Good Food : Good Money

An update on The Access to Nutrition Index and global trends in health and nutrition

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Access to Nutrition Foundation
The context

After years of development aid, high levels of **undernutrition** in the developing world still exist, while at the same time **obesity** has become a global epidemic….

“11% of the burden of disease is related to undernutrition”

“3.1 million children die every year because of undernutrition”

*The Lancet 2013*

“There are around 475 million obese adults with over twice that number overweight - that means around 1.5 billion adults are too fat.”

*World Obesity*
1. Introduction to ATNI
2. Why the private sector should focus on nutrition
3. Nutrition trends amongst F&B manufacturers
4. Insights into key nutrition issues and how ATNI addresses them
   • Nutrient profiling
   • Product reformulation
   • Marketing to children
   • Affordability and accessibility
   • Undernutrition
   • Marketing of Breast-milk Substitutes
5. Call to investors
1. Introduction to ATNI: tracking companies’ responses to two global nutrition challenges

- The Access to Nutrition Foundation is a **non-for-profit organisation** based in The Netherlands that hosts the Access to Nutrition Indexes

- The first Global Index, launched in 2013, scores rates 25 of the world’s largest F&B manufacturers on **commitments, performance and disclosure** on addressing **obesity and undernutrition**

- Pilot exercises were also for parallel Indexes in **India, Mexico and South Africa**

- ATNI was developed with support from the **Bill & Melinda Gates Foundation, the Wellcome Trust and GAIN**

- ATNI was developed using an **inclusive, international, multi-stakeholder process**, advised by international experts

- ATNI is intended to:
  - **Enable companies to benchmark their own performance** against international standards and best practice and compare themselves to their peers
  - **Provide an objective source of information for all stakeholders** to use to evaluate companies’ responses to two of the world’s most pressing public health challenges

- Indexes will be **published every two years** – the next Global Index due November 2015 & India Index early 2016

**Key attributes**

- Unique in its focus on nutrition
- Independent of industry
- Objective
- Rigorous
- Multi-stakeholder
- Global and country-specific focus
Global Index 2013: scores and rankings

Main finding: Most companies have a lot more to do to improve their performance on all aspects of nutrition

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Report highlights areas of strength and weakness, highlights good practice. Also sets out areas where further research and activity is needed.

All companies provided with:
- A 3-page Scorecard, setting out how they could improve in each area
- Full ATNI methodology
- Document illustrating how to achieve 100% in all areas
- Opportunity to engage with ATNI to understand results and receive guidance on how to improve
How ATNI is designed to improve people’s nutrition and health

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<thead>
<tr>
<th>Activities</th>
<th>Outputs</th>
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<td>Provide companies a tool to benchmark their nutrition practices</td>
<td>Food and beverage manufacturers:</td>
<td>Encourage improvements in companies’ policies, practices and performance to result in:</td>
<td>Increased market availability &amp; household accessibility of healthy foods and improved food consumption environment</td>
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<td>• Greater consumer access to more nutritious foods and beverages</td>
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<td>• An environment facilitating the consumption of healthier foods and beverages through improvements in areas such as marketing, labeling, and package sizes</td>
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<td>Encouragement of dialogue and action</td>
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Engagement with and uptake by:

- Investors
- Media
- Civil society
- Policymakers
- Academics

*These impacts will not be directly attributable to ATNI but links to impact may be plausible.*
Responses to ATNI…..

“We see a lot of value in ATNI, so does IFBA. It helps to give IFBA members credibility with other members”

Mars

“If ATNI didn’t exist we’d want to invent you”

Company at IFBA consultation session

“ATNI is a very good index to participate in. It helped us to identify issues we hadn’t been focusing on, and to see how other companies address those issues”

Grupo Bimbo

“There is a big trust gap (between companies and some stakeholders). Who is measuring their actions and progress makes a big difference”

WFA

“ATNI is not likely to give sufficient attention to the possible harms and the ways in which those harms might be alleviated by the manufacturers or by other agencies”

Academic in on-line consultation

“ATNI’s product profile research is very very useful, global and national level. We would like to see pricing, marketing and sales data combined with the nutritional information, particularly to be able to understand what is going on at the base of the pyramid”

Standard Life
2. Why should investors focus on nutrition?

Nutrition poses challenges on many levels:

What role can and should investors play in improving nutrition?

What kind of society do your beneficiaries/clients want to contribute to creating, benefit from, and live and retire in?

Do you, as investors, have enough information about how companies are performing on nutrition?

Are F&B companies’ current business models ‘fit for purpose’?
The food and beverage industry:

- Turnover of the world’s top 235 F&B companies was estimated to USD1.8 trillion in 2013. (Source: Coriolis research)
- In developing countries, sales of packaged foods are increasing 3-10 times faster than in high-income countries.
- Packaged food production and the number of retailers are expected to continue to grow because of urbanization.
- The ratio of sales volume of packaged foods to the sales volume of fruits and vegetables is therefore expected to grow.

In 2013: the 25 companies assessed by ATNI had combined revenues of USD 459 billion. They employed more than 1.6 million people.
nutrition presents a series of risks and opportunities

• **F&B manufacturers face a series of nutrition-related risks:**
  - Regulatory risks
  - Corporate reputation and brand risks
  - Market share/revenue risks
  - Litigation risks

• **But also nutrition-driven commercial opportunities:**
  - In mature markets: building new product offerings and improving health profile of existing offerings.
  - In emerging markets: economic growth coupled with population growth offers strategic expansion, revenue growth and brand building opportunities

• **Other commercial drivers**
  - Maintaining and improving health of current and future workforce.
  - Reducing the cost of health insurance.
  - Broader societal commitment, e.g. to support MDGs, local social and economic development etc.

“11 % of GDP in Africa and Asia is estimated to be lost to undernutrition”

*Horton and Steckel, 2013*
Over the last 5 years, under- and over-nutrition are increasingly appearing on the strategic agendas of F&B companies. They are becoming more involved in multi-stakeholder initiatives.

- **2008**
  - IFBA committed to support WHO’s 2004 Global Strategy on Diet, Physical Activity and Health

- **2009**
  - Healthy Weight Commitment Foundation (HWCF) was set up by companies to reduce obesity in the US

- **2010**
  - 64 companies signed Partnership for a Healthier America (PHA) to eliminate 1.5 trillion calories from US market

- **2011**
  - IFBA commitments strengthened and committed to UN and WHO Global Action Plan

- **2012**
  - Civil society and 22 companies join UN Global Nutrition 4 Growth Compact

- **2013**

- **2014**
  - Amsterdam Initiative against Malnutrition (AIM) with NGOs, Dutch government, various companies
  - SUN movement set up by UN and civil society, supported by senior business leaders
  - First Global Nutrition Report due in November, summarising global efforts to tackle undernutrition

- **2015**
  - IFBA again strengthens commitments

**Clinical Case Study**

IFBA committed to support WHO’s 2004 Global Strategy on Diet, Physical Activity and Health. Healthy Weight Commitment Foundation (HWCF) was set up by companies to reduce obesity in the US. 64 companies signed Partnership for a Healthier America (PHA) to eliminate 1.5 trillion calories from US market.
The debate ..... 

The appropriate role for the private sector is hotly debated: to what extent are self-regulatory efforts generating results? Should the sector be more strongly regulated instead? What more can the private sector do?

There are positive results

• Between 2008-2012, 99% of the sales growth for leading US F&B companies was from lower calorie products (Source: Hudson Institute)

• Volumes of carbonated drinks products continue to decline and companies like Coca Cola change their strategy from ignoring issues like obesity and diabetes, to taking steps to present the company as aware of these issues and working on solutions (Source: Credit Suisse 2013)

But experts and NGOs continue to call for stronger intervention e.g.

• Consumers International and World Obesity Federation today call on the international community to develop a global convention to fight diet-related ill health, similar to the legal framework for tobacco control

• WHO Europe aims to make more use of fiscal policies and marketing controls to full effect to influence demand for tobacco, alcohol and foods high in saturated fats, trans fats, salt and sugar (Source: WHO EU Action plan 2012-2016)
4. Insights on key nutrition issues and how ATNI addresses them

1. Nutrient profiling
2. Product reformulation
3. Marketing to children
4. Availability and affordability
5. Undernutrition
6. Marketing Breast Milk Substitutes
Key issue 1: The need for more nutrient profiling

**Issue:** Independent analysis of the nutritional quality of company’s product portfolios on a wider scale is lacking

- The baseline of nutritional quality of portfolios is unknown
- Progress cannot be tracked properly – only on the basis of inconsistent reporting from companies, e.g. ‘we have reduced sodium by 5% in our bakery range in the US market’.
- The proportion of healthy/healthier products of companies and variation within key markets is unknown

As a result, investors and others seem to be judging companies on the basis of very rough estimates of the ‘healthiness’ of their portfolios …..

**ATNI’s view:**

- This type of analysis is essential to provide a factual, measurable basis for tracking change
- ATNF has piloted Product Profiling exercises in three countries (ZA, IN, MX) and would like to continue doing this kind of work
- ATNF also would like to carry out a limited Product Profiling exercise among the Global Index companies …. ATNF is still seeking support and funding for this work
Goal: To assess and compare the nutritional quality of companies’ products in ATNI’s Spotlight countries

Methodology
1. Two ‘gold standard’ nutrient profiling models were selected, that met a series of stretching criteria.
2. The population of relevant products was defined; several product types were excluded (e.g. water, baby foods, confectionary).
3. A sampling frame was used to define a representative dataset of products, approximately 50% of those listed on the companies’ websites. A total of 880 for Mexico.
4. Nutritional information was collected for these products. If the companies did not provide that information online, supplemental information was used from either the Global Foods Monitoring Project or the UK Nutrient Databank.
5. Products in the dataset were organized into categories using the Datamonitor system.
6. Certain categories of products, and sub-categories were selected for further evaluation, based on number of products in each category, availability of nutritional information etc.
7. The nutrient profiling models were applied to generate a score for each product between 0 (least healthy) and 100 (healthiest).
8. Charts and tables were generated and analysis conducted.
9. Results presented privately to companies in Mexico; methods paper available for review, and Mexico results available for review on an anonymised basis. Please request if interested.
We’re consuming too many negative nutrients such as sugar, salt, fat and trans-fat:

- Obesity is getting out of hand, for instance in Mexico, the USA and Australia.
- Strong need to cut negative nutrients such as sugar, salt, fat and transfat.
- Strong need to add positive nutrients such as fruit, vegetables, wholegrain and fibre.

Action being taken:

- Companies are making improvements to their portfolios, which ATNI tracks.
- Companies are making voluntary commitments in some markets, e.g. Healthy Weight Commitment Foundation in the US, EPODE across Europe and the PHRD in the UK, but the quality and scope of these varies enormously, which NGOs and nutrition experts often criticise.
- Critics believe this action is not sufficient or fast enough and therefore advocate other interventions such as fat and soda taxes.
Key issue 2: Product reformulation: Soda & fat taxes

As a result several countries/states have adopted soda taxes or fat taxes:

- **France** most advanced: in 2012, France put a 0.02 EUR tax on sugary drinks (5% value) and proposals have been made to increase it to 20%.

- **Mexico** has had a soda tax since early 2014: the tax was set at 10% per litre. The region expects a domino effect.

- In the **UK** tax soft drinks is value added tax (placed on non-essential products) – but no direct soda taxes have been put in place yet. However, 61 organizations have been advocating for 20% tax to be included in 2014 budget.

- **In the US**, a congress woman proposed the Sugar-Sweetened Beverages Tax Act of 2014.

- In **Asia and Australia** the debate is on the horizon.

- In October 2011, **Denmark** introduced a fat tax on butter, milk, cheese, pizza, meat, oil and processed food if more than 2.3% saturated fat content. One year later the Danish Tax Ministry announced it would **abolish the fat tax**.

- Following its fat tax Denmark also reduced tax on soft drinks in 2013 and plans exist to fully abolish this tax because of economic interest.
Key issue 2: Product reformulation – what ATNI contributes

**But the discussion goes on and many companies are fighting regulation**

“When the whole of the food industry is focused on continuing to give hard-pressed families great tasting food at an affordable price, discussion of adding 20% to food prices seems fanciful if not irresponsible,”

Terry Jones, director of communications for the Food and Drink Federation in UK (The Guardian May 2012)

“Just as we use fiscal measures to discourage drinking and smoking and help prevent people from dying early, there is now lots of evidence that the same approach would work for food …Our obesity epidemic causes debilitating illness, life-threatening diseases and misery for millions of people. It is high time government did something effective.”

Dr Mike Rayner, Department of Public Health at Oxford University, ATNI Expert Group member

• ATNI Indexes collect quantitative data on both negative and positive nutrients in companies’ product portfolios in order to track progress over time.

• ATNI will continue to advocate for companies to adopt robust nutrient profiling systems, and to publish them, to provide a basis of identifying where improvements can be made in portfolios, and a strict definition of ‘healthy’ foods
Key issue: few companies have one overarching global policy; they generally support different pledges in different regions or countries.

- Two Pledges are reasonably strong (CFBAI and EU Pledge) and now underpinned by nutritional standards, by product category, that define which products can be marketed to children.

- However, the IFBA pledge allows companies to use their own definitions of healthy products; it therefore depends on how strict the companies’ internal NPS is.

Study by Rudd Center, same conclusions

- Between 2005 and 2009, thirteen pledges on food marketing to children (52 food companies)
- 10 Pledges required companies to publish individual commitments: 82 were published
- All of the pledges included definitions of children and child-targeted media, and communication channels and marketing techniques covered
- All permitted companies to set criteria for foods that are exempted from any restrictions.
- Key conclusions: The development of pledges on food marketing to children is impressive. But limitations and inconsistencies in the pledges and commitments, suggest that the food industry has a long way to go.

Source: Hawkes and Harris, in Public Health Nutrition, 2011
**Key issue 3: Marketing to children - In practice**

*Rudd Center work has shown that many products of poor nutritional quality are still being marketed to children in the US despite companies participation in voluntary responsible marketing pledges:*

“On television alone the average U.S. child sees approximately 13 food commercials every day, or 4,700 a year; and teens see more than 16 per day, or 5,900 in a year. The food products advertised most extensively include high-sugar breakfast cereals, fast food and other restaurants, candy, and sugary drinks. Children see about one ad per week for healthy foods such as fruits and vegetables, and bottled water.” (Source: http://yaleruddcenter.org/marketingpledges)

*Cereals most frequently advertised to children:*

1. Cinnamon Toast Crunch
2. Lucky Charms
3. Honey Nut Cheerios
4. Froot Loops
5. Reese’s Puffs
6. Trix
7. Frosted Flakes
8. Pebbles
9. Cocoa Puffs
10. Cookie Crisp

*Advertised cereals with the poorest nutrition ratings:*

1. Pebbles
2. Reese’s Puffs
3. Cinnamon Toast Crunch
4. Lucky Charms
5. Trix
6. Froot Loops
7. Apple Jacks
8. Cocoa Puffs
9. Honey Nut Cheerios
10. Cookie Crisp

“Cereal companies continue to aggressively market their least nutritious products directly to children. Despite improvements, the cereals advertised to children contain 57% more sugar, 52% less fibre, and 50% more sodium compared with adult-targeted cereals” (Source: Cereal FACTS).
Key issue 3: Marketing to children – Gaps and action needed

**Key issues we find are:**

- **Only major US and European companies** sign voluntary industry-association-led pledges; companies in other regions don’t, or sign very weak country-level codes.

- **Pledges/companies’ Codes vary significantly in the forms of media they cover:** key forms of marketing are often excluded, e.g. some forms of new media, point of sale marketing and in-store promotions.

- Companies and Industry Pledges need to be much clearer about what they do to ensure **marketing on new media** is responsible – and track and report on compliance with those commitments.

- Many more questions need to be asked by investors and others about companies’ **spending on different types** of media channels. Companies should be challenged to show that their **spending on healthy products** is increasing significantly while their spending on less healthy products is declining proportionally.

- Much more discussion is needed of what further **restrictions might be needed for teenagers between 12 – 16.**

*ATNI evaluates whether companies have and publish strong globally applicable codes on Responsible Marketing to Children, audit compliance with those codes and can demonstrate putting greater efforts into marketing healthier products*
Key issue 4: Affordability & accessibility - the challenge

**Healthy food is generally more expensive than less healthy foods**

- There is a growing gap between the prices of more and less healthy foods, particularly in the UK. A recent study has found healthy foods in 2012 were three times more expensive per calorie than less healthy foods (CEDAR, University of Cambridge, 2014)

**Companies are not doing enough on this agenda!**

- Companies in ATNI do little to address the dual challenges of ensuring that low-income consumers in developing and developed countries can **AFFORD** healthier foods and have **ACCESS** to them.
- Some companies have philanthropic programs but none have commercial affordability or accessibility strategies.
- Companies claim that retailers have a great deal of control in the US and Europe over pricing, product positioning and distribution and that there is little they can do; others dispute this but few concrete suggestions exist about what companies should do ….
- It is therefore hard to evaluate companies on this agenda; much more research and dialogue is needed.

“Numerous studies examining neighbourhood disparities demonstrate that the lack of access to healthy and affordable food has serious consequences for health and well-being”

FRAC, US
Key issue 4: Affordability & accessibility - the challenge

**Suggestions:**

- Nutrition experts suggested collecting more information such as policy/performance indicators on affordable pricing strategies.
- Some experts suggested linking companies to economics status (livelihoods) and household dietary trends surveys in order to know more about purchasing patterns (needs).

**ATNI 2015**

We will add indicators on whether the company has policies in these areas yet, and has set targets; and we improve our performance indicators to assess what companies actually do to make products more affordable and accessible.

*What do you as investors suggest?*
Key issue 5: Undernutrition - 860 million people affected globally

Levels of Accumulative Micronutrient and Vitamin Deficiency
Each country is assigned an index score based on its performance across 11 key indicators. Four categories of risk have been identified based on the Accumulative Micronutrient and Vitamin Deficiency Index (AMVDI) value for each country – extreme (0.0-2.5), high (>2.5-5.0), medium (>5.0-7.5) and low (>7.5-10.0).

Source: Maplecroft
In the past, public and private organisations were reluctant to work together, but that has changed over the last few years.

There is now a growing realisation that the private sector could offer valuable knowledge, skills, experience and funding.

- Older initiatives:
  - (2009) Amsterdam Initiative against Malnutrition (AIM) with the Dutch government, GAIN, Unilever, AkzoNobel, DSM, Wageningen University and ICCO;
  - Global Alliance for Improved Nutrition (GAIN) business initiative with Unilever, PepsiCo, Mars, Ajinomoto, GSK, DSM etc.

- New commitments have emerged:
  - UN Summit on sustainable development in 2012: Rio+20
  - Then Nutrition 4 Growth Pledges/Commitments
  - SUN Business Network – aiming to engage business in tackling undernutrition etc.

“Twenty eight years ago we rallied to a call to feed the world. Despite progress, there is much still to do. And by addressing the nutritional – and not just the calorific – challenge, we have the opportunity not only to extend lives, but to improve the quality of those lives at the same time. Business can do more. For too long it has trailed behind when it comes to nutrition. Some, like Unilever, are looking to be trail blazers. It’s time for others to join. It’s time to end the suffering of malnutrition”.

Paul Polman, chief executive of Unilever, De Telegraaf
Key issue 5: Undernutrition - Challenges ahead

• Some companies are responding positively: Unilever, Nestle, Danone, a handful of others.

• And….75% of respondents to the ATNI online consultation think companies should play a role in tackling undernutrition.

BUT…… a key challenge for ATNI (and others) is that very little has yet been codified about how companies can and should address undernutrition:

• Only 3 companies scored above 5 points on the ATNI Global Index on undernutrition (Unilever, Danone and Nestle).

• International agencies/NGOs/programmes still determine whether and how to work with companies (and which ones): Global Nutrition for Growth Compact, UN Zero Hunger Challenge etc.

• Companies’ own initiatives are in the early stages of development or implementation;

• The international nutrition community is still trying to determine which nutrition – sensitive programmes work (though there is more agreement on nutrition-specific programmes).
Key issue 5: Undernutrition - Potential opportunities for companies to address undernutrition (SUN)

<table>
<thead>
<tr>
<th>Core capability</th>
<th>Possible linkage/action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing</td>
<td>• Improved farming practices to produce high-quality nutrient rich foods</td>
</tr>
<tr>
<td>R&amp;D/Product Innovation</td>
<td>• Development of high-yield, nutrient-rich, low-input varieties</td>
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<tr>
<td></td>
<td>• Optimize nutritional composition and bioavailability</td>
</tr>
<tr>
<td></td>
<td>• Clinical proof of product impact</td>
</tr>
<tr>
<td></td>
<td>• Balance quality and cost of micronutrient premixes and other essential ingredients</td>
</tr>
<tr>
<td>Manufacturing and packaging</td>
<td>• Quality assurance and management</td>
</tr>
<tr>
<td></td>
<td>• Investment in supply chains</td>
</tr>
<tr>
<td></td>
<td>• Affordable and ambient-stable packaging, allowing storage in difficult conditions</td>
</tr>
<tr>
<td>Distribution and storage</td>
<td>• Wide, reliable and efficient distribution networks</td>
</tr>
<tr>
<td></td>
<td>• Transportation and logistics expertise</td>
</tr>
<tr>
<td>Food safety and quality</td>
<td>• Good food safety and quality management systems</td>
</tr>
<tr>
<td>Marketing and advertising, brand</td>
<td>• Consumer and marketing insights</td>
</tr>
<tr>
<td>building</td>
<td>• Deep understanding of changing/influencing purchasing and consumption behaviors</td>
</tr>
<tr>
<td></td>
<td>• Knowledge of and access to multiple communication channels, from mass/traditional to social</td>
</tr>
<tr>
<td></td>
<td>• Experience of and access to creative agencies to make communications compelling, attractive and inspirational</td>
</tr>
<tr>
<td></td>
<td>• Network of retailers and others points of sale, giving access to consumers</td>
</tr>
<tr>
<td>IT</td>
<td>• Access to and use of technology and data (market prices, health data, e-learning etc)</td>
</tr>
<tr>
<td>Financial/business management</td>
<td>• Experience with social marketing/social business models to share risk/make investment to create demand for products with strong health benefits</td>
</tr>
</tbody>
</table>
Key issue 5: Undernutrition - ATNI’s approach

For ATNI 2015 we developed our own framework based on extensive research and consultation:

• We give credit only for nutrition specific interventions, not on nutrition sensitive interventions.

• We look at:
  • What companies can do to develop fortified products to meet specific micronutrient deficiencies,
  • And to what they do in terms of education, social marketing, improving accessibility of fortified and healthy foods, etc.

• Credit is given for action in all countries, but more weight for countries with the greatest undernutrition challenges.

• Most credit is given to companies’ activities to address the nutritional needs of those in greatest need, i.e. women of childbearing age and children under 2.

• Greatest focus is placed on companies’ commercial efforts to tackle undernutrition, but some credit is given for their philanthropic programs.

‘OVERALL/MAIN Methodology – how companies support consumers to eat a healthy balanced diet and live an active lifestyle

Undernutrition Indicators: what companies do specifically to tackle undernutrition and micronutrient deficiencies.
Key issue 6: Breast Milk Substitutes Marketing

**ATNI supports the World Health Organization recommendation for exclusive breastfeeding up to 6 months of age, with continued breastfeeding along with appropriate complementary foods up to two years of age or beyond**

Breastfeeding links both to obesity and undernutrition

- Evidence is increasing that the initiation and duration of breastfeeding may influence obesity in later life (*Harvard School of Public Health*)
- Breastfeeding can prevent thousands of infant deaths and protects children throughout their lives in developing countries (see Box), and provides strong immunity to children in developed countries, reducing levels of illness, need for antibiotics, treatment, other medicines etc.
  - The marketing of BMS is guided by the 1981 *International Code of Marketing of Breast Milk Substitutes*.
  - Not all BMS manufacturers have adopted policies that commit to responsible marketing of BMS, and none commit to fully uphold the Code in all countries and for all infant formula products up to 24 months.
  - Few countries have enacted laws and regulations that give full effect to the Code, and lack the resources to monitor compliance.
  - IBFAN, Save the Children, UNICEF and others continue to document Code violations in the field.

“Sub-optimal feeding practices during the postnatal period increase the risk of death, illness, and malnutrition. Despite overwhelming evidence of the benefits of exclusive breastfeeding, only about one in three African babies under six months is exclusively breastfed, due to lack of understanding of optimal feeding practices and lack of support from health service providers, community members, and families. Babies who are not exclusively breastfed in the early months have a higher risk of death, especially from infection”.

*Source: WHO*
Objective for 2014: Develop, through extensive consultation, a more comprehensive and well-accepted approach to evaluating companies’ compliance with the Code for the 2015 Global Index and 2016 India Index.

1. **Conduct stakeholder outreach on proposed BMS assessment approach**
   - Build constituency in support of ATNI undertaking an assessment of BMS manufacturers’ marketing practices
   - Test the approach of adapting FTSE4Good’s methodology
   - Identify whether other appropriate methodologies exist that ATNI could utilize

2. **Develop methodologies to:**
   - Assess companies’ BMS policies and management systems (compatible with the Corporate Profile methodology)
   - Conduct on-the-ground assessments, that can be incorporated into the Corporate Profile methodology

3. **Pilot on-the-ground assessments in two countries (preferably Spotlight country India and one other) to test the viability of the methodology**

4. **Conduct an evaluation of the on-the-ground assessments:**
   - Assess reactions of stakeholders
   - Conduct internal review of lessons learned

**Other initiatives ATNI is tracking**

- Various studies using the Interagency Group for Breastmilk Monitoring (IGBM) Protocol funded by NGOs in recent years to monitor violations on the ground in various countries.

- HKI’s ARCH project (‘Assessment and Research on Child Feeding), gathering information on the promotion of foods consumed by infants and young children in four countries (Senegal, Tanzania, Cambodia and Nepal).

- FTSE4Good’s BMS criteria that evaluate companies’ policies and management systems; only Nestle currently meets FTSE’s standards and is included in the Index.

- WHO is developing a new Global Code Monitoring Network (NetCode).

- IFM new Rules of Responsible Conduct (launched 1 Jan 2014).

- Further guidance is due from the WHO in 2015/16 on how the International Code should be applied to complementary foods.
5. Call to investors: ATNI would like to further build its investor support base

- Over 40 firms collectively managing over $2.6 trillion in assets have signed the ATNI Investor Statement
- Investor consultations about ATNIs methodology and applicability
- ATNI is actively seeking new signatories
Call to investors: what you can do…..

• Sign ATNI investor statement – on ATNI website.

• Write to ATNI companies in early 2015 to ask them to engage actively with ATNI to provide as much information as possible so that ATNI can generate a score that reflects fully their current commitments and practice.

• Use the results of ATNI’s 2015 Global Index as a basis for engagement.

• Incorporate ATNI 2015’s results into your investment rating of companies.

• Sign up for our newsletters.
Annex I
Investment case for nutrition: risks

**Nutrition-related risks to companies increasing in developed and emerging economies = need for effective risk management**

**Regulatory risk**
- Stimulated by concerns over obesity, many countries, states and cities worldwide are considering, or have already introduced, regulations controlling F&B manufacturers’ activities and fiscal measures like ‘fat taxes’ which increase companies’ costs and restrict their reach.

