



ACCESS TO  
**NUTRITION**  
INITIATIVE

# **Institutional investors' approaches to addressing nutrition, diets and health**

November 2021





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## Abbreviations

<b>AGM</b>	Annual general meeting	<b>UNICEF</b>	United Nations Children's Fund
<b>ATNF</b>	Access to Nutrition Foundation	<b>WHO</b>	World Health Organization
<b>ATNI</b>	Access to Nutrition Initiative		
<b>AUM</b>	Assets under management		
<b>ESG</b>	Environmental, social, and governance		
<b>F&amp;B</b>	Food and beverage		
<b>GDP</b>	Gross domestic product		
<b>GSIA</b>	Global Sustainable Investment Alliance		
<b>ICGN</b>	International Corporate Governance Network		
<b>ILO</b>	International Labour Organization		
<b>NAM</b>	Nomura Asset Management		
<b>NCD</b>	Non-communicable disease		
<b>NGO</b>	Non-governmental organization		
<b>OECD</b>	Organisation for Economic Co- operation and Development		
<b>PRI</b>	Principles for Responsible Investment		
<b>R&amp;D</b>	Research and development		
<b>RI</b>	Responsible investment		
<b>ROW</b>	Rest of the world		
<b>SDG</b>	Sustainable development goals		
<b>SDIL</b>	Soft drinks industry levy		
<b>SRI</b>	Socially responsible investment		
<b>SSB</b>	Sugar-sweetened beverages		
<b>UN</b>	United Nations		



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# Foreword

As providers of finance for the private sector, and with the power to appoint and dismiss members of the Board, institutional investors can play a significant role in shaping food and beverage companies' nutrition governance, strategy and disclosure. Investors, key stakeholders for the Access to Nutrition Initiative (ATNI), show their support by becoming signatories to the [Investor Expectations on Nutrition, Diets and Health](#).

This report aims to highlight how investors are considering nutrition across different responsible investment strategies. It is an important document for nutrition stakeholders to understand the role institutional investors can play in advancing the nutrition agenda, similar to the role they have played in promoting the climate agenda. I believe this is the beginning and look forward to further investor participation within nutrition in the years ahead.

The ATNI Investor Signatories group has grown rapidly from US\$7 trillion in assets under management (AUM) in May 2020 to \$16.6 trillion AUM in November 2021, thus illustrating the significance of nutrition to investors. This report illustrates the significance of investors to nutrition.

**Inge Kauer**  
**Executive Director, Access to Nutrition Foundation**

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Having worked in ethical and responsible investment for over 20 years, I am delighted to see this report outlining existing sustainable and responsible investment approaches to nutrition and health. I urge anyone working in nutrition to read it.

Many investors have been embedding climate and human rights issues in their investment decisions for a number of decades, but only a handful of investors have been looking at nutrition over that timeframe. Today, however, the tide has turned and most sustainable and responsible investors are increasingly aware of the risks and opportunities posed by the global challenge of malnutrition.

I would also like to take this opportunity to wish the ATNI a successful future as I stand down from my role as board member. It is good to see Frank Wagemans of Achmea Investment Management, a European investment firm, stepping onto the Access to Nutrition Foundation (ATNF) Board representing investor stakeholders, and also co-chairing the ATNI Investor Group alongside Cathy Rowan of Trinity Health, a US investment house.

**Lauren Compere**  
**Managing Director, Boston Common Asset Management**  
**Formerly board member, ATNF; Investor Group co-chair, ATNI; Expert Group Member, ATNI**

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As co-chairs of the ATNI investor group, we are delighted to introduce this report showcasing investors' integration of nutrition into investment decisions and active ownership. The report illustrates the role those institutional investors, as universal owners and guardians of their clients' assets, can play in moving forward the global nutrition agenda. Members of the ATNI Investor Group are collectively using all the different investment approaches (and more) to tackling nutrition outlined in this report, as they seek to manage the risks and opportunities facing the global food sector.

