



Sugar Reduction Pledge

Sugar Reduction Pledge by
the Australian non-alcoholic
beverage industry

Aggregation Report for the year ended 31 December 2020

November 2021

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[KPMG.com.au](https://www.kpmg.com.au)





Foreword

This report presents the aggregation of the non-alcoholic beverage industry's progress towards the Sugar Reduction Pledge ('Pledge').

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 31 December 2020. This is the third public report, which builds on findings from the [2020 Aggregation Report](#) for the period 1 January 2020 to 30 June 2020, and includes additional findings from 1 July 2020 to 31 December 2020 to provide a full-year view of the 2020 progress towards the Pledge.

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Inherent Limitations

This report has been prepared as outlined with Australian Beverages Council Limited (ABCL) in the “KPMG Services” section of the engagement contract dated 14 August 2019, and in the “Scope & approach” Section of this report. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

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1. Scope & approach

KPMG has been engaged by the peak body representing the non-alcoholic beverages industry in Australia, the Australian Beverages Council Limited (ABCL), to establish a baseline, aggregate and report on performance towards the non-alcoholic beverage 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 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 beverages.

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 beverages 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 beverages industry to reduce sugar by 20 percent over the Pledge period (2015-2025). This will be achieved by reductions in average grams of sugar per 100mL.

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

In November 2019, the [2018 Aggregation Report](#) was released as 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 beverage 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 beverages measured across those Pledge signatories, including carbonated soft drinks (CSDs), 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 beverages 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 November 2021 and are included in this report from the baseline period of 2015 through to 31 December 2020:

- Asahi Lifestyle Beverages
- The Coca-Cola Company (formerly Coca-Cola South Pacific)
- Coca-Cola Europacific Partners Australia (formerly Coca-Cola Amatil)
- PepsiCo

According to IBISWorld, at the end of 2020, Australia's two largest non-alcoholic beverage bottlers, Coca-Cola Europacific Partners Australia and Asahi Holdings (Australia) Pty limited, comprise market share of 40.6% and 15.7%, respectively, in the soft drink manufacturing industry in Australia (total 56.3%)¹ and 70.5% and 15.2%, respectively, in the bottled water manufacturing industry in Australia (total 85.7%).² 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, December 2020

² IBISWorld Industry Report C1211b Bottled Water Manufacturing in Australia, April 2021



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 beverage 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.

Performance to December 2020

The Aggregation Report for the year ended 31 December 2020 is the third 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 31 December 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 31 December 2020 to calculate the annual reductions.

3.2 Data Treatment

Aggregated weighted average grams of sugar per 100mL of non-alcoholic beverages has been calculated for the calendar years ended 31 December 2015, 2016, 2017, 2018, 2019 and 2020 by applying a weighting to the corresponding volume for the product in 2015, 2016, 2017, 2018, 2019 and 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 2015 – 31 December 2020.



4. Results & findings

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

The sugar content of drinks sold for the year ended 1 January 2020 to 31 December 2020 was 5.28 grams per 100mL.

A 12% reduction in sugar per 100mL has occurred from 1 January 2015 to 31 December 2020.

The Pledge signatories reported that the following initiatives were undertaken during the period from 1 January 2015 to 31 December 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.

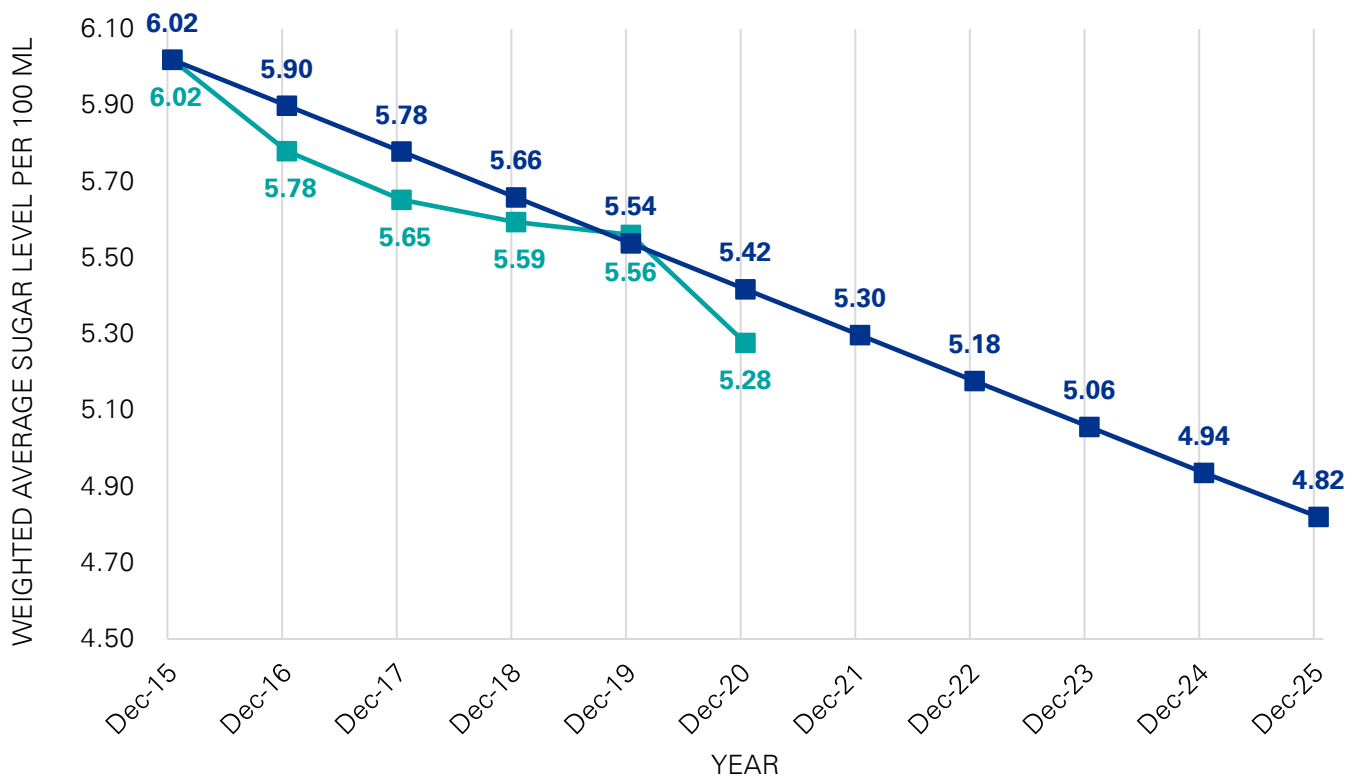
Since the inception of the Pledge, the most frequently used initiatives by Pledgees were:

