

# Investor Briefing

## Why Nestlé's shareholders should support the 2024 health resolution

Nestlé is currently heavily reliant on the sales of less healthy<sup>1</sup> foods, exposing it and its shareholders to significant business risks while harming people's health. Prioritising the sale of healthier products will help Nestlé protect long-term brand value and growth. A shareholder resolution at Nestlé's AGM on 18 April 2024 will ask Nestlé to set a target to increase the proportion of its sales that come from healthier products.

## Contents

1. Introduction
2. Nestlé company information
3. Background
4. What does this resolution ask for?
5. Why Nestlé's shareholders should support the resolution
6. Why Nestlé's current disclosure and target are inadequate
7. Nestlé's opportunity to demonstrate leadership
8. Next steps for investors
9. FAQs

---

<sup>1</sup> As defined by a government-endorsed Nutrient Profile Model (NPM) such as the UK's High Fat Salt and Sugar (HFSS), or Australia's Healthy Star Rating (HSR)

---

# 1. Introduction

A group of five institutional investors, comprising of the UK's largest asset manager Legal and General Investment Management (LGIM), Candriam, La Francaise Asset Management, Coöperatie VGZ and Guys and St Thomas' Foundation, with \$1.68tn total assets under management (AUM), have filed a shareholder resolution at Nestlé calling for the company to set a target to increase the proportion of its sales that come from healthier products. Shareholders are concerned the company is heavily reliant on the sales of less healthy foods, which exposes it to significant risks, and the company is insufficiently focused on growing its sales of healthier products that consumers are increasingly demanding.<sup>1</sup> Recent third-party estimates suggest that between 58%<sup>2</sup> and 75%<sup>3</sup> of Nestlé's food and drink sales come from less healthy products, while its own disclosure, which controversially categorises certain products as healthier, contrary to government approved methods, puts this figure at 52%.<sup>4</sup>

While we think responsible investors should care about the adverse health impacts that Nestlé's less healthy food products have on the world, we believe there are financial benefits to Nestlé taking the steps we are recommending, such that being responsible and protecting public health would not come at a financial cost.

As the world's biggest food and beverage (F&B) manufacturer, Nestlé produces and sells more food and beverage that is less healthy than almost any other company in the world,<sup>5</sup> leaving its shareholders significantly exposed to business and systemic risks, and contributing significantly to global ill-health.

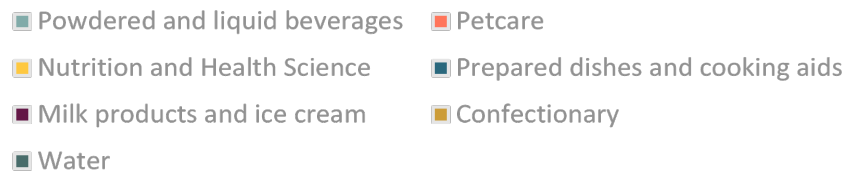
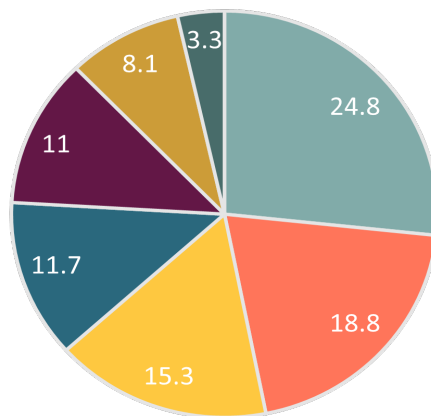
This briefing provides background to the resolution and the case for why Nestlé's shareholders should vote in support of the resolution.

This resolution will be voted on at Nestlé's AGM on 18 April 2024.

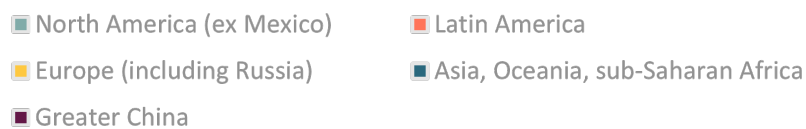
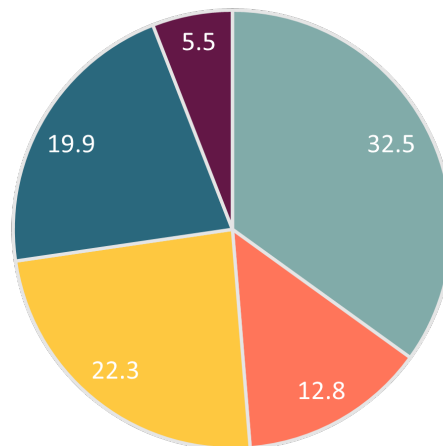
## 2. Nestlé company information

Nestlé is the largest food and beverage company in the world by revenue, followed by PepsiCo, The Coca-Cola Company and Unilever. Headquartered in Vevey, Switzerland, the company has 270,000 employees and sells products in 188 countries worldwide. In terms of geography, Latin America has led other markets in sales growth for the last two years (Nestlé is investing heavily in LatAm, and confectionary is the largest growth contributor). In terms of product categories, growth has been driven by pet food, coffee and infant nutrition.<sup>6</sup>

### What Nestlé sells (in CHF billion)



### Where Nestlé sells (in CHF billion)



Source: [Nestlé's 2023 Annual report](#)

## 3. Background

The right to the highest attainable standard of health is a fundamental human right. Good health is what enables us to thrive and live independent and fulfilling lives as well as contribute productively as workers, consumers and active participants to society and the economy. Millions of people's lives are limited by ill-health due to avoidable risk factors such as poor diets.

Diet-related ill-health, such as Type 2 diabetes and heart disease, is a major global public health challenge. One in eight people in the world are living with obesity. Worldwide, adult obesity has more than doubled since 1990, while adolescent obesity has quadrupled.<sup>7</sup> 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>8</sup> This is comparable with the impact of Covid-19 in 2020.