**Cathy Rowan**  
**Director of Socially Responsible Investing, Trinity Health**  
**Investor Group co-chair, ATNI**

**Frank Wagemans**  
**Senior engagement specialist, Achmea Asset Management**  
**Board member, ATNF**  
**Investor Group co-chair, ATNI**

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# Executive Summary

Sustainable and responsible investment has evolved over the last two decades, during which time institutional investors have expanded the number of environmental and social issues they consider in their investments. Recently, they have started to embed nutrition into their investment processes and analysis, assessing companies' product portfolios and performance in tackling global nutrition challenges. The impact of businesses on the health and wellbeing of consumers is increasingly recognized as a core element of the sustainability agenda, and an area of material risk for investors.

Additionally, as investor interest in the nutrition agenda rises, and scrutiny of the role of corporate practices heightens, *'companies will be under growing pressure to demonstrate a positive impact on the nutritional well-being of their workforces and wider stakeholders'*<sup>1</sup>.

Investors, therefore, can, and are starting to, play a significant role in advancing the nutrition agenda.

This report by the Access to Nutrition Initiative (ATNI) highlights the pivotal role institutional investors, as providers of finance to the private sector, can play in tackling global nutrition challenges. Investors are a key stakeholder group to ATNI, and are vital in delivering the Sustainable Development Goals (SDGs), especially SDG2: Zero Hunger and SDG3: Good Health and Well-being. The eight case studies used in this report are based on publicly available information and have been categorized using the Global Sustainable Investment Alliance (GSIA) definitions of sustainable and responsible investment approaches.

They are recent global examples illustrating how investors are currently using nutrition, diets and health data in their sustainable and responsible investment practices. It is a good start given the nascency of nutrition as an issue for investors, and as illustrated, investor escalation strategies are likely to be part of the future.



# Introduction

## Introduction to sustainable and responsible investment

Sustainable investment is an investment approach that considers environmental, social and governance (ESG) factors in portfolio selection and management.

For the purpose of this report, the GSIA inclusive definition of sustainable investing is used, which includes core approaches as presented in Figure 1. The term sustainable investment may be used interchangeably with responsible investment and socially responsible investment (SRI), although distinctions and regional variations in its meaning and use exist. In most regions, like Europe and Australasia, it is increasingly the case that the same investment product or strategy will combine several sustainable investment strategies, such as ESG integration, engagement and shareholder action, and negative/exclusionary screening. The latter is based on norms and values and is a form of **ethical investment**<sup>i</sup>.

**Figure 1: Summary of Sustainable Investment Strategies**

Approach	Traditional investment	Ethical and Responsible Investment							Philanthropy
		ESG integration	Negative / exclusionary screening	Norms-based screening	Engagement and Shareholder Action	Best-in-class/ positive screening	Sustainability themed / thematic investing	Impact investing	
Intention		Avoids harm							
					Benefits stakeholders				
							Contributes to solution		
Features and outcomes	Delivers competitive financial returns								
		Manages ESG risks							
				Contributes to better system stability and economic sustainability					
						Pursues opportunities and creates real economy outcomes			

Source 1: Responsible Investment Association Australasia, [Responsible Investment Explained: Responsible Investment Spectrum](#) (Accessed 16.11.2021) and Global Sustainable Investment Alliance. (2021). ['Global Sustainable Investment Review 2020'](#) (Accessed 16.11.2021).

Figure 1, above, illustrates the GSIA's core approaches to sustainable investment across a range of financial and ESG spectrums — from risk, to opportunity, to impact.

The Principles for Responsible Investment (PRI) published a paper<sup>2</sup> arguing that the 2015 launch of the United Nations' (UN) SDGs made it clear that the international community also relies on the private sector to solve some of the most urgent problems the world is facing, and that *'companies and institutional investors are being asked to contribute to the SDGs through their business activities, asset*

<sup>i</sup> Light blue font color denotes a reference in the glossary, which can be found on page 34.



*allocation and investment decisions.* Further, the International Corporate Governance Network (ICGN) notes that institutional investors' obligations to their beneficiaries or clients, and their scope for influencing the companies in which they invest, brings important responsibilities — such as formal rights to exercise votes, and more informal scope for exercising influence on management and boards across a range of key matters.