**Corporate reputation/brand risk**
- As media coverage of diet-related diseases increases, F&B companies are often portrayed in a poor light and as ‘part of the problem’. F&B companies that do not take action to reduce transfats, fat, salt and sugar and introduce healthier products risk their products’ brand values and corporate reputations. Those that do take action have the opportunity to be seen as the ‘consumers’ friend’ – the company on which consumers can trust to look after their health.

**Market /revenues/share price risk**
- Consumers in developed markets, concerned about their weight and diet-related diseases, have started to change their eating habits, switching spending away from perceived unhealthy products and moving towards healthier options. Between 2002 – 2008, healthier packaged foods grew by 6% a year, compared to 3% a year for overall packaged food growth. (*Bernstein Research, 2011*)
- Companies are seeing whole categories affected and are changing their market strategies by, for example, acquiring companies that produce ‘healthier’ products or expanding into new healthier product categories.

**Litigation risk**
- Some companies have already faced litigation for the foods they sell, and how (e.g., McDonald’s and Kellogg’s). No lawsuit has yet succeeded, but the risk remains. (*Stern, 2010, CBS MoneyWatch.com*)
- Commentators as far back as 2002 referred to obesity as ‘the next tobacco’ – inferring that governments may at some point in the future sue companies to recover some of the public costs of treating obesity and related diseases stemming from food choices and lifestyles. The comparisons continue. (*Brownell & Warner, 2009*)
Emerging markets: Economic growth + population growth + double burden = revenue growth opportunities

• Globally, 3.7 billion have incomes of less than $8 per day and spend about 50% of their income on food (est. USD1.3 trillion) (Global Agenda Council for Food Security). As their income grows, they are likely to increasingly buy packaged foods, representing a large, untapped market opportunity for companies. Major investors are looking for product innovation and market penetration from leading food companies.

• A selection of 50 of the top F&B players (including global and regional companies) have an average penetration of 16 countries and presence in an average of three categories. A group of developing market players have extensive presence in emerging markets including Grupo Bimbo, Arcor, Ulker, UniPresident and Indofoods. (McKinsey & Co for ATNI)

• Consumers are increasingly aware of nutrition issues and seeking specialised products, especially in Asia, which is driving fortified product sales. (Frost and Sullivan, 2009)

• Companies that are on the front-foot on this agenda are able to capitalise on positioning themselves as ‘nutrition’ companies and win brand loyalty, market penetration, and future growth.

• By participating in public-private partnerships to address nutritional deficiencies in-country, companies can build good relationships and reputations with governments that may pay dividends in future, in terms of access to markets and preferential treatment.
Mature markets: Innovation in nutrition = revenue growth opportunities

• Developed markets are mature; hard for companies to increase profits, gain market share. Introducing (or acquiring) new ‘healthy’ categories or products may help them grow in these tough markets.

• Health and wellness-focused products are expanding rapidly, with 8 out of 10 of the fastest growing F&B categories inextricably linked to health, e.g. probiotic drinks: 13%; frozen fruit: 12%; dairy/dairy sub-drinks: 11%. (Dexia Asset Management, March 2009)

• Healthier foods provide F&B manufacturers with the opportunity to improve gross margins, including by premium pricing, lowering COGS through reformulation and reducing packaging size while maintaining a similar retail price, thus increasing price per volume unit. (Dexia, ibid)

• The top ten new F&B products launched in the US in 2006-7 were products that help consumers meet their dietary, disease-fighting and weight goals, without sacrificing taste: Campbell’s Reduced Sodium Soup ($101 million); Bird’s Eye Steam Fresh Frozen Vegetables ($87 million); Vault/Vault Zero Regular and Diet Drinks ($70 million). (Dexia, ibid)

• Companies recognise increasing demand for healthier products and are building new product offerings. Companies are pursuing opportunities to fortify foods and develop functional foods as well as nutraceuticals – expected to be worth $175 billion worldwide. (Financial Times, October 2/3, 2010)