The food and beverage industry has a substantial impact on people's diet and health through the products it develops, markets and distributes. The sector's contribution to diet-related ill-health is a huge externality, borne by the economy as a whole, governments and diversified shareholders.<sup>9</sup> For example, obesity creates indirect costs from reduced productivity, as individuals with obesity miss more days of work (absenteeism), work at less than full capacity (presenteeism) and are more likely to be unemployed and have lower wages.<sup>10</sup>

Driving healthier diets in populations requires actions by the commercial food sector but evidence suggests these actions are unlikely to happen without external pressure.<sup>11</sup> Governments worldwide that are facing spiralling healthcare costs are increasingly turning to regulations and commercial sector taxes to reduce this negative impact and internalise costs.<sup>12</sup> Companies that fail to adapt their business models to this reality will increasingly face significant headwinds.

Food and beverage companies, like Nestlé, that are heavily reliant on the sales of less healthy products expose themselves and their shareholders to material regulatory, reputational and legal risks. They are also not sufficiently capitalising on the opportunity to cater to shifting consumer demand for healthier options.<sup>13</sup>

ShareAction's Healthy Markets Coalition, a group of more than 40 investors with over \$5tn in AUM, has been engaging with Nestlé on this topic since April 2021 and has been consistent with its asks. In March 2023, Nestlé committed to setting an 'ambitious' target to sell more nutritious food. However, what the company put forward in September 2023 is unlikely to lead to a genuine shift to a healthier product portfolio.

Over two years of engagement, Nestlé has promised:

- To disclose its sales using a government-endorsed NPM, yet it deviated from the guidelines of its chosen NPM by including plain coffee and infant foods, both of which the model does not apply

to (described below).

- To deliver an “ambitious” and “stretching” target to grow healthier food sales, yet its target is simply to grow in line with overall growth guidance (4-6%/yr), doing nothing to shift from less healthy to more healthier food sales (described below).

Unfortunately, Nestlé appears unwilling to improve its target and approach to healthier food, so concerned investors have escalated their engagement by filing a shareholder resolution.

## 4. What does this resolution ask for?

In Switzerland, where Nestlé is registered, such a resolution requires amending the company's Articles of Association. Shareholders are asking Nestlé to set itself a target to increase the proportion of healthier food it sells to ensure it fulfills its self-defined corporate purpose "to unlock the power of food to enhance quality of life for everyone, today and for generations to come".<sup>14</sup>

### Resolution:

#### Shareholder proposal for an Amendment to the Articles of Association regarding sales of healthier and less healthy foods

### Proposal:

In particular, and with regard to this item on the agenda, the shareholders propose to amend the company's Articles of Association by adding an Article 23bis following the Article 23 and reading as follows:

#### Article 23bis: Report on non-financial matters [new]

For each financial year, the Board of Directors shall prepare a report on sustainable development, social issues, employment matters, respect for human rights and anti-corruption, which presents the results achieved in relation to certain environmental, social and governance (ESG) key performance indicators (KPIs).

These KPIs will include absolute and proportional sales figures for food and beverage according to their healthfulness, as defined by a government-endorsed Nutrient Profiling Model. The company will set a timebound target to increase the proportion of its sales derived from these healthier products.

The resolution text and official supporting statement can be found [here](#).

## 5. Why Nestlé's shareholders should support the resolution

This resolution asks Nestlé to set a target to shift its sales towards healthier products. Nestlé's reliance on the sales of less healthy food leaves it exposed to material risks (regulatory, reputational and legal), which can impact sales, put pressure on margins, and potentially expose the company to expensive legal disputes. Additionally, by underinvesting in growing its healthier food and beverage sales, the company risks failing to capitalise on this opportunity for growth. Finally, the negative health harms created by poor diets create systemic risks for its diversified shareholders.

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 F&B market, the annual cost to Nestlé would be in the order of \$40bn.<sup>15</sup> Its Normalised EBITDA in 2023 was \$22bn.

### Regulatory risk

- Increasingly governments around the world are imposing more taxation and regulations on food companies as they are faced with spiralling healthcare costs. Nestlé's over-reliance on the sale of less healthy foods exposes the company to the risks of the global regulatory landscape - including taxes, nutrition-labelling schemes, and advertising and marketing restrictions. These measures can have a significant negative impact on Nestlé's sales in these markets. 2017 analysis by Schrodgers and Rathbones found that regulatory pressure and consumer pressure could impact earnings per share of exposed companies between 3-25%, depending on how heavily they rely on the sale of high-sugar products.<sup>16</sup>
- **Taxes:** Fiscal policies to address diet-related ill-health, such as taxation of less healthy foods or beverages are currently in use in 50 countries and continue to be adopted by more markets.<sup>17</sup> These taxes have been found to be effective at improving public health, by reducing the sales of less healthy products.<sup>18</sup>
- Taxes on sugar-sweetened beverages (SSB) are by far the most used and evidenced, and recommended by the World Health Organisation (WHO).<sup>19</sup> In the UK, a soft drinks industry levy (SDIL) was introduced in 2018. The SDIL drove a 52% reduction in the volume of sales of high- and mid-sugar beverages between 2015 and 2018, while volume sales of water, low-sugar and no-sugar beverages increased by 35% in that same period.<sup>20</sup> In Chile, after one year, there was a 22% reduction in the volume of higher-taxed drinks sold, but no change in the overall purchase of soft drinks. This indicates that some consumers switched their preferences towards drinks with lower sugar content.<sup>21</sup> Due to their effectiveness and lack of overall harm to the economy, such taxes will likely continue to be adopted by more governments,<sup>22</sup> exposing companies with less healthy portfolios to taxes that will reduce their sales, while significantly rewarding those with healthier portfolios.<sup>23</sup>