***'As sophisticated investors with influence, often including voting rights, institutional investors have a unique leadership opportunity to encourage appropriate behaviours by their investee companies.'*<sup>3</sup>**

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There has long been recognition in the financial industry that ESG factors influence investor returns. Systematically including ESG issues in investment analysis and decisions may help to better manage risks and improve returns. Evidence for this comes from a plethora of research papers, including, for example, one meta analysis cited by PRI and conducted by DWS Investment GmbH<sup>4</sup>. This analyzed over 2,000 studies, nearly all of which showed a positive relationship between ESG factors, financial performance and risk management.

This positive impact on financial performance is a key driver behind adoption of responsible investment strategies, and the underlying reason for the growth in global sustainable investment — which reached US\$35.3 trillion AUM at the start of 2020, representing 35.9% of total professionally managed AUM<sup>5</sup>. The most commonly deployed sustainable investment strategy is ESG integration (US\$25.2 trillion AUM of the total US\$35.5 trillion), followed by negative/exclusionary screening (US\$15.9 trillion of the total US\$35.5 trillion), then engagement and shareholder action (US\$10.5 trillion of the total US\$35.5 trillion)<sup>6</sup>. As shown by these figures, many investment products or strategies will combine several sustainable investment strategies.



### **Box 1: Financial research - ESG integration, analysis of nutrition risks and opportunities and sustainability themes**

As investors' interest in nutrition and the development of a healthy and sustainable food system heightens, the providers of financial research are starting to produce sustainable nutrition research and analysis. Financial research is provided by rating agencies, specialist research firms, investment banks, think tanks and a myriad of consultants. Institutional investors use some form of financial research in their analysis. Below is an example of financial research integrating nutrition from the Credit Suisse Research Institute.

#### **Credit Suisse: The Global Food System: Identifying Sustainable Solutions report**

Credit Suisse is a global investment bank and **financial services firm** with an investment research division, focusing on global economic research, the performance of over 3,000 companies worldwide, and **fixed income** products.

Credit Suisse takes the view that, to address the challenges of better nutrition, access to better dietary education, in tandem with more widely available and affordable healthy foods, is required. It sees nutrition as a global “supertrend” and considers health to be “a very valuable asset” as the single biggest driver of human longevity and productivity. Additionally, Credit Suisse Asset Management (CSAM) has a responsible investment policy, which includes food security and food waste.

As part of its investment banking offering Credit Suisse publishes what is termed **sell side** research. Sell side research is distributed to sales and trading clients often including recommendations to buy, sell or hold and asset, along with an expected target price<sup>7</sup>. Additionally, they have an in house think tank that produces research - the Credit Suisse Research Institute. Credit Suisse, along with many leading research firms are now publishing research on ESG topics and sustainable investment trends.

The Credit Suisse Research Institute, the internal think tank that wrote the [The Global Food System: Identifying Sustainable Solutions](#) report, focuses “firmly on sustainability”. Additionally, the research team has published a wide range of sustainable thematic reports, including on nutrition (but these are only available to its clients):

- Thoughts on Themes: Healthy Living.
- CS Global ESG Research: Solutions for a Sustainable Food System.
- Global ESG Research: New Data Supporting the Need for a Sustainable Food System.

The Global Food System: Identifying Sustainable Solutions report is comprehensive in scope and covers food issues ranging from the double burden of malnutrition to the environmental impact of food – from food loss and waste to dietary changes, and more. The Solution Chapter has a sub-section on how changing diets highlight the need for more stringent government regulations and a switch to more plant-based foods. The primary goal of the report is to encourage investors to invest in the global movement towards healthier diets.



## Sustainable and responsible investment strategies

There are a number of different approaches investors can take for their responsible investment strategies, and the GSIA's core strategies — outlined in Figure 1, above — cover most of them. The eight nutrition case studies presented hereafter have been selected to highlight the most commonly deployed strategies within GSIA's definitions. One of the case studies is on policy influence, an extension of the 'engagement and shareholder action' core strategy. It illustrates how investors are starting to escalate their engagement strategies to encourage supportive regulatory and fiscal environments for tackling nutrition.

We have adopted the GSIA's strategies for the purposes of this report and summarized below:

**ESG integration:** US\$25.2 trillion AUM 2020, 143% growth 2016-2020<sup>8</sup>. The systematic and explicit inclusion by investment managers of ESG factors into financial analysis.

