



Sugar Reduction Pledge

Sugar Reduction Pledge
by the Australian non-alcoholic
beverage industry

Aggregation Report for the year ended
31 December 2021

March 2022

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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 is the fourth public report that presents the results for the period between 1 January 2015 and 31 December 2021. This report builds on previous reports, the most recent being the 2020 Aggregation Report for the period 1 January to 31 December 2020, to provide a full-year view of the 2021 progress towards the Pledge.

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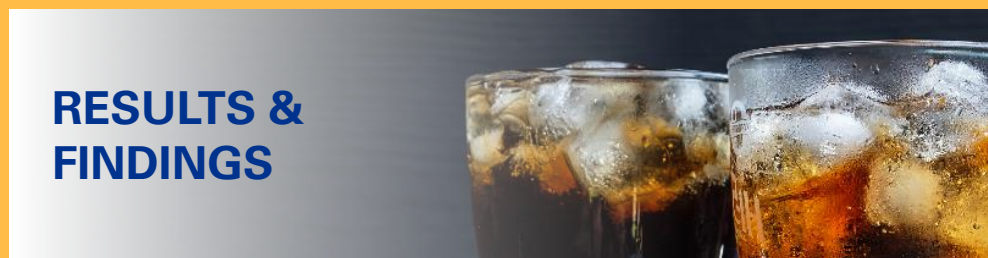
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Inherent Limitations

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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The findings in this report have been formed on the above basis.

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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 progress 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. Since then, the reduction in sugar between the years 2015-2021 has increased to 16.1 percent.

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 as supporters in the future.

The following ABCL members are signatories to the Pledge as of February 2022 and are included in this report from the baseline period of 2015 through to 31 December 2021:

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

According to IBISWorld, at the end of 2020, Australia's two largest non-alcoholic beverage bottlers, Coca-Cola Amatil and Asahi Holdings (Australia) Pty Limited, comprise market share of 39.8% and 15.4% respectively, in the soft drink manufacturing industry in Australia (total 55.2%)¹. As of April 2021, these same companies comprise 70.2% and 15.2% of the bottled water manufacturing industry in Australia (total 85.4%)². This information 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.

Progress to December 2021

The Aggregation Report for the year ended 31 December 2021 is the fourth progress 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 2021 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 for the four Pledgees was compared to 31 December 2021 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, 2020 and 2021 by applying a weighting to the corresponding volume for the product in 2015, 2016, 2017, 2018, 2019, 2020 and 2021, respectively. A comparison of the results from 2015 with 2021 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 2021.



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 2021 to 31 December 2021 was 5.05 grams per 100mL.

A 16.1% reduction in sugar per 100mL has occurred from 1 January 2015 to 31 December 2021.

The Pledge signatories reported that the following initiatives were undertaken during the period from 1 January 2015 to 31 December 2021 in order to reduce sugar levels:

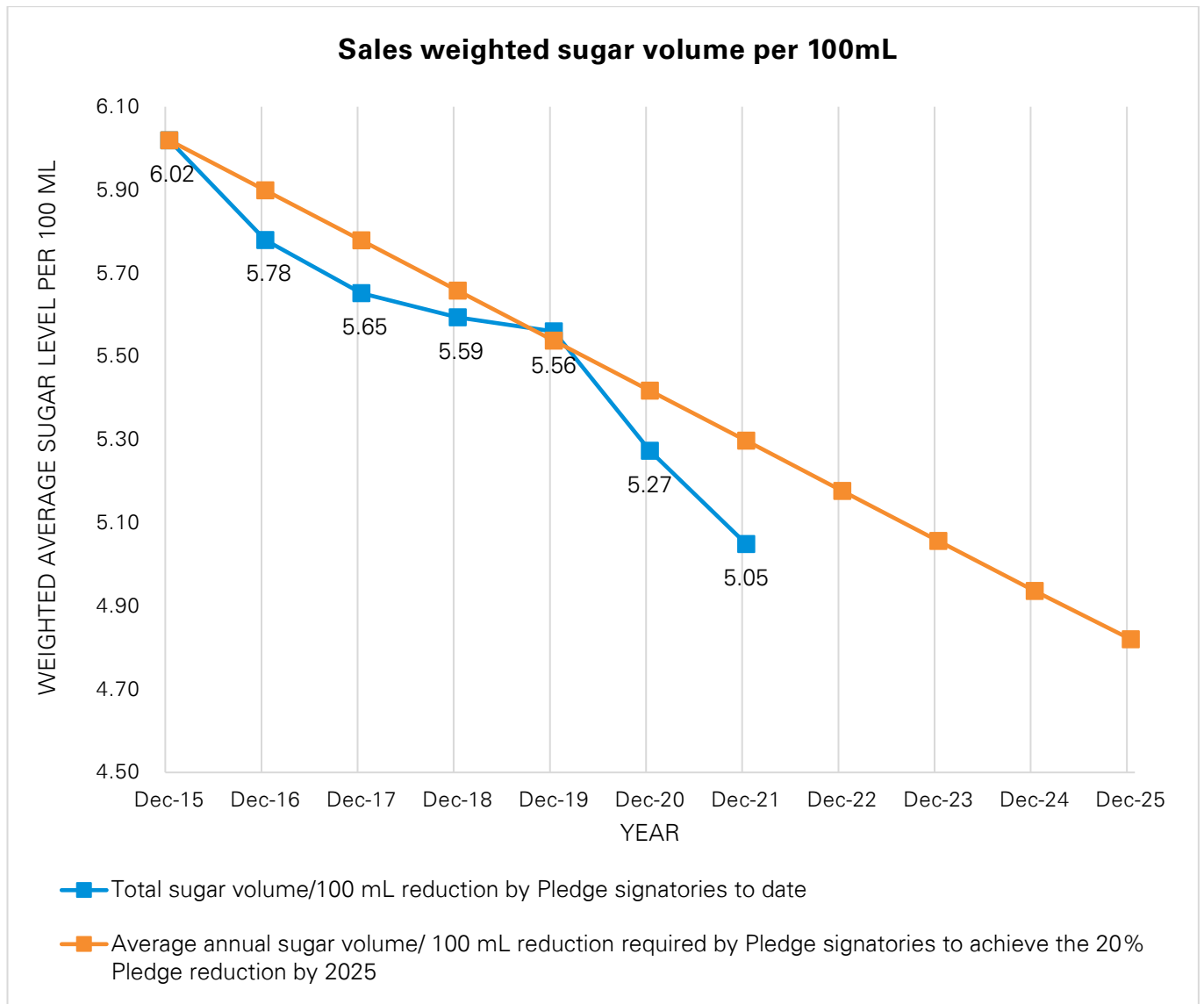
- Reformulating existing products;
- Increasing the sales volume of low and no sugar varieties;
- Introducing additional low and no sugar varieties into the market;
- Encouraging sales through the promotion and marketing of low or no sugar varieties;
- Introducing smaller pack sizes or reducing average 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 Pledges 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 Pledgee’s progress from 1 January 2015 to 31 December 2021 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:





4.1 Data analysis

At the end of 2021, the industry met the 5.30 g/100mL required by the Pledge, by achieving a weighted sugar of 5.05 g/100mL. This is a decrease in weighted sugar from the end of 2020, where pledgees achieved weighted sugar of 5.27 g/100mL.

We note the following observations in relation to the aggregation process for the period **1 January 2021 to 31 December 2021**. For this period, Pledgee initiatives and the post-COVID-19 context shifted consumer purchase habits, driving overall growth in sales volumes (L) and a decrease in weighted sugar (g/100mL).

- Across all Pledge signatories, total sales volumes (L) increased by 1.9 percent compared to the 1 January to 31 December 2020 period.
- Pledge signatories noted that the growth in sales volume (L) occurred due to the easing of COVID-19 restrictions, including the re-opening of Away-From-Home channels such as bars, sports venues, and events. Notably, sales volumes (L) increased for categories such as water, sports drinks and juice.
- Pledge signatories noted some changes to the product portfolio across several categories, such as the introduction of no sugar CSD products, reformulation of sports drinks to reduce total sugar (g/100mL), introduction of no sugar cordial drinks, and sugar free water varieties. In addition to reformulation, Pledgees note that marketing and promotional activity shifted consumer purchasing habits.
- These activities were reflected in sales volume (L) with growth in low and no sugar beverages (those with less than 2.5g/100mL) of 6.9 percent compared to the 1 January to 31 December 2020 period. While sales volume (L) in the high sugar category (more than or equal to 2.5g/100mL) was -0.3 percent for the same period.
- Total sugar (g) decreased by 3.2 percent compared to the 1 January to 31 December 2020 period. All Pledgees reported a decrease in total sugar (g), except for one that reported a 0.3 percent increase in total sugar (g).
- CSD remains the primary product category for Pledgees. With 63 percent of all sales (L) in this category.
- For the Pledgees who submit additional product category data, low sugar CSD varieties (those with less than 2.5g/100mL) now represent 50 percent of all product sales (L) compared to 47 percent for the previous period, as consumer preferences shift towards low and no sugar varieties.





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