

National Food Strategy Team  
Department for Environment, Food and Rural Affairs  
Area SE, 2<sup>nd</sup> Floor  
Seacole Building  
2 Marsham Street  
London  
SW1P 4DF

(Sent via email)

25<sup>th</sup> October 2019

Dear Sir/Madam,

## Response to National Food Strategy – Call for Evidence

I am writing on behalf of ShareAction, a registered charity established to promote transparency and responsible investment practices by pension funds and other institutional investors. We are a member organisation and count amongst our members well-known NGOs and charitable foundations, as well as over 26,000 individual supporters.

ShareAction is dedicated to making the global investment sector responsible for its impacts, while mobilising its power to address the challenges we face. Our four key goals are:

1. Major financial institutions account for their impacts on people and planet;
2. Investors, and the companies they invest in, act within safe ecological limits;
3. Investors, and the companies they invest in, build a fair, just and healthy society;
4. The investment system is diverse and inclusive at all levels.

## Our Response

The global food system is at a tipping point. Almost 2 billion people are overweight or obese,<sup>1</sup> yet nearly 1 billion others are undernourished.<sup>2</sup> Food production accounts for a quarter of today's greenhouse gas emissions and is a leading driver of biodiversity loss.<sup>3</sup> Over a quarter of the world's population is employed by the agricultural sector, yet many are subject to human rights abuse including forced labour and other forms of exploitation.<sup>4</sup>

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<sup>1</sup> WHO (16 February 2018). "Obesity and overweight". Available online at: <https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight> [accessed 25 October 2019].

<sup>2</sup> UN Environment Programme (19 February 2019). "Towards a 'Great Food Transformation'". Available online at: <https://www.unenvironment.org/news-and-stories/story/towards-great-food-transformation> [accessed 25 October 2019].

<sup>3</sup> Food Climate Resource Network. "Food system and greenhouse gas emissions." Available online at: <https://foodsource.org.uk/31-what-food-system%E2%80%99s-contribution-global-ghg-emissions-total> [accessed 25 October 2019].

<sup>4</sup> Business & Human Rights Resource Centre. "We need to empower workers to address the most intractable labor issues in agricultural supply chains." Available online at: <https://www.business-humanrights.org/en/we-need-to-empower-workers-to-address-the-most-intractable-labor-issues-in-agricultural-supply-chains> [accessed 25 October 2019].

We need to transition to production and consumption models that are better for the environment, our health and our society, and we need to do this fast. Through our programmes, ShareAction is making the case for change to investors to act on these topics. This is not only about acknowledging responsibility for their impact, but also mobilising their power to drive change in corporate behaviour. We believe there are significant financial, reputational and operational risks for companies who are implicated in the negative impacts of the food system and who fail to respond. This makes the topic both a financially material one for investors but also for investors seeking to create a broader positive impact on society as stewards of their holdings.

Notwithstanding the importance of tackling all environmental and social issues associated with food production and consumption, our response is focused on those aspects of our food system we are currently working most actively on.

## **Childhood Obesity**

Regulatory and market responses to childhood obesity are emerging as an important investment topic. This is why through our Healthy Markets campaign, we are working with the financial services sector to help them better understand the performance of food and drink companies in influencing our eating habits as well as the associated financial opportunities and risks.<sup>5</sup> The aim is to promote the integration of this information in investment decisions, long-term stewardship of assets and the consideration of the view of clients, beneficiaries and pension scheme members to drive improvements in corporate actions.

Our key messages are:

- Obesity, particularly childhood obesity, is one of the most serious public health challenges of our time. Moreover, it has significant financial ramifications in terms of the medical treatment costs it poses to the National Health Service (NHS) and the reduced productivity levels and weaker economic growth associated with a less healthy workforce.<sup>6</sup>
- Dietary choices are heavily influenced by our food and drink environments, and so the response from policy makers and regulators to childhood obesity should continue to focus on improving the availability, accessibility and affordability of healthy food for all.
- The Government should be encouraged by the progress made by food and drink companies through a combination of fiscal and legislative measures in areas such as reformulation of soft drinks.<sup>7</sup> As such, the Government should adopt stronger measures to drive improvements in the nutritional quality of packaged food and drink products, which remains poor. In this context, 69% out of 3000 products sold by major food and drink manufacturers in the UK were classified as unhealthy in a recent study from the Access to Nutrition Initiative (ATNI).<sup>8</sup>
- Moreover, it is important that the UK Government continues to look at ways to strengthen the existing marketing framework to limit the exposure of children to the advertising of unhealthy food and drinks. The findings of the recent ATNI study referred to above also

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<sup>5</sup> ShareAction. "Creating healthier food options for children." Available online at: <https://shareaction.org/healthy-markets/> [accessed 25 October 2019].

<sup>6</sup> Government Office for Science (17 October 2007). *Tackling Obesities: Future Choices – Project Report*. Available online at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/287937/07-1184x-tackling-obesities-future-choices-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/287937/07-1184x-tackling-obesities-future-choices-report.pdf) [accessed 25 October 2019].

<sup>7</sup> Public Health England (September 2019). *Sugar reduction: Report on progress between 2015 and 2018*. Available online at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/839756/Sugar\\_reduction\\_yr2\\_progress\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839756/Sugar_reduction_yr2_progress_report.pdf) [accessed 25 October 2019].

<sup>8</sup> Access to Nutrition Initiative, *UK Product Profile 2019*, p. 25. Available online at: [https://www.accesstonutrition.org/sites/us18.atnindex.org/files/u.k.\\_product\\_profile.pdf](https://www.accesstonutrition.org/sites/us18.atnindex.org/files/u.k._product_profile.pdf) [accessed 25 October 2019].

showed that 85% of all products on sale were not appropriate to be marketed to children according to World Health Organization's guidance.<sup>9</sup>

- Dietary choices and obesity rates are also associated with economic circumstances. Low-income families have been hit hardest by the rising costs of food, low wages and insecure jobs and benefit cuts. Obesity is an increasing issue for households trapped in poverty, and children from poorer backgrounds are more affected by the rise in childhood obesity.<sup>10</sup> Two-thirds of children in poverty live in a working family.<sup>11</sup> Given the rise of in-work poverty, in addition to ensuring food prices are affordable, we also need to ensure that businesses are providing jobs that are secure and pay a wage that meets the costs of living in the UK. One way to do so is through requiring that businesses across all sectors, including the food sector, pay directly employed and contracted staff Living Wage rates, as set by the Living Wage Foundation.
- The financial sector, in its engagement with major food and drink companies, is increasingly acknowledging the investment case for solutions to childhood obesity, as highlighted in our report "Hitting the Sweet Spot".<sup>12</sup> This means that many investors are seeking improvements in disclosure of companies' actions in this area and driving improvements in their practices.
- Therefore, the UK Government should explore how regulation could promote companies' disclosure in this area, hence removing current barriers to corporate engagement and harnessing the power of the investment system to support better food environments. HMT, BEIS and DWP have undertaken initiatives improving corporate reporting on environmental, social and governance (ESG) factors. Obesity is one factor, and as with others (e.g. climate change, modern slavery, child labour, low wages and poor quality work in the food sector etc.) should receive due attention. There is scope for DEFRA and DHSC to work with the aforementioned departments, to improve the reporting regime for financial institutions relating to obesity and other public health issues. In doing so, the Government could further tackle obesity, as well as mitigate the financial risks to companies and investors it entails.

### **Workforce Practices in Agricultural Supply Chains**

The UK imports almost half of the food it consumes. It does this by relying on global food supply chains which source food from across Europe, Africa, Asia and the Americas. Post-Brexit, the UK is likely to increase imports from non-European countries as new trade deals are established. Global food supply chains are complex. They involve the production of agricultural products, to processing, packaging and distribution. As a result of this complexity, many of the actors involved in the global food supply chain – such as workers - are often hidden from view. This opaqueness can give rise to unscrupulous activity in important sourcing countries and potentially damaging consequences for UK's food supply.

Our key messages are:

- Globally, the agricultural sector is considered a high-risk sector for human rights abuses including forced labour and other forms of exploitation.<sup>13</sup> Oxfam's research has shown that

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<sup>9</sup> WHO Regional Office for Europe (2015). *Nutrient Profile Model*. Available online at: [http://www.euro.who.int/\\_data/assets/pdf\\_file/0005/270716/Nutrient-children\\_web-new.pdf?ua=1](http://www.euro.who.int/_data/assets/pdf_file/0005/270716/Nutrient-children_web-new.pdf?ua=1) [accessed 25 October 2019].

<sup>10</sup> NHS (21 March 2018). "Children from poorer backgrounds more affected by rise in childhood obesity." Available online at: <https://www.nhs.uk/news/obesity/children-poorer-backgrounds-more-affected-rise-childhood-obesity/> [accessed 25 October 2019].

<sup>11</sup> Joseph Rowntree Foundation (October 2018). "Budget 2018: tackling the rising tide of in-work poverty." Available online at: <https://www.jrf.org.uk/report/budget-2018-tackling-rising-tide-work-poverty> [accessed 25 October 2019].

<sup>12</sup> ShareAction, (May 2019). *Hitting the Sweet Spot: the Investment Case for Solutions to Childhood Obesity*. Available online at: <https://shareaction.org/wp-content/uploads/2019/05/FoodHealthBriefing-May-2019.pdf> [accessed 25 October 2019].