**Negative/exclusionary screening:** US\$15.9 trillion AUM 2020, 0% growth 2016-2020<sup>9</sup>. The exclusion from a fund or portfolio of certain sectors, companies, countries or other issuers, based on activities considered not investable. Exclusion criteria based on norms and values — negative/exclusionary screening is a form of ethical screening — can refer, for example, to product categories (e.g., weapons, tobacco) or company practices (e.g., animal testing, violation of human rights, corruption). Some investors are considering whether sugar could soon be added to typical exclusionary lists on a more widespread scale<sup>10</sup>.

**Norms-based screening:** US\$4.1 trillion AUM 2020, -33% growth 2016-2020<sup>11</sup>. Screening of investments against minimum standards of business practice based on international norms, such as those issued by the Organisation for Economic Co-operation and Development (OECD), International Labour Organization (ILO), UN, and other non-governmental organizations (NGOs). Norms-based screening may be regarded as another form of ethical screening.

**Engagement and shareholder action:** US\$10.5 trillion AUM, 25% growth 2016-2020<sup>12</sup>. Also referred to as stewardship, this is the active use of shareholder power to influence corporate behavior, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and [proxy voting](#) guided by ESG guidelines. This may be part of an integrated investment approach. Additionally, as an issue expands in significance, investors can expand their engagement to focus on public policy, particularly around the need for transparent and comparable reporting from business, to level the playing field and to help make informed investment decisions. As demonstrated across the climate agenda for over a decade, institutional investors have played a key role in encouraging policy makers to create the regulatory and fiscal frameworks required to tackle ESG issues. This is now starting to occur around the nutrition agenda.





## Box 2: Engagement and Shareholder Action — Shareholder resolutions

Investors that hold **equities** are shareholders of the companies in which they hold equities. There are a number of rights attached to being a shareholder of a company. One of the most important is the ability to vote on **shareholder resolutions** — a right which most types of shareholdings have.

A shareholder resolution is a proposal submitted by the shareholders of a company to be voted on at the annual general meeting (AGM), directing the board to take some form of action<sup>13</sup>.

In addition to voting on shareholder resolutions, in most jurisdiction, shareholders, or groups of shareholders, can file shareholder resolutions to a given company. This is a powerful, tactical form of investment stewardship used by institutional investors to play a forceful role in addressing long-term business risks and opportunities.

There have been many cases of shareholder-filed resolutions addressing the climate agenda — encouraging companies to protect shareholder returns by embedding climate scenarios in their long-term strategy. Food and beverage (F&B) manufacturers are starting to become the target of similar resolutions on health and nutrition. Indeed, 2021 saw five resolutions in the US on this topic: PepsiCo, Coca Cola and McDonald's were asked to report on the risks of marketing sugary drinks to young consumers, and PepsiCo and retailer CVS to report on the “external public health costs” of their food products. Similarly, in the UK, Tesco, the largest retailer, faced a shareholder resolution requesting a target on the proportion of healthy food it sells.

**Positive/best-in-class screening:** US\$1.38 trillion AUM 2020, 69% growth 2016-2020<sup>14</sup>. Investment in sectors, companies or projects selected for positive ESG performance in relation to industry peers, and that achieve a rating above a defined threshold.

**Sustainability-themed investing:** US\$1.95 trillion AUM 2020, 605% growth 2016-2020<sup>15</sup>. Investment in themes or assets which support sustainability goals, such as SDGs — for example, in areas such as clean energy, water, gender balance or sustainable agriculture. Nutrition themed funds have started to emerge<sup>ii</sup>.

**Impact investing:** US\$352 billion AUM, 42% growth 2016-2020<sup>16</sup>. Impact investments are investments made with the intention of generating positive and measurable social and environmental impacts. This requires measuring and reporting against these impacts, demonstrating the intentionality of investor and underlying asset/investee, and demonstrating the investor contribution.

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<sup>ii</sup> There are now a number of nutrition-themed funds, some only very recently launched, including: Allianz Food Security Fund, BlackRock Nutrition Fund, BNP Paribas Smart Food Fund, Impax Sustainable Food Fund, and Newton/BNY Mellon Future Food Fund.



**Table 1: Overview of Case Studies**

Case study number	Case study title	Sustainable and responsible investