



Sugar Reduction Pledge

Sugar Reduction Pledge by
the Australian non-alcoholic
drinks industry

2020 Aggregation Report

October 2020

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KPMG.com.au





Foreword

This report presents the aggregation of the non-alcoholic drinks industry's progress towards the Sugar Reduction Pledge ('Pledge') of 20% by 2025.

The aggregation was conducted to report the progress relevant members of the industry have made toward achieving their sugar reduction target.

This report presents the results for the period between 1 January 2015 and 30 June 2020; and updates the November 2019 aggregation report by including the full 2019 calendar year and first half of 2020.

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1. Scope & approach

KPMG has been engaged by the peak body representing non-alcoholic drinks in Australia, the Australian Beverages Council Limited (ABCL), to establish a baseline, aggregate and report on actual performance towards the non-alcoholic drinks industry's sugar reduction target of 20% by 2025 ('Pledge') agreed by members of the Pledge ('pledge signatories') in 2018.

The data in this report has been provided by the pledge signatories directly to KPMG in July 2020 for independent aggregation and reporting purposes. KPMG is reliant on the quality, accuracy and reliability of the data provided by the pledge signatories and has not sought to independently verify those sources.

Pledge signatories have provided a statutory declaration to the ABCL signed by the Pledgee's nominated executives responsible for the Pledge, confirming the information provided to KPMG is true and correct to the best of their knowledge.

Once the information from each pledge signatory had been approved and submitted, it was aggregated at an industry level by KPMG. For the purposes of this report, the industry is defined as the four companies that have signed the Pledge to reduce the sugar content of their non-alcoholic drink.

KPMG has maintained strict confidentiality provisions during data collection, aggregation and reporting phases to ensure the integrity and security of information at all times.





2. Introduction & background



2.1 The Pledge

Societal expectations are changing and there is now greater recognition and awareness by consumers, regulators and governments of the impact the non-alcoholic drinks industry can have in encouraging a healthy Australian diet, including ways to reduce levels of overweight and obesity.

The non-alcoholic drinks industry has taken action to demonstrate how the industry can play a part in encouraging healthy lifestyles while continuing to offer consumers a choice of beverages.

The ABCL has listened to, and consulted with, consumers, government stakeholders, public health professionals and others, and responded by developing the Pledge.

In June 2018, the ABCL announced the nation's first Sugar Reduction Pledge, committing the non-alcoholic drinks industry to reduce sugar by 20 per cent on average over the full period of the pledge (2015-2025), and will be achieved by average reductions in total grams of sugar per 100mL.

The Pledge represents part of an ongoing commitment by the non-alcoholic drinks industry to encourage more Australians to make healthier choices.

In November 2019, the ABCL released the first public progress report on the Sugar Reduction Pledge, detailing a 7 per cent reduction in sugar between the years 2015-2018.

All non-alcoholic drinks products sold by the pledge signatories are included in the commitment, with the reduction in total sugar content measured across all those pledge signatories. The commitment applies to all categories of non-alcoholic drinks measured across those pledge signatories, including carbonated soft drinks, energy drinks, sports and electrolyte drinks, frozen drinks, bottled and packaged waters, juice and fruit drinks, cordials, iced teas, ready-to-drink coffees, flavoured milk products and flavoured plant milks.

Total sugar is quantified by aggregating the sugar content of the total volume of sales of non-alcoholic drinks by the pledge signatories in a reporting period. The Pledge is assessed from 1 January 2015.

Four pledge signatories out of more than 70 members of the Australian Beverages Council Limited committed to the Pledge. The ABCL expect more members will join the Pledge in the future.

The following ABCL members are signatories to the Pledge as of September 2020 and are included in this report from the baseline period of 2015 through to 30 June 2020:

- Asahi Lifestyle Beverages
- Coca-Cola South Pacific
- Coca-Cola Amatil
- PepsiCo

According to IBISWorld, in 2020, Australia's two largest non-alcoholic beverage bottlers, Coca-Cola Amatil Limited and Asahi Holdings (Australia) Pty limited, comprised collective market share of 55.4%¹ in the soft drink manufacturing industry in Australia and 83.4%² in the bottled water manufacturing industry in Australia. This information, sourced from IBISWorld, provides an indication of the market share of the nation's two largest bottlers of non-alcoholic drinks - both of which are committed to the sugar reduction targets outlined in the Pledge.