<sup>13</sup> Business & Human Rights Resource Centre. "We need to empower workers to address the most intractable labor issues in agricultural supply chains." Available online at: <https://www.business-humanrights.org/en/we-need-to-empower-workers-to-address-the-most-intractable-labor-issues-in-agricultural-supply-chains> [accessed 25 October 2019].

exploitation of workers is not confined to a few problematic products or locations, but it is endemic in the food system.<sup>14</sup> In addition, a survey of over 500 supply chain workers across major sourcing countries found that three quarters were not paid enough to cover basic needs such as food and housing.<sup>15</sup>

- The UK food sector is made up of small number of large retailers and supermarkets. They largely determine the price consumers pay at the tills, prices which often do not cover the true cost of production. This has a damaging impact on the producers and workers squeezed further down the supply chain. The UK, as a major food importing nation and major purchasing power, has enormous influence over the treatment of workers who produce the food UK citizens eat.
- The financial and investment industry has also become acutely aware of the potential portfolio risks that poor supply chain practices pose. High profile examples of labour abuses in food supply chains have shown to be costly for large multinational firms involved in lawsuits regarding trafficking, torture and/or forced labour of children in cocoa supply chains.<sup>16</sup> Reputational damage is also a risk as big supermarket brands are repeatedly associated with egregious labour practices – an example of this is slavery in Spanish salad farms which was initially covered by the Guardian in 2011 and by Al Jazeera this year.<sup>17</sup> Downward pressure on suppliers can result in disruption, from labour unrest to food fraud, driving other food safety concerns.<sup>18</sup>
- Organisations like the PRI and CDC have produced guidance for investors to understand and engage with companies on labour standards and supply chain issues.<sup>19</sup> More recently, over 140 institutional investors have become signatories to ShareAction’s Workforce Disclosure Initiative which seeks to improve data from listed companies on how they manage workers in their direct operations and supply chains, to drive up improved practices and quality of jobs.<sup>20</sup>
- To date, corporate disclosure on working practices has been weak. Consumers, investors and governments need access on basic information on the company’s suppliers and sourcing locations, whether workers are paid a living wage, how it supports suppliers to achieve gender equality goals, or the company’s approach to instances when it identifies poor labour practices. For instance, only one of the largest UK retailers disclosed workforce data to the Workforce Disclosure Initiative in 2018.
- The UK Government has demonstrated its commitment to eradicating all forms of forced labour through the 2015 Modern Slavery Act. In 2019, the Government consulted on strengthening Section 54 (transparency in supply chains) of the Act to increase compliance and the quality of company reporting.<sup>21</sup> The National Food Strategy should ensure it is coherent with the requirements and sentiment of the Act as well as the UK’s human rights obligations as set out in international treaties.<sup>22</sup> This coherence should also extend to other

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<sup>14</sup> Oxfam (10 October 2019). “4 things Lidl can do to take action on worker exploitation.” Available online at: <https://views-voices.oxfam.org.uk/2019/10/4-things-lidl-can-do-to-take-action-on-worker-exploitation/> [accessed 25 October 2019].

<sup>15</sup> BBC News (10 October 2019). “Oxfam alleges abuse in UK supermarket supply chains.” Available online at: <https://www.bbc.co.uk/news/business-49991800> [accessed 25 October 2019].

<sup>16</sup> UN Principles for Responsible Investment (9 June 2016). *From Poor Working Conditions to Forced Labour – What’s Hidden in your Portfolio?* Available online at: <https://www.unpri.org/download?ac=1652> [accessed 25 October 2019].

<sup>17</sup> Al Jazeera (16 October 2019). “Consumers are not aware we are slaves inside the greenhouses.” Available online at: <https://www.aljazeera.com/indepth/features/aware-slaves-greenhouses-191015093821140.html?xif=%20https://www.theguardian.com/business/2011/feb/07/spain-salad-growers-slaves-charities> [accessed 25 October 2019].

<sup>18</sup> University of Manchester (3 October 2017). “Questions need asking of the whole food system.” Available online at: <https://www.manchester.ac.uk/discover/news/whole-food-system> [accessed 25 October 2019].

<sup>19</sup> CDC. “Supply chains.” Available online at: <https://toolkit.cdcgroup.com/es-topics/supply-chains/> [accessed 25 October 2019].

<sup>20</sup> ShareAction. “Workforce Disclosure Initiative.” Available online at: <https://shareaction.org/wdi/> [accessed 25 October 2019].

<sup>21</sup> Home Office (9 July 2019). “Transparency in supply chains.” Available online at: <https://www.gov.uk/government/consultations/transparency-in-supply-chains> [accessed 25 October 2019].

<sup>22</sup> Equality and Human Rights Commission (14 October 2019). “Monitoring and promoting UN treaties.” Available online at: <https://www.equalityhumanrights.com/en/our-human-rights-work/monitoring-and-promoting-un-treaties> [accessed 25 October 2019].

relevant policy areas such as trade, to ensure the highest human and labour rights standards are integrated into the Government's trade relationships and agreements.

- There is an opportunity to connect two complementary trends – consumers are demanding more transparency on the provenance of the products they consume, prepared to boycott and shame companies that permit unsustainable practices; concurrently younger generations of savers are also more engaged about how their money is invested via their pension funds.<sup>23</sup> The National Food Strategy provides an opportunity to ensure food companies are scrutinised for the social impact of their supply chains, so that investors, including pension funds, can make informed investment decisions on behalf of their beneficiaries.

Yours sincerely,

Ignacio Vazquez

Food and Health Company Engagement and Research Manager, ShareAction

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<sup>23</sup> PensionsAge (3 October 2019). "Majority of savers want pension investments to be ESG-driven." Available online at: <https://www.pensionsage.com/pa/Majority-of-savers-want-pension-investments-to-be-ESG-driven.php> [accessed 25 October 2019].