pack nutrition labels<sup>21</sup>.

Shifting consumer demand influencing market trends is also of growing risk to companies, with the role of companies and their effect on many health-determining factors being increasingly well understood by policy makers, NGOs, and the public.<sup>222324</sup> Shifting consumer trends toward healthier products generate risks, as well as opportunities for companies seen to be ahead of the curve, and signal increasing reputational risks for companies perceived not to be acting responsibly in relation to health. A survey of consumer attitudes towards healthy diets across the UK, USA, Germany, France, Australia and Mexico found that 81% of consumers are in favour of government regulation to make healthy foods cheaper and more available, 75% want manufacturers to produce healthy alternatives to less healthy food, and 73% of consumers say manufacturers play an important role in influencing their dietary choices<sup>25</sup>. In the UK, major food companies such as Tesco and Unilever agreed to boost sales of healthier food and drinks in response to investor pressure coordinated by ShareAction's Healthy Markets Initiative, but the sector has many laggards who have not moved in setting healthy sales targets nor in disclosing data on healthy sales.

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<sup>19</sup>ShareAction. (2021). Responsible stewardship: How the EU can improve the Shareholder Rights Directive. Available at: <https://shareaction.org/policies/responsible-stewardship-how-the-eu-can-improve-the-shareholder-rights-directive>

<sup>20</sup> [Countries that have implemented taxes on sugar-sweetened beverages \(SSBs\) | Obesity Evidence Hub](#)

<sup>21</sup> Merten-Lentz, K. (2022). Labelling and the Farm to Fork Strategy: The Commission is moving towards mandatory front of-pack nutrition labels. Food Navigator. Available at: <https://www.foodnavigator.com/Article/2022/02/16/labelling-andthe-farm-to-fork-strategy-the-commission-is-moving-towards-mandatory-front-of-pack-nutrition-labels>

<sup>22</sup> Baum, F. et al. (2016). Assessing the health impact of transnational corporations: its importance and a framework. PubMed. Available at: <https://pubmed.ncbi.nlm.nih.gov/27301248/>

<sup>23</sup> Maani, N. et al. (2020). Corporate practices and the health of populations: a research and translational agenda. The Lancet Public Health. Available at: [https://doi.org/10.1016/S2468-2667\(19\)30270-1](https://doi.org/10.1016/S2468-2667(19)30270-1)

<sup>24</sup> West, R and Marteau, T. (2013). Commentary on Casswell (2013): the commercial determinants of health. Addiction. 2013; 108: 686–687. Available at: <https://doi.org/10.1111/add.12118>

<sup>25</sup> ShareAction. (2022). Investors call on major food manufacturers to follow Unilever's moves on health & nutrition. Available at: <https://shareaction.org/news/investors-call-on-major-food-manufacturers-to-follow-unilevers-moves-onhealth-nutrition>



## **8. The role of the food and drink industry in driving food and diet trends and on the policymaking process.**

Currently, the UK food system is dominated by a relatively small group of food companies who create and control supply chains and the food environment. Shifting the food system therefore needs action from a range of stakeholders, including the businesses themselves, but also investors and – crucially – governments, who play a decisive role in shifting the incentives and setting system standards large businesses operate in.

For example, Nestlé is the largest food and beverage company in the world by revenue, and it produces and sells more foods and beverages that are less healthy than almost any other company in the world<sup>26</sup>. This gives it tremendous influence over food and diet trends. The cost of obesity to the global economy is estimated to reach \$4.32 trillion annually by 2035; around 4% of current global GDP<sup>27</sup>. For context, if the 2035 projected \$4.32trn annual cost of obesity were to be internalised by the sector, and Nestlé’s allocation of that cost was proportional to its share of the global food and beverage market, the annual cost to Nestlé would be

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<sup>26</sup> Access to Nutrition Initiative (2021) Available online at:

<https://accesstonutrition.org/index/global-index-2021/scorecards/Nestlé-5/>

<sup>27</sup> <https://www.bmj.com/content/380/bmj.p523> [Accessed 12 March 2024]

<sup>27</sup> ShareAction. (2021). Responsible stewardship: How the EU can improve the Shareholder Rights Directive. Available at:

<https://shareaction.org/policies/responsible-stewardship-how-the-eu-can-improve-the-shareholder-rights-directive>

<sup>27</sup> [Countries that have implemented taxes on sugar-sweetened beverages \(SSBs\) | Obesity Evidence Hub](#)

<sup>27</sup> Merten-Lentz, K. (2022). Labelling and the Farm to Fork Strategy: The Commission is moving towards mandatory front of-pack nutrition labels. Food Navigator. Available at:

<https://www.foodnavigator.com/Article/2022/02/16/labelling-andthe-farm-to-fork-strategy-the-commission-is-moving-towards-mandatory-front-of-pack-nutrition-labels>