- **Nutrition-labelling regulation:** Nutrition-labelling schemes designed to nudge consumers away from less healthy products are becoming more prevalent. At least 44 countries have implemented nutrition labelling, and these are increasingly mandatory.<sup>24</sup> Brazil, Chile, Peru, Uruguay, Israel, Argentina and Mexico have already introduced Front of Pack labelling policies. The Pan-American Health Organisation (PAHO) NPM<sup>25</sup> has been widely applied across Latin America to set marketing guardrails on foods high in sugar, salt and fat.<sup>26</sup> This market accounts for CHF 13 billion (14%) of Nestlé's total sales, with the confectionery category alone in Latin America capturing sales of around CHF 2.07 billion (2% of global sales).<sup>27</sup> India (Nestlé's fastest growing market in 2023, representing more than 2% of its global sales) is currently working on a new food-labelling scheme that will rate the healthiness of products,<sup>28</sup> and as healthcare costs continue to mount globally, we expect further mandatory labelling schemes will be adopted in other markets.
- **Advertising and marketing restrictions:** Governments are evolving their restrictions on the marketing of less healthy products, particularly those targeted at children. At least 16 countries have restrictions on advertising and marketing,<sup>29</sup> while others including Mexico, Taiwan and South Korea are establishing such restrictions.<sup>30</sup>

## Reputational risk

- Nestlé claims to be an ESG leader,<sup>31</sup> yet it sells more food that is less healthy than almost any company in the world – exposing itself to increased scrutiny and reputational risk. Nestlé's 2023 Annual Report identifies this as a key risk – “Prolonged negative perceptions concerning health implications of processed food and beverage categories” – but it suggests only superficial mitigation strategies around funding research and marketing policies<sup>32</sup> rather than working to address the fundamental over-reliance on these products in its business model.
- Nestlé's failure to properly address its over-reliance on less healthy food or to improve its offering to align with public sentiment puts Nestlé at risk from future boycotts relating to less healthy food and beverages, as it has already experienced around formula milk, water and chocolate.<sup>33</sup>
- In Brazil, Nestlé's third biggest country market, Nestlé's direct-to-consumer approach to selling less healthy food has drawn significant scrutiny and criticism<sup>34</sup> This approach to sales risks sparking the sort of backlash and boycotts that Nestlé experienced in the United States in the 1970s, for marketing infant formula in developing countries, which nutritionists said undermined healthful breast-feeding.<sup>35</sup>
- In the UK, Nestlé's sixth-biggest country market, research shows that the public supports further restrictions on junk food advertising, tighter controls on the availability and marketing of Ultra-Processed Foods (UPFs), as well as taxes and regulations to hold big food businesses to account.<sup>36</sup> Recent research by Oxford University shows that 70% of Nestlé's UK sales come from less healthy food, giving an estimated sales value of £1252.1million.<sup>37</sup> The recent UK campaign by youth NGO BiteBack highlights the reputational risk that Nestlé is exposed to in a contracting market by its over-reliance on



sales of less healthy foods.<sup>38</sup> Of its top selling five brands, four are chocolate or sweets. Nestlé's best-selling brand in the UK, Kit Kat, with ~20 variants, are all high in fat, salt and sugar (HFSS).<sup>39</sup>

- Beyond sales, reputational damage associated with Nestlé's negative impact on health may affect employee recruitment.<sup>40</sup>

## Legal risk

- Nestlé's failure to comply with public health regulations worldwide could expose it to significant future legal risks. As Schrodgers and Rathbone Greenbank have argued, there are "similarities between major food and beverage companies ('Big Food') and major tobacco companies ('Big Tobacco'), which have witnessed massive fines and legal settlements".
- In 2022, a ruling from the Justice of Sao Paulo, Brazil (Nestlé's third biggest market) came in response to a lawsuit filed by the Brazilian Institute for Consumers Defense (IDEC) against Nestlé Brazil for its "deceptive marketing practices" to promote ultra-processed toddler milk as an alternative to infant formulas. Nestlé was given 60 days to add a warning label to its products. Nestlé was accused of using "deceptive cross-promotion marketing strategies" to confuse caregivers and put vulnerable groups at risk.<sup>41</sup> The court ruling found that the company's practices violated the Consumer Defense Code by restricting freedom of choice and disregarding the right to adequate information, as well as infringing laws on the protection of breastfeeding.<sup>42</sup>

## Missing an opportunity for sustainable growth

- In its 2023 annual report, Nestlé identifies "failure to adequately anticipate evolving consumer preferences; innovate relevant, competitive products and brands; and/or execute at speed" as key business risks.
- In repeated consumer surveys, consumers are increasingly found to be demanding healthier options.<sup>43</sup> A recent McKinsey study in the US, France, Germany and the UK, (markets that make up more than 40% of Nestlé's worldwide sales) found that "half of consumers call healthy eating a top priority" and "less than a third of consumers are satisfied with the healthy options available at their local grocery store".<sup>45</sup> As customer preferences shift towards healthier alternatives, businesses that fail to adapt and cater to these preferences will be penalised.
- The global market for healthier food appears likely to grow faster than for the whole food and beverage market, meaning companies with a higher proportion of healthier food sales will stand to benefit. If the Compound Annual Growth Rate (CAGR) for the healthy food market is projected to be 9.4%<sup>46</sup> between 2024 and 2030, while the total food and beverage market CAGR is projected to be 5.9%<sup>47</sup>, then a company with 50% healthier sales could expect an overall CAGR of 7.7% over the next five years compared to 6.8% for

a company that has only 25% healthier sales.

### **Systemic risk for diversified shareholders:**

- More than half (51%) of the global population will be overweight or live with obesity by 2035 unless prevention, treatment and support improve. The economic impact of overweight and obesity on the world is set to reach \$4.32tn — around 4% of current global GDP — annually by 2035<sup>48</sup>
- For diversified investors, a healthy economy is a far more important driver of overall portfolio returns than the performance of a single company. While selling products that are less healthy may generate short-term financial returns for Nestlé, the externalities this creates negatively affect its shareholders who don't just own Nestlé, but rely on a growing economy to support their entire portfolios. Indeed, a number of studies have shown that broader economic factors explain 75-94% of average portfolio return.<sup>49</sup>

## 6. Why Nestlé's current disclosure and target are inadequate

Following significant shareholder engagement with the Healthy Markets Initiative, coordinated by ShareAction, Nestlé made disclosures about the proportion of its sales that were healthier using Health Star Rating (HSR) in March 2023.<sup>50</sup> Unfortunately, the disclosure was opaque and complicated, stating 57% of global sales came from 'Nutritious products, including specialised nutrition.' By including 'specialised' nutrition in its disclosure, Nestlé groups commercial infant food, milk formula for children aged over 12 months and vitamin supplements, despite the fact that in the majority of cases these products are not recommended by health professionals.<sup>51</sup> Excluding specialised nutrition from its disclosure shows that only 46% of Nestlé's sales come from healthier products (37% HSR  $\geq$ 3.5 / 80% portfolio excluding specialised nutrition = 46%). Nestlé also counted coffee as a healthier food in its disclosure, a significant and fast growing (more than 25%) part of its portfolio.<sup>52</sup> According to the HSR methodology, coffee should not be counted as it has no nutritional value. This has contributed to an inflated score for Nestlé that is incomparable with peers such as Unilever<sup>53</sup> and Danone UKI,<sup>54</sup> both of which have disclosed their scores transparently.

The 57% figure Nestlé reported stands in sharp contrast to third-party assessments of its sales, using correctly applied government-endorsed NPMs. In 2019, the Access to Nutrition Index (ATNI), using the HSR model, estimated that 42% of Nestlé's sales came from healthier products<sup>55</sup> and more recently, researchers using the WHO's model suggested that only 25% of its sales across 7 markets came from healthier products.<sup>56</sup>

In 2021, an internal assessment by Nestlé found that only 37% of its food and beverage sales met HSR's threshold for healthier products when excluding coffee and specialised nutrition. The presentation, obtained by the Financial Times, was reported to say: "our portfolio still underperforms against external definitions of health in a landscape where regulatory pressure and consumer demands are skyrocketing".<sup>57</sup>

Following shareholder engagement, Nestlé also agreed to develop an 'ambitious' target to grow its healthier product sales. However, due to the way it has defined 'nutritious', the company can meet its growth target simply by increasing the sales of the products such as coffee or the infant food products which controversially groups with the healthier sales category.

Furthermore, Nestlé's 2023 target to increase sales from 'nutritious' products by 50% by 2030, is not ambitious. It is simply in line with its overall growth guidance for the business (4-6 %/yr).<sup>58</sup> Finally, Nestlé's target makes no commitment to reducing sales of less healthy foods, which exposes the company to significant risk. If its organisational growth guidance is correct, sales of less healthy products, and their negative health impacts, could also increase by 50% by 2030.

By failing to set an appropriate target to grow the healthier products of its portfolio, Nestlé fails to demonstrate a serious commitment to growing healthier food and beverage sales.

## 7. Nestlé’s opportunity to demonstrate leadership

Nestlé consistently claims that health and good nutrition are paramount to its business, “applying...expertise in nutrition, health and wellness to help people live happier, healthier lives”.<sup>59</sup> However, its reliance on the sales of less healthy foods could leave it open to accusations of “health-washing”.

As the world’s largest food and beverage company Nestlé has the opportunity to demonstrate real leadership on health, become a more resilient business, and raise market standards. It can set a precedent on action on healthier food, turning the tide on the flood of less healthy food and rightfully earning a reputation as a leader in health.

## 8. Next steps for investors

Investors, especially those that look after our pensions and savings, have a responsibility to invest in a way that protects our planet and supports its people. Responsible investors can make a difference on critical challenges like social inequality, biodiversity and public health. Voting is a core part of an investor’s fiduciary duty and a key way in which the sector can influence companies on social issues.

We urge investors to:

- **All investors:** Communicate support for the resolution to Nestlé and other food manufacturers.
- **All Nestlé shareholders:** Cast a vote in favour of this resolution at, or ahead of, the company’s 2024 AGM on 18 April 2024. Shareholders should bear in mind that to exercise shareholder rights with Swiss companies, including voting on resolutions at a company’s AGM, their shares must be registered in the company’s share register. Often this is a straightforward process completed via the investor’s voting platform in the weeks prior to the AGM. However, investors who have not previously successfully submitted votes for Nestlé’s AGM should contact their custodian as soon as possible (at least two weeks before the AGM) to ensure their shares are registered at least one week prior to the AGM.
- **All Nestlé shareholders:** Make your support for the resolution public. Post on social media about your voting intention, tagging @ShareAction. Pre-declare your support on your website, on the [PRI platform](#) or another platform of your choice.
- **Asset owners:** Engage with your asset managers to encourage them to vote in support of the resolution.

## 9. FAQs

### Isn't there always a place in our diet for some indulgence?

All food and drink can be enjoyed as part of a healthy diet. Most people know that eating a healthy diet and taking regular exercise is good for your physical and mental health but for many people this is a real struggle to put into practice. This is because we live in an environment that actively encourages us to eat and lead sedentary lives. The Healthy Markets Initiative are not suggesting that Nestlé stops selling less healthy products altogether but instead that it reduces its reliance on the sale of these products.

### If Nestlé sells less unhealthy food, would this result in others taking their market share? What do you propose Nestlé does with the less healthy parts of its business?

As the biggest food and beverage manufacturer in the world, Nestlé can fundamentally reshape the market and sector by setting a leading precedent that others must follow. This is about shifting sales towards healthier products to help consumers eat more healthily, not shifting the less healthier sales elsewhere. Nestlé has lots of options for how it can deal with its less healthy products, including reformulation. There will always be a place in people's diets for the occasional indulgence, however we suggest Nestlé focuses its marketing on promoting healthier options. If Nestlé and other manufacturers used their influence, including their marketing power, they could grow their businesses by growing the healthier food and beverage market, while helping consumers access healthier options.

### Why are you focusing on Nestlé? How does it compare to other companies?

As the largest food and beverage manufacturer in the world, Nestlé's products, actions and policies have significant influence on the health of millions of its consumers. Despite its stated ambition, it currently sells more food that is less healthy than almost any other company in the world. The Healthy Markets initiative engages with many of the world's largest food and beverage manufacturers, including Nestlé's closest competitors. We believe by encouraging leadership and more responsible practice from the biggest players (especially those who claim to prioritise nutrition), change can be driven across the sector.

## Why should Nestlé set a proportional sales-based target?

Only a proportional sales target will give investors assurance that a company is working to reduce its reliance on the sale of less healthy products. In contrast, an absolute target to increase the sales of certain products, such as Nestlé set in 2023, makes no commitment on the sale of less healthy products which could still grow at a faster rate, expose companies to more risk, and harm public health. Regular, public reporting on the proportion of a company's sales from healthier products (using a government-endorsed NPM) allows for greater transparency and accountability, as investors and consumers can see where the company's income is coming from, how exposed it is to risk, how well it is positioned for future growth. The Healthy Markets Initiative does not prescribe numerical values for the target (that can vary depending on a company's starting point) and does not prescribe a particular strategy for achieving targets.

## Nestlé says that its “more nutritious and specialised nutrition products have risen from 57% to 59% of global sales in the last year - isn't that good progress?

This highlights why Nestle disclosure and target is untransparent and unsatisfactory. It is impossible to know from Nestlé's newest disclosure whether it has increased the proportion of healthier product sales, because it includes both “specialised nutrition” in this category, despite the fact that in many cases public health professionals don't recommend these products, and coffee - neither of which the HSR model they have chosen applies to. In fact, it seems likely that the sales of healthier products have not increased, given Nestlé's recent full year results point to coffee and ‘specialised’ nutrition being big drivers of overall growth.

## How could this resolution improve public health?

We have asked Nestlé to set targets to increase sales of healthier products in both absolute terms and relative to its sales of less healthy food. The definition of ‘healthy’ must be fully grounded in a government-endorsed methodology, not the company's own interpretation. To achieve this, Nestlé could increase marketing and advertising of its healthier products, and reformulate recipes to contain more fibre and less sugar, salt and fat. What we eat is largely driven by what is available, affordable and marketed to us and so these measures would help drive healthier outcomes.

## Does the responsibility sit with governments, not companies, to improve public health?

Whilst governments have a key role to play, from funding health services to implementing measures such as sugar taxes, corporate responsibility is critical too. Nestlé itself states it has a responsibility to make healthier and more sustainably produced food available and accessible to all.<sup>60</sup> Yet this is not matched in its business decisions. More regulation to crack down on less healthy food is increasingly likely as governments face soaring public health costs. Forward-thinking food companies and their investors should be acting now to futureproof their business models.

## Is target setting an example of nanny state interference? Should individuals be able to make their own choices?

Poor diets and related conditions are caused by multiple, complex factors, the majority of which are outside an individual's control. The food environment has the biggest impact on peoples diets along with where we live, our social demographic, media and marketing influence, our genetics and our individual decisions.<sup>61</sup>

## Is the bigger problem concerning ultra processed food?

We do not fully know the impact of ultra processed food (UPF) on our health but we do know it is often very high in salt, fat and sugar, and low in nutrients. We are asking Nestlé to sell fewer products that are high in salt, fat and sugar, which would include many UPFs, and to increase its sales of healthier products that have a higher nutritional content.

## Nestlé makes and sells chocolate and sweets, such as KitKats. Whilst not as nutritious as an apple, they are something that millions of people enjoy as part of a balanced diet.

This is not about banning sweets, it is about Nestlé adapting its business model so that it sells more healthier food than less healthy food. It has enormous influence over people's diets through its big-budget advertising and its recipes – we're asking it to use that influence for good, in line with its stated corporate purpose to enhance people's lives.

## Has Nestlé already set a target for nutrition?

Following engagement from ShareAction and investors, Nestlé did commit to setting a target to sell more nutritious food. However, what it put forward last year is unlikely to lead to a genuine shift to a healthier product portfolio. That is why we're filing this shareholder resolution to challenge Nestlé to do better (details on why Nestlé's disclosures and its target aren't helpful can be found in this briefing).

## What's wrong with Nestlé including coffee in its disclosure/target?

Whilst you can apply the HSR to most food and beverages to calculate a score, there are some products that are not intended for its use, either because they are a 'non-nutritive' (i.e. they have no calories or other nutrients), or they are not everyday packaged food items (e.g. infant formula). Black coffee will achieve a score of HSR 3.5 because it contains no calories and has a high water content.<sup>62</sup> The objection by shareholders and public health experts to Nestlé including coffee is not that coffee is 'bad' or 'good', 'healthy' or 'unhealthy', it is that it is not a relevant category of foods to be considered as contributing to poor diets. Including coffee makes Nestlé's disclosure and target incomparable with peers who have disclosed using correctly implemented NPM (i.e. have not included coffee).

## Nestlé says that the 75% unhealthy sales figure you've quoted is incorrect. There are number of figures stated in this briefing about what proportion of sales are coming from healthy or less healthy foods, which one is correct?

The 75% figure is from independent peer-reviewed research<sup>63</sup> - a global study across seven major markets which found that 75% of Nestlé's food and drink sales are unhealthy according to the WHO Euro nutrient profiling model. If Nestlé correctly applied a government-endorsed model for its disclosures and target, then we would not need to rely on independent studies that use a sample.

There are lots of different Nutrient Profile Models that companies can use to disclose the healthiness of their sales. One issue at the heart of Nestlé's health commitments has been that it did not follow the guidelines of the NPM it chose (HSR), and includes products that the model does not apply to, such as coffee. The result is a disclosure that is incomparable to its those of its peers and cannot be relied upon.

## Endnotes

- 1 McKinsey & Company (2022) Hungry and confused: The winding road to conscious eating. Available online at: <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/hungry-and-confused-the-winding-road-to-conscious-eating> [Accessed 12 March 2024].
- 2 Access to Nutrition Initiative (2021), using 2019 data, ATNI found that 58% of Nestlé's sales came from less healthy products, using the HSR NPM. Available online at: <https://accesstonutrition.org/index/global-index-2021/scorecards/Nestlé-5/> [Accessed 12 March 2024].
- 3 Bandy, L., Jewell, J., Luick, M. et al. (2023) using 2020 data from seven major markets, The development of a method for the global health community to assess the proportion of food and beverage companies' sales that are derived from unhealthy foods. Global Health 19, 94. <https://globalizationandhealth.biomedcentral.com/articles/10.1186/s12992-023-00992-z>
- 4 Nestlé (2023): Creating Shared Value and Sustainability Report. Nestlé report shows that 52% of its products come from less healthy products, using the HSR NPM when specialised nutrition is excluded. Available online at: <https://www.Nestlé.com/sites/default/files/2024-02/creating-shared-value-sustainability-report-2023-en.pdf> [Accessed 12



March 2024]

- 5 Access to Nutrition Initiative (2021) Selling more less healthy food than any other company, with exception of PepsiCo. This has been calculated by multiplying its food sales by the proportion of its sales that come from products, according to the latest product profiling data from ATNI. Available online at: <https://accesstonutrition.org/index/global-index-2021/scorecards/Nestlé-5/> [Accessed 12 March 2024]
- 6 Nestlé (2024): Nestlé reports full-year results for 2023. Available online at: <https://www.nestle.com/media/pressreleases/allpressreleases/full-year-results-2023#:~:text=Organic%20growth%20reached%207.2%25%2C%20with,exchange%20decreased%20sales%20by%207.8%25.> [Accessed 12 March 2024]
- 7 World Health Organization (2024) Available online at: <https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight#:~:text=Worldwide%20adult%20obesity%20has%20more,16%25%20were%20living%20with%20obesity.>
- 8 <https://www.bmj.com/content/380/bmj.p523> [Accessed 12 March 2024]
- 9 White M, Aguirre E, Finegood DT, Holmes C, Sacks G, Smith R. (2020) What role should the commercial food system play in promoting health through better diet? *BMJ* 2020;368:m545. Available online at: <https://www.bmj.com/content/368/bmj.m545>
- 10 Okunogbe A, Nugent R, Spencer G, et al (2021) Economic impacts of overweight and obesity: current and future estimates for eight countries. *BMJ Global Health*. Available online at: <https://pubmed.ncbi.nlm.nih.gov/34737167/>
- 11 Knai C, Petticrew M, Douglas N, et al (2018) The Public Health Responsibility Deal: Using a Systems-Level Analysis to Understand the Lack of Impact on Alcohol, Food, Physical Activity, and Workplace Health Sub-Systems. *Int J Environ Res Public Health*. online at: <https://pubmed.ncbi.nlm.nih.gov/30562999/>
- 12 World Health Organization (2023) WHO calls on countries to increase taxes on alcohol and sugary sweetened beverages. Available online at: <https://www.who.int/news/item/05-12-2023-who-calls-on-countries-to-increase-taxes-on-alcohol-and-sugary-sweetened-beverages> [Accessed 12 March 2024]
- 13 McKinsey & Company (2022) Hungry and confused: The winding road to conscious eating. Available online at: <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/hungry-and-confused-the-winding-road-to-conscious-eating> [Accessed 12 March 2024].
- 14 Nestle (2024) Our purpose and values. Available online at: <https://www.Nestlé.com/about/how-we-do-business/purpose-values> [Accessed 15 March 2024]
- 15 Estimates: Nestle's food sales \$70 bn / F&B sector size \$7tn = 1%
- 16 Schroders and Rathbone Greenbank (2017) Available online at: <https://mybrand.schroders.com/m/fa56814f40d58c83/original/2017-Sugar-investor-expectations-CONSUMER.pdf> p2 [Accessed 12 March 2024]
- 17 Obesity Evidence Hub (2023). Countries that have taxes on sugar-sweetened beverages (SSBs). Available online at: <https://www.obesityevidencehub.org.au/collections/prevention/countries-that-have-implemented-taxes-on-sugar-sweetened-beverages-ssbs.> [Accessed 12 March 2024]
- 18 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) [Accessed 12 March 2024]
- 19 World Health Organization (2023) WHO calls on countries to increase taxes on alcohol and sugary sweetened beverages. Available online at: <https://www.who.int/news/item/05-12-2023-who-calls-on-countries-to-increase-taxes-on-alcohol-and-sugary-sweetened-beverages> [Accessed 12 March 2024]
- 20 Bandy, L.K., Scarborough, P., Harrington, R.A. et al. Reductions in sugar sales from soft drinks in the UK from 2015 to 2018. *BMC Med* 18, 20 (2020). <https://doi.org/10.1186/s12916-019-1477-4>
- 21 Nakamura R, Mirelman AJ, Cuadrado C, Silva-Illanes N, Dunstan J, et al. Evaluating the 2014 sugar-sweetened beverage tax in Chile: An observational study in urban areas. *PLoS Medicine*, 2018; 15(7):e1002596. Available online at: <https://pubmed.ncbi.nlm.nih.gov/29969456/>
- 22 Public Health England (2018) Fiscal and pricing policies to improve public health: a review of the evidence. Available online at: [https://assets.publishing.service.gov.uk/media/5baa360440f0b60537173644/Fiscal\\_and\\_Pricing\\_Policies\\_report\\_FINAL.pdf](https://assets.publishing.service.gov.uk/media/5baa360440f0b60537173644/Fiscal_and_Pricing_Policies_report_FINAL.pdf) [Accessed on 12 3 2024]
- 23 The Grocer (2019) Sales of diet soft drinks soar in wake of 2018 sugar levy. Available online at: <https://www.thegrocer.co.uk/soft-drinks/sales-of-diet-soft-drinks-soar-in-wake-of-2018-sugar-levy/592757.article> [Accessed 12 March 2024]
- 24 Organisation for Economic Co-operation and Development (2023) Developing Food Labels for Improved Health Outcomes Insights Into Simplified Nutrition Labelling Policies. Available online at: <https://www.oecd.org/publications/developing-food-labels-for-improved-health-outcomes-c1f4d81d-en.htm#:~:text=Simplified%20nutrition%20labelling%20policies%20provide,promoting%20positive%20public%20health%20outcomes.> [Accessed 12 March 2024]

- 25 Pan American Health Organization (2024) PAHO Nutrient Profile Model. Available online at: <https://www.paho.org/en/nutrient-profile-model>. [Accessed 12 March 2024]
- 26 Food and Agriculture Organisation of the United Nations (2019) Ultra-processed foods, diet quality, and health using the NOVA classification system. Available online at: <https://www.fao.org/3/ca5644en/ca5644en.pdf> [Accessed 12 March 2024]
- 27 Nestlé (2023) Understanding Nestlé. Available online at: <https://www.Nestlé.com/investors/overview> [Accessed 12 March 2024]
- 28 The Economist (2024) Indian food is great. Perhaps too great. Available online at: <https://www.economist.com/asia/2024/03/07/indian-food-is-great-perhaps-too-great>. [Accessed 12 March 2024]
- 29 Taillie LS, Busey E, Stoltze FM, Dillman Carpentier FR. Governmental policies to reduce unhealthy food marketing to children. *Nutr Rev.* 2019 Nov 1;77(11):787-816. doi: 10.1093/nutrit/nuz021. PMID: 31329232; PMCID: PMC7528677.
- 30 Global Food Research Programme (2022) Countries with national policies regulating food marketing to children. Available online at: [www.globalfoodresearchprogramme.org/wp-content/uploads/2022/05/Marketing\\_maps\\_upload.pdf](http://www.globalfoodresearchprogramme.org/wp-content/uploads/2022/05/Marketing_maps_upload.pdf). [Accessed 12 March 2024]
- 31 Nestlé (2023) External recognition. Available online at: <https://www.Nestlé.com/sustainability/performance-reporting/external-recognition> [Accessed 12 March 2024]
- 32 Nestlé (2023) Annual Review. Available online at: <https://www.Nestlé.com/sites/default/files/2024-02/2023-annual-review-en.pdf>, p52 [Accessed 12 March 2024]
- 33 Ethical Consumer (2020) The continuing controversies of Nestlé. Available online at: <https://www.ethicalconsumer.org/node/76/continuing-controversies-Nestlé> [Accessed 12 March 2024]
- 34 New York Times (2017) How Big Business Got Brazil Hooked on Junk Food. Available online at: <https://www.nytimes.com/interactive/2017/09/16/health/brazil-obesity-Nestlé.html> [Accessed 12 March 2024]
- 35 Baby Milk Action. Why the Nestlé boycott continues. Available online at: <https://www.babymilkaction.org/nestlefree> [Accessed 14 March 2024]
- 36 The Food, Farming and Countryside Commission (2023) Available online at: <https://ffcc.co.uk/so-what-do-we-really-want-from-food>. [Accessed 12 March 2024]
- 37 BiteBack (2024) Fuel Us Don't Fool Us. (using 2022 data) Available online at: [https://biteback.contentfiles.net/media/documents/WEBSITE\\_\\_Bite\\_Back\\_Manufacturers\\_\\_high\\_res.pdf](https://biteback.contentfiles.net/media/documents/WEBSITE__Bite_Back_Manufacturers__high_res.pdf) [Accessed 12 March 2024]
- 38 The Times (2024) Majority of food giants' profit in UK comes from junk food. Available online at: <https://www.thetimes.co.uk/article/times-health-commission-wq9tg02cn> [Accessed 12 March 2024]
- 39 BiteBack (2024) Fuel Us Don't Fool Us. Available online at: [https://biteback.contentfiles.net/media/documents/WEBSITE\\_\\_Bite\\_Back\\_Manufacturers\\_\\_high\\_res.pdf](https://biteback.contentfiles.net/media/documents/WEBSITE__Bite_Back_Manufacturers__high_res.pdf) [Accessed 12 March 2024]
- 41 Statista (2022) Leading markets of Nestlé worldwide in 2022, based on sales (in billion CHF) Available online at: <https://www.statista.com/statistics/413407/Nestlé-s-leading-markets-worldwide-based-on-sales/> [Accessed 12 March 2024]
- 42 Global Health Advocacy Incubator (2022) Brazilian Courts Protect Vulnerable Children and Youth in Decision Against Nestlé Brazil. Available online at: <https://www.advocacyincubator.org/featured-stories/2022-07-13-brazilian-courts-protect-vulnerable-children-and-youth-in-decision-against-Nestlé-brazil> [Accessed 12 March 2024]
- 43 IGD (2021) Consumers increasingly open to adopting healthier and more sustainable diets. Available online at: <https://www.igd.com/Social-Impact/Articles/Consumers-increasingly-open-to-adopting-healthier-and-more-sustainable-diets/16137> [Accessed 12 March 2024]
- 44 McKinsey & Company (2024) The trends defining the \$1.8 trillion global wellness market in 2024 . Available online at: <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-trends-defining-the-1-point-8-trillion-dollar-global-wellness-market-in-2024> [Accessed 12 March 2024]
- 45 McKinsey & Company (2022) Hungry and confused: The winding road to conscious eating. Available online at: <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/hungry-and-confused-the-winding-road-to-conscious-eating> [Accessed 12 March 2024].
- 46 Research and Markets (2024) Global Health & Wellness Food Market by Product. Available online at: <https://www.researchandmarkets.com/reports/5336621/global-health-and-wellness-food-market-by-product#:~:text=The%20Health%20%26%20Wellness%20Food%20Market,USD%20232.46%20billion%20by%202030.> [Accessed 12 March 2024]
- 47 The Business Research Company (2024) Food and Beverage Global Market Report. Available online at: [https://www.thebusinessresearchcompany.com/report/food-and-beverages-global-market-report#:~:text=The%20food%20and%20beverages%20market%20size%20has%20grown%20strongly%20in,\(CAGR\)%20of%20](https://www.thebusinessresearchcompany.com/report/food-and-beverages-global-market-report#:~:text=The%20food%20and%20beverages%20market%20size%20has%20grown%20strongly%20in,(CAGR)%20of%20)

- [6.4%25](#). [Accessed 12 March 2024]
- 48 Mahase E. Global cost of overweight and obesity will hit \$4.32tn a year by 2035, report warns BMJ 2023; 380 :p523 doi:10.1136/bmj.p523
- 49 Jon Lukomnik and James Hawley (2021) Moving Beyond Modern Portfolio Theory: Investing that Matters
- 50 Nestlé: Creating Shared Value and Sustainability Report (2023) Nestlé report shows that 52% of its products come from less healthy products, using the HSR NPM when specialised nutrition is excluded. Available online at: <https://www.Nestlé.com/sites/default/files/2024-02/creating-shared-value-sustainability-report-2023-en.pdf>,
- 51 Baby Milk Action. WHO states that follow-up formula is not necessary and that marketing may mislead parents. Available online at: <https://www.babymilkaction.org/archives/704> [Accessed 14 March 2024]
- 52 World Coffee Portal (2022) Coffee products netted Nestlé \$25bn in 2021 – more than a quarter of sales Available online at: [https://www.worldcoffeeportal.com/Latest/News/2022/March/Coffee-products-netted-Nestlé-\\$25bn-in-2021-%E2%80%93-more#:~:text=The%20document%2C%20which%20provides%20an,of%20the%20company%27s%20total%20sales](https://www.worldcoffeeportal.com/Latest/News/2022/March/Coffee-products-netted-Nestlé-$25bn-in-2021-%E2%80%93-more#:~:text=The%20document%2C%20which%20provides%20an,of%20the%20company%27s%20total%20sales) [Accessed 12 March 2024]
- 53 Unilever (2022) Unilever Global Nutrition & Ice cream portfolio assessment against 6 Nutrient Profiling Models (NPMs) and own NPM. Available online at: <https://www.unilever.com/files/b57e526e-4691-444f-9893-d2032f3abb0f/unileve-portfolio-assessment-against-6-nutrient-profiling-models-2022.pdf> [Accessed 14 March 2024]
- 54 Danone (2023) Danone UK & Ireland announces commitments on health. Available online at: <https://www.danone.co.uk/media/articles-list/Danone-UK-Ireland-announces-commitments-on-health.html> [Accessed 14 March 2024]
- 55 Access to Nutrition Initiative (2021) Global Index – Nestlé. Available online at: <https://accesstonutrition.org/index/global-index-2021/scorecards/Nestlé-5/> [Accessed 12 March 2024]
- 56 Bandy, L., Jewell, J., Luick, M. et al. (2023) using 2020 data from seven major markets, The development of a method for the global health community to assess the proportion of food and beverage companies' sales that are derived from unhealthy foods. Global Health 19, 94. <https://globalizationandhealth.biomedcentral.com/articles/10.1186/s12992-023-00992-z>
- 57 Financial Times (2021) Nestlé document says majority of its food portfolio is unhealthy. Available online at: <https://www.ft.com/content/4c98d410-38b1-4be8-95b2-d029e054f492> [Accessed 12 March 2024]
- 58 Nestlé (2023): Nine-Month Sames Conference Call Transcript. Nestlé's revenue was 94.42 billion CHF in 2022, if its 'nutritious' sales increase by 50% by 2030 as per its target = 141.63 billion CHF (94.42 x 1.5). In comparison, Nestlé's overall growth guidance however is 4% – 6%, and CAGR growth of 6% = 150.49 billion CHF (94.42 x 1.06^8) Available online at: <https://www.nestle.com/sites/default/files/2023-10/2023-nine-month-sales-investor-call-transcript.pdf> p16 [Accessed 12 March 2024]
- 59 Nestlé (2024): At a Glance. Available online at: <https://www.Nestlé.com/about/overview> [Accessed 12 March 2024]
- 60 Nestlé (2023): Creating Shared Value and Sustainability Report: <https://www.Nestlé.com/sites/default/files/2024-02/creating-shared-value-sustainability-report-2023-en.pdf> [Accessed 12 March 2024]
- 61 Global Panel (2020) Future Food Systems: For people, our planet, and prosperity. Available online at: <https://foresight.glopan.org/> [Accessed 12 March 2024]
- 62 Access to Nutrition Initiative (2018) Plain packaged water is assigned a Health Star Rating of 5.0 consistent with the HSR Guidelines - Report on the comparative nutritional profile of food and beverage products marketed by the 21 largest global companies in 9 countries. Available online at: [https://accesstonutrition.org/app/uploads/2020/02/GI\\_Global-Index\\_TGI-product-profile\\_Report\\_2018.pdf](https://accesstonutrition.org/app/uploads/2020/02/GI_Global-Index_TGI-product-profile_Report_2018.pdf) [Accessed 12 March 2024]
- 63 Bandy, L., Jewell, J., Luick, M. et al. (2023) using 2020 data from seven major markets, The development of a method for the global health community to assess the proportion of food and beverage companies' sales that are derived from unhealthy foods. Global Health 19, 94. <https://globalizationandhealth.biomedcentral.com/articles/10.1186/s12992-023-00992-z>

Runway East  
2 Whitechapel Road  
London  
E1 1EW

enquiries@shareaction.org  
+44 (0)20 7403 7800

UK registered charity number:  
1117244

EU Transparency Register  
number: 75791956264-20

Belgian organisation number:  
Fairshare Educational  
Foundation 0672.921.563

# ShareAction»

ShareAction is a registered charity working globally to define the highest standards for responsible investment and to drive change until these standards are adopted worldwide. Our vision is a world where the financial system serves our planet and its people.