- ✓ Increasing the volume sales 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; and
- ✓ Reformulation of existing products.



The figure below illustrates the industry's performance from 1 January 2015 to 31 December 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:

Sales weighted sugar volume per 100mL



- Total sugar volume/100 mL reduction by Pledge signatories to date
- Average annual sugar volume/ 100 mL reduction required by Pledge signatories to achieve the 20% Pledge reduction by 2025



4.1 Data analysis

The industry is advancing well ahead of the required straight-line reduction required to meet the 20 percent reduction in sugar by 2025.

At the end of 2020, the industry met the 5.42 g/100mL required by the Pledge, by achieving a weighted sugar of 5.28 g/100mL. This means that they are on track to achieve the 20 percent reduction by 2025.

We note the following observations in relation to the aggregation process for the period **1 January 2020 to 31 December 2020**. The reader should note that this data analysis contains information disclosed in the previously released [2020 Aggregation Report](#) for the period 1 January 2020 – 30 June 2020.

For the period 1 January 2020 – 30 June 2020 the sugar reduction progress has been influenced by COVID-19, as consumer 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 (more than or equal to 2.5g/100mL), and decreasing sales volume in other categories of drinks with no and low sugar (less than or equal to 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 (less than or equal to 2.5g/100mL). These Pledge signatories attributed this to an increase in the purchase of sparkling water 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 July 2020 – 31 December 2020 weighted sugar g/100mL continued to decrease, however progress slowed compared to the first half of 2020 as sales volumes rebounded.

- Across all Pledge signatories, total sales volumes increased by 20 percent compared with the 1 January 2020 to 30 June 2020 period, yet sugar (g/100mL) has not increased at the same rate.
- Sales volumes (L) have rebounded following initial COVID-19 lockdowns, as venues reopened assisting with the increase in post-mix and licenced venue sales, while summer brought a seasonal increase in sales.
- Our analysis indicates that as sales volumes (L) increased during a recovery from the COVID-19 pandemic, the proportion of sales (L) in low and no sugar beverages grew (those with less than 2.5g/100mL). In the absence of major product mix changes (from reformulation or new low or no sugar products) the primary change in weighted sugar (g/100mL) appears to be driven by the change in proportion of sales in low or no sugar varieties.
- For all Pledges, the average sugar (g/100mL) across their portfolio decreased over the period. However, this was only a minor decrease in average sugar (g/100mL) across the industry. This is a result of one reformulated product, and two new no or low sugar varieties released during the period.
- Continued marketing of low and no sugar varieties appear to be affecting consumer purchasing behaviour. Proportional to total sales (L), low and no sugar varieties (those with less than 2.5g/100mL) are representing an increased proportion of consumed beverages. These represented 54 percent of sales (L) for the 1 July 2020 to 31 December 2020 period, compared to 52 percent for the 1 January 2020 to 30 June 2020 period.
- CSDs remain the primary product category for Pledges, with 68 percent of all sales (L) in this category. For the Pledges who submit additional product category data, low sugar options (those with less than 2.5g/100mL) in this category now represents 48 percent of all product sales (L) in this category compared to 47 percent for the period 1 January 2020 to 30 June 2020.
- For all Pledges, the increase in sales (L) was driven by CSDs and water, as a result of marketing of low and no sugar varieties, and introduction of a few new products.
- Two Pledges noted an increase in sales (L) in the 'other' category which includes beverages like juice, sports drinks, and cordial. One Pledge noted a decrease in sales in this category as a result of delisting one high sugar iced tea product (more than or equal to 2.5g/100mL). This also resulted in an overall decrease in the weighted sugar for the 'other' category for this Pledge.





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