<sup>27</sup> Baum, F. et al. (2016). Assessing the health impact of transnational corporations: its importance and a framework. PubMed. Available at:

<https://pubmed.ncbi.nlm.nih.gov/27301248/>

<sup>27</sup> Maani, N. et al. (2020). Corporate practices and the health of populations: a research and translational agenda. The Lancet Public Health. Available at:

[https://doi.org/10.1016/S2468-2667\(19\)30270-1](https://doi.org/10.1016/S2468-2667(19)30270-1)

<sup>27</sup> West, R and Marteau, T. (2013). Commentary on Casswell (2013): the commercial determinants of health. Addiction. 2013; 108: 686–687. Available at:

<https://doi.org/10.1111/add.12118>

<sup>27</sup> ShareAction. (2022). Investors call on major food manufacturers to follow Unilever’s moves on health & nutrition. Available at: <https://shareaction.org/news/investors-call-on-major-food-manufacturers-to-follow-unilevers-moves-onhealth-nutrition>

<sup>27</sup> Access to Nutrition Initiative (2021) Available online at:

<https://accesstonutrition.org/index/global-index-2021/scorecards/Nestlé-5/>

in the order of \$40bn<sup>28</sup>. Governments must implement mandatory and robust measures to reduce the industry's negative influences on health, including making the link between unhealthy diets and the responsibility a company plays in unhealthy diets (the commercial determinants of health).

Members of the Investor Coalition on Food Policy have been involved in the Government's Food Data Transparency Project since it began and have been concerned about the potential influence that the food and drink industry companies involved in FDTP have had in watering down the ambition of the project. In its initial scope, FDTP was due to have four working groups: eco, animal welfare, health, and an expert user and data group. Both the health and eco working groups were due to explore a mandatory reporting methodology for companies. In June 2023, the scope was confirmed as being significantly scaled back, to focus solely on the health and eco working groups and for the health group to explore reporting which was voluntary only.

Investors are increasing their scrutiny of corporate lobbying efforts on health and nutrition, as it plays a part in dissuading or watering down food policy interventions. This is part of the Investor Coalition on Food Policy's strategy for 2024. Investors need to understand which companies/bodies are actively lobbying against legislation and regulation that would support a shift toward food system transformation and increased transparency. Policymaking should be protected from undue commercial interference, in the interest of public health and long-term outcomes. Stakeholders who are required to improve their products for the benefit of public health should be consulted about the implementation of policies but should not be involved in the development or evaluation of policies.

## **9. Lessons learned from international policy and practice, and from the devolved administrations, on diet-related obesity prevention.**

A McKinsey Global Institute study in 2014 looking at 74 interventions globally found that one intervention implemented in isolation will have only a limited impact. This is true no matter who leads these interventions (the state, the food sector, the media, the education sector, the healthcare sector or individuals) – no single stakeholder can address the

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<sup>28</sup> Estimates: Nestle's food sales \$70 bn / F&B sector size \$7tn = 1%

problem without collaborating with the others and taking a systems approach to change. Creating an enabling environment is vital to making behaviour change easier, for instance by increasing the availability of healthier options and by changing choice architecture. Programmes that focus on individuals setting personal goals have had most success when other incentives or disincentives have been leveraged in parallel. Take for example the UK taxes on tobacco products running alongside public health campaigns and the introduction of smoke-free policies, which have contributed to a steady reduction in smoking rates over the last 30-35 years. Changing the accepted social norms by banning smoking in public places was more effective in changing individual behaviour than focusing on education campaigns alone<sup>29</sup>.

To provide a concrete example of multiple levers being pulled in tandem, in 2009 almost 20% of 5-year-olds in Seinäjoki, Finland, were living with overweight or obesity. To tackle the problem the municipality's health department collaborated with a range of stakeholders, including the childcare, education, urban planning, nutrition and leisure sectors to ensure that all schools and childcare centres were providing consistent levels of service. Playgrounds were improved, HFSS snacks were removed from childcare centres, schools started serving healthier meals, and annual health checks were implemented in schools. Finland's Health Care Act now requires cities to make sure that health is incorporated throughout their decision-making. HFSS foods are taxed at higher rates, and Finland has recommended reducing the availability of HFSS food and drink in school vending machines, as well as limiting how such foods can be marketed for children. By 2015, the prevalence of overweight or obesity among 5-year-olds in Seinäjoki had dropped to 10%<sup>30</sup>.

To bridge the price gap between healthy and unhealthy food options and promote sustainable dietary choices, [Colombia](#) has implemented health taxes on ultra-processed foods and sugary beverages, building on an HFSS model. These taxes target ultra-processed foods (UPFs), that is industrially processed foods, containing excessive added sugars, salt, and fats. Additionally, ultra-processed beverages with high sugar content exceeding 6g per 100 ml are subject to similar taxation.

In the UK, a voluntary traffic light scheme for front of pack nutrition labelling has been adopted by many but not all large companies. A few

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<sup>29</sup> [https://foodfoundation.org.uk/sites/default/files/2023-09/TFF\\_Education\\_briefing.pdf](https://foodfoundation.org.uk/sites/default/files/2023-09/TFF_Education_briefing.pdf)

<sup>30</sup> [https://foodfoundation.org.uk/sites/default/files/2023-09/TFF\\_Education\\_briefing.pdf](https://foodfoundation.org.uk/sites/default/files/2023-09/TFF_Education_briefing.pdf)

countries, such as [Mexico](#), [Colombia](#), and [Argentina](#) have taken labelling a step further to reflect wider concerns about UPFs and, alongside recognising the fat, sugar and salt content, have introduced additional warning labels targeting specific ingredients such as sweeteners.

[Mexico](#) and [Argentina](#) have introduced policies whereby products bearing warning labels, including for artificial sweeteners, must display them in television and online advertising, while also prohibiting such products from making nutritional claims or receiving endorsements from professionals. Argentinian law restricts any commercial tactics targeting children and adolescents for products with warning labels.

## **10. The effectiveness of Government planning and policymaking processes in relation to food and drink policy and tackling obesity.**

As mentioned above, the Coalition has been an active member of the Food Data Transparency Partnership. While we strongly support the work of officials in this Partnership and its engagement with investors, there has been a high level of turnover of personnel working on it. Furthermore, responsibility for the partnership is split among multiple Government bodies, which could limit its progress. In general, there is too diffuse leadership across Government on health. Although many government departments notionally have some responsibility for health, few are accountable for long-term progress, and levers are spread too thinly across them. The Secretary of State for Health and Social Care also has limited ability to influence the policy of other departments, unlike the Prime Minister. This has led to short-termism, less priority given to preventative health, and stagnant progress at best on targets to improve population health. A coherent strategy and bespoke Government institutional architecture to commit to long-term population health improvement is needed, as is in place with net zero<sup>31</sup>. A lack of consistent policy signals and U-turns on policy make long-term planning and investment by companies challenging.

The National Food Strategy recommendations offer a coherent plan on food, diet and obesity but unfortunately little of it has been implemented<sup>32</sup>, with even those recommendations that were committed to in the Government's Food Strategy whitepaper having been subsequently watered down or yet to materialise. Worryingly, early progress on HFSS

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<sup>31</sup> See pages 44-47: [https://ippr-org.files.svdcdn.com/production/Downloads/1682577258\\_healthy-people-prosperous-lives-april-2023.pdf](https://ippr-org.files.svdcdn.com/production/Downloads/1682577258_healthy-people-prosperous-lives-april-2023.pdf)

<sup>32</sup> <https://www.sustainweb.org/blogs/jun22-which-nfs-recommendations-included-in-government-food-strategy/>

has been reversed, such as a delay to the advertising and multi-buy price promotion restrictions on HFSS food to October 2025 from October 2023. As mentioned, reporting on health metrics for large food companies has now also been scaled back to be only voluntary rather than mandatory.

The Government can shift incentives for manufacturers and retailers so that they offer more healthy food for consumers. The [Recipe for Change coalition](#) is exploring two HFSS taxes which the Government could consider:

- One applies a levy to all salt and sugar purchased for use in all manufactured food and for catering, as recommended by the National Food Strategy. Evidence briefing is [here](#).
- An alternative, more targeted approach could build on and work alongside the existing Soft Drinks Industry Levy, focussing on specific non-staple food categories that together contribute significantly to excess salt, sugar or overall HFSS consumption, such as confectionery, desserts, sweet and/or savoury snacks. Evidence briefing is [here](#).

These measures could also be paired with actions to increase access to fresh food and ingredients for low-income households with children, such as expanding free school meals, as outlined in Objective 2 of the National Food Strategies' recommendations<sup>33</sup>.

Another measure that should be considered is mandatory healthy sales targets for large retailers. Nesta's research, backed by consumer group Which?, concludes that this could reduce obesity in Britain by approximately 23% and help four million people achieve a healthier weight<sup>34</sup>.

## **11. The impact of recent policy tools and legislative measures intended to prevent obesity.**

Effective regulation can be a win-win-win for consumers, companies and the wider economy as shown by the success of the Soft Drinks Industry Levy (SDIL). The levy resulted in a significant fall<sup>35</sup> in levels of sugar in drinks due to manufacturers improving their recipes and has added an estimated £340 million to the Treasury each year for investment in

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<sup>33</sup> <https://www.nationalfoodstrategy.org/>

<sup>34</sup> <https://www.nesta.org.uk/press-release/healthy-food-targets-for-uks-biggest-retailers-help-four-million-move-to-a-healthier-weight/>

<sup>35</sup> <https://bmcmmedicine.biomedcentral.com/articles/10.1186/s12916-019-1477-4>

children's health. Research has also shown that this has not impacted sales of soft drinks and there has been a purchasing shift to products not subject to the levy.

