

ShareAction's Healthy Markets Initiative

Q&A Special Resolution on Healthy Diets at Tesco's 2021 AGM

What are we doing?

A coalition of institutional investors with over £140bn AUM and over one hundred retail investors have filed the [first ever health-related special shareholder resolution](#) directed at a food retailer, to be voted on at Tesco's 2021 AGM.

The resolution, which has been coordinated by ShareAction, asks Tesco to:

- Disclose what percentage of food and non-alcoholic drink sales comes from healthy products (defined in accordance with UK Department for Health [guidance](#))
- Set an ambitious target to significantly increase such share by 2030
- Publish a comprehensive nutrition and health strategy on how they are going to achieve such targets by 2022 and report annually on progress

Through this special resolution, we hope to bring awareness to the rising investor expectations on the vital role that major food companies like Tesco can play in supporting healthy eating. In line with best practice in the sector, food companies are being asked to publish comprehensive strategies to increase their sales of healthier food and drink products. This is a way to manage the financial and reputational risks and opportunities associated with regulatory and market trends targeting unhealthy products.

Why are we asking this?

Obesity is one of the most pressing global public health issues. Excess weight affects two thirds of adults and one third of children in the UK, with those on lower incomes being disproportionately affected. This has [severe impacts](#) on public health and society, annually costing the NHS and the economy £6 and £54 billion respectively, which the Covid-19 pandemic is further accentuating. Excess weight and associated conditions such as diabetes have emerged as key risk factors for severe complications and death in patients with the virus.

Food and drink retailers play a crucial role in creating our food environments by making key decisions on which products they stock and how they price and market these to consumers. In the UK, two of every three pounds spent on food is in supermarkets, with over half of the grocery market made up of supermarkets' own brand products. Currently, this environment is built on the sale of food containing high amounts of fat, sugar, and salt, with [over two thirds](#) of packaged food and drink products being unhealthy.

With increasing public awareness, demand for healthier foods and increasing government regulation; including [forthcoming measures](#) restricting the marketing of unhealthy food and drink products at retail level; the sector is at substantial risk if it fails to set key targets in this area and adapt.

Yet, there is great potential for supermarkets to significantly increase the number of healthy products they sell and increase profitability. Tesco has already conducted [small-scale trials](#) of health-based interventions, which found that price promotions of fruit and vegetables resulted in a 13% increase in sales, while moving chocolate products out of prominent displays reduced sales by 22%. But Tesco has not yet implemented these on a broader scale.

Across the investment industry, gaining access to accurate, up-to-date data on ESG issues is a continual challenge. In particular, there is a [significant lack of disclosure](#) and data on health metrics, such as what retailers are doing to support the health of their customers. Through this shareholder resolution, we look to address this gap and enable access to much needed data for investors and key stakeholders.

Why are we targeting Tesco?

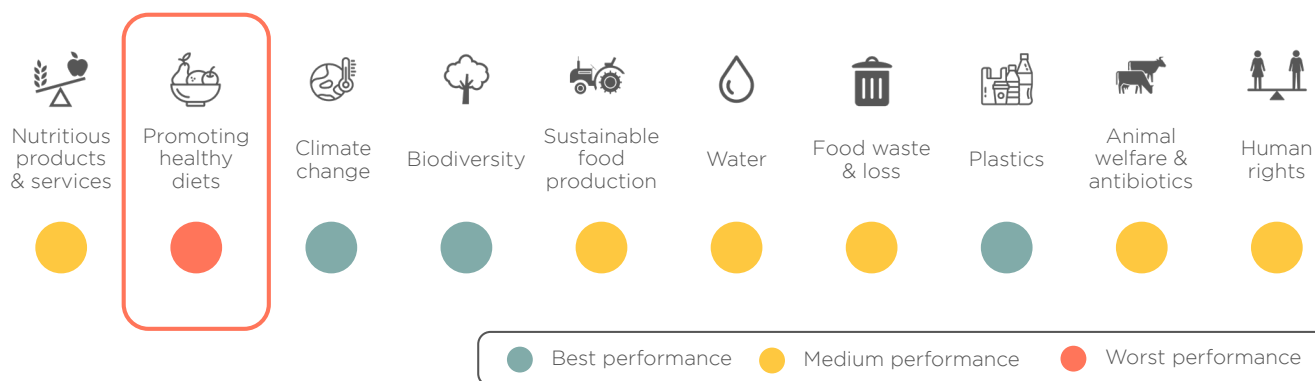
The [Healthy Markets initiative](#) has been engaging with a number of supermarkets in the UK since 2019. Tesco is the absolute leader in terms of market share, holding over a quarter of the grocery market in Great Britain. However, this position of leadership has not yet been translated to the key corporate responsibility area of nutrition.

In a recent review by the [Access to Nutrition Initiative](#), Tesco were found to report on less than a third of all possible indicators. According to [The Food Foundation](#), this is also the area of its weakest performance across major environmental and social topics for the food sector.

Whilst we recognise that Tesco has made some important commitments and progress in this area, concern remains that the company has not yet demonstrated how its strategy and commitments in nutrition and health are aligned with regulatory and market trend towards healthier diets.

In contrast, some of the company's competitors have set objectives for shifting the sales of healthier food and drink products over time. For example, [M&S](#) and Sainsbury's ([existing targets](#), and [upcoming targets](#)).

Tesco's traffic light score for environmental and social topics



Source: Food Foundation, Plating up Progress, 2020

How can investors get involved?

We believe that this resolution presents an opportunity for Tesco to bring its work in line with current best practice in the sector and address a major gap in its corporate strategy.

For this reason, we believe it is in the interest of Tesco's shareholders to:

- Highlight the importance of greater disclosure on their work and progress in supporting healthier diets as part of their engagement with the company;
- Encourage Tesco's Board to recommend voting in favour by sending a letter (please inform ShareAction of your intention to do this so engagement can be coordinated);
- Signal support for the resolution publicly;
- Amplify the message of the resolution by sharing our press release and communications messages with your network;
- Vote in favour of the special resolution at Tesco's 2021 AGM. (Notice of meeting and statement in response to the shareholder requisitioned resolution expected in May, AGM expected June);
- Join the Healthy Markets investor coalition and be involved in further shaping the initiative.

Please contact Louisa Hodge, Engagement Manager - louisa.hodge@shareaction.org if you are interested in supporting the resolution, or if you would like to find out more about either the resolution or the Healthy Markets initiative more widely.

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ShareAction»

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