¹ IBISWorld Industry Report C1211a Soft Drink Manufacturing in Australia, May 2020

² IBISWorld Industry Report C1211b Bottled Water Manufacturing in Australia, June 2020.



3. KPMG aggregation & reporting

3.1 Data Collection

Baseline

Historical data on sales volumes and sugar content were collected from the pledge signatories for their complete range of 2015 domestic non-alcoholic drinks sales. In deriving the 2015 baseline, KPMG aggregated data by recipe from the pledge signatories. Each recipe was classified into defined categories and sub-categories to enable consistent aggregation and reporting in subsequent years.

2020 performance

The 2020 Aggregation Report is the second performance report of the Pledge to be released publicly. The approach to measure progress since the 2015 baseline and towards the 2025 sugar reduction target was carried out as follows:

- Actual sugar and sales volume data were received from the four pledge signatories for each year to 30 June 2020 and aggregated. This aggregated data was used to calculate the weighted average sugar levels (g/100mL) for each year;
- The baseline average grams of sugar per 100mL in 2015 was compared to 30 June 2020 to calculate the annual reductions.

3.2 Data Treatment

Aggregated weighted average grams of sugar per 100mL of non-alcoholic drinks has been calculated for the calendar years ended 31 December 2015, 2016, 2017, 2018, 2019 and half-year ended 30 June 2020 by applying a weighting to corresponding volume for the product in 2015, 2016, 2017, 2018, 2019 and half-year ended 30 June 2020, respectively. A comparison of the results from 2015 with 2020 provides the aggregate reductions period on period and in aggregate.

Since the beginning of the Pledge, data has been consistently collected and collated across the reportable years for all products/recipes including new and delisted products/recipes from 1 January 2019 – 30 June 2020.



4. Results & findings



The 2015 baseline sugar content of drinks sold by the pledge signatories was 6.02 grams per 100mL.

The half-year 2020 sugar content of drinks sold was 5.31 grams per 100mL.

A 12% reduction in sugar per 100mL has occurred from 1 January 2015 – 30 June 2020.

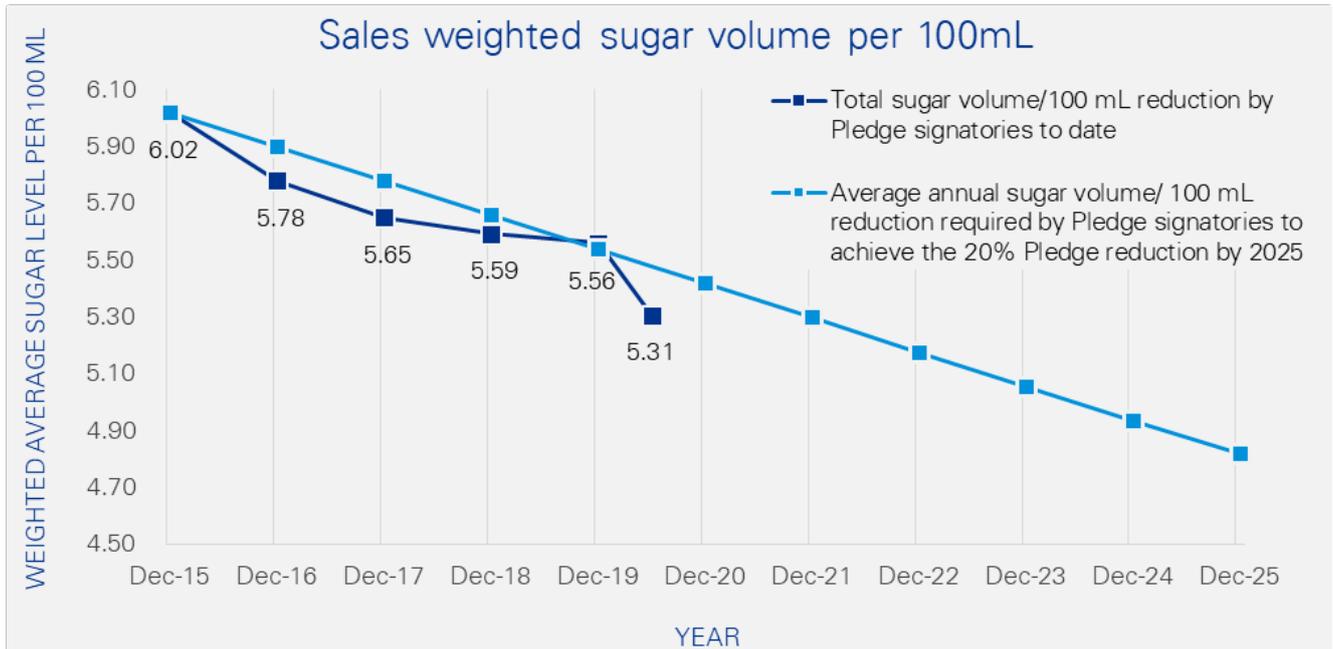
The pledge signatories reported that the following initiatives were undertaken during the period from 1 January 2015 – 30 June 2020 in order to reduce sugar levels:

- Reformulating existing products;
- Increasing the sales volume of low and no sugar varieties;
- Introducing additional low and no sugar varieties into the market;
- Encouraging sales through the promotion and marketing of low or no sugar varieties;
- Introducing smaller pack sizes or reducing average container sizes;
- Investing in improved nutritional literacy;
- A cap in sugar content on all existing drinks brands;
- A cap in sugar on new recipes launched in Australia;
- Where practical, transition vending machines to include more, low or no sugar varieties; and
- Other initiatives including the promotion of smaller packs and working with community based organisations in order to promote healthier choices.

Across the initiative, the most powerful levers of sugar reduction include:

- ✓ Reformulating existing products;
- ✓ Increasing the sales volume of low and no sugar varieties; and
- ✓ Introducing additional low and no sugar varieties into the market (new product development).

The figure below illustrates the industry's performance from 1 January 2015 to 30 June 2020 aggregated for the average sugar content (g/100mL) for all categories as well as the remaining reduction required by the pledge signatories to achieve a 20% reduction by 2025 on a straight-line basis:



5.1 Data analysis

At the end of 2019, the industry was broadly on track to achieve the 20% reduction by 2025.

Taking into consideration the first half of 2020, progress made by the industry to reduce sugar is now advanced and ahead of the straight-line average required to meet the 20% reduction in sugar by 2025.

Some observations noted during the 30 June 2020 aggregation process include:

- **For the period 1 January 2020 – 30 June 2020**, the sugar reduction progress has been influenced by COVID-19, as consumers lifestyles shifted, so did their beverage consumption.
 - Across all pledge signatories, total sales volumes decreased which has resulted in a reduction in sugar (g/100mL). This is due to a combination of both decreasing sales volume in drinks with regular sugar (>2.5g/100mL), and decreasing sales volume in other categories of drinks with no and low sugar (<2.5g/100mL).
 - Pledge signatories indicated that large decreases had occurred in sales volume for categories such as still water, pre-mixed beverages and sugar-based sports drinks. Pledge signatories attributed this to consumers spending more time at home, closing of bars, clubs and venues, and the temporary suspension of organised sports.
 - Some of the pledge signatories noted increased sales volume across sparkling waters and low and no sugar sports drinks. These pledge signatories attributed this to an increase in the purchase of sparkling waters during the initial pantry stocking stage of COVID-19, while low and no sugar sports drinks sales increased as more customers exercised at home. These increases did not outweigh the overall reduction in sales volume.
 - Some of the pledge signatories noted an increase in sales volume in low and no sugar varieties. These increases did not outweigh the overall reduction in sales volume.
- **For the period 1 January 2019 – 30 June 2020:**
 - Some of the pledge signatories noted a decrease in sugar (g/100mL) for drinks due to the reformulation of existing drinks.
 - Some of the pledge signatories noted a decrease in sugar (g/100mL) in certain drinks categories due to new product development and the introduction of SKUs that contained no or low sugar.
 - Some of the pledge signatories noted a decrease in sugar (g/100mL) for drink categories due to the de-listing of regular sugar drinks (>2.5 g/100mL).





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