SDIL was clear in its ambition, simple in its mechanism and, crucially, mandatory in its application. Other policy tools seeking to incentivise reformulation – namely recent UK voluntary programmes seeking to reduce [calories](#) and [sugar](#) - have been underwhelming precisely because they fail to adhere to these principles.

We would therefore recommend core principles to consider when implementing policy tools from an investor perspective:

- Measures should be mandatory, rather than voluntary: In the past 30 years, there have been 14 UK Government obesity strategies with 689 policies, the majority of which were voluntary. Yet in that time obesity has doubled. Mandatory measures, such as reporting on the healthiness of companies' products by sales, will create a level playing field for companies that supports rather than hinders progressive commercial action.
- As mentioned above, a systemic approach should be adopted. No single intervention or stakeholder on its own can address the problem. Interventions that focus on individuals, without addressing underlying environments (e.g. smoke free public spaces) have been ineffective.
- A ramp up period and phased implementation should give industry a sufficient window to reformulate. We recognise that reformulating food products takes time, and that this is more challenging in food products rather than drinks. A ramp up period over time, including a staged extension to cover more categories of food over time, would be helpful. The National Food Strategy recommends three years.
- Alignment to the Government-endorsed nutrient profiling model would be welcome as this would be consistent with other Government legislation, reducing additional burden for companies.
- Long-term, consistent policy signals (in line with the approach taken with SDIL) are important, in particular when it comes to product reformulation when the investment horizon is long-term.
- The cost burden should fall on industry, rather than consumers. The Soft Drinks Industry Levy offers a precedent that could be

replicated for food, and which campaign groups like [Recipe for Change](#) are advocating for.

## **12. Policy tools that could prove effective in preventing obesity amongst the general population, including those focused on the role of the food and drink industry in tackling obesity.**

There are many policy tools that can be effective in preventing obesity particularly, fiscal policies such as taxation of less healthy foods or beverages. These taxes have been found to be effective at improving public health, by reducing the sales of less healthy products<sup>36</sup>. However, innovative strategies, such as shareholder resolutions, aiming to put pressure on big corporations outside of the formal policy-making process in healthcare, have not been part of the conventional public health policy package to curb obesity.

A driver for these innovative approaches is health becoming a crucial part of the investment decision-making process. As investors become more empowered to make investment decisions based on a company's actions on health, it then presents companies, especially those in the food and drink industry, with the opportunity to be a leader on health, become a more resilient business, and raise market standards. But if food and drink manufacturers do not start shifting sales and marketing towards healthier foods, it can impact sales, put pressure on margins, and potentially expose them to expensive legal disputes. Eventually, after continued investor engagement with a company and no shift in corporate responsibility, a company can be subject to a shareholder resolution.

ShareAction has supported a shareholder resolution ahead of Nestlé's AGM in April 2024, calling on the multinational to transparently disclose the proportion of its sales from healthy and unhealthy foods using a government-endorsed nutrient-profiling model. The resolution is backed by a coalition of investors with \$1.68 trillion in assets under management.

While more transparent health disclosures are needed for investors and consumers, tools such as resolutions are more limited in scope and raise level playing field arguments amongst companies. While reformulation by

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<sup>36</sup> Institute for Fiscal Studies (2019) The evidence on the effects of soft drink taxes. Available online at: [https://ifs.org.uk/sites/default/files/output\\_url\\_files/BN255-the-evidence-on-the-effects-of-soft-drink-taxes.pdf](https://ifs.org.uk/sites/default/files/output_url_files/BN255-the-evidence-on-the-effects-of-soft-drink-taxes.pdf)

big manufacturers, such as Nestlé, would move the industry forward, the government needs to develop and enforce robust food policy measures to slow down the spread of obesity in youth and adults in the UK.

In the UK, public support for stronger government regulation of food companies to improve access to healthy food is growing. In a survey by the King's Fund, over two thirds of respondents supported government-led mandatory reductions of salt, sugar, and fat in their products - while only 14% opposed such measures<sup>37</sup>.

Investor engagement and government action should be viewed as mutually reinforcing. The government should look to the market demands from consumers and investors, as exemplified by the Nestlé resolution, to mandate more transparency from the food and drink industry.

*8 April 2024*

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<sup>37</sup> The King's Fund (2024) Looming election brings political action on public health. Available online at: <https://www.kingsfund.org.uk/insight-and-analysis/blogs/election-political-action-public-health#:~:text=Our%20polling%20shows%20significant%20public,%2C%20with%20only%2014%25%20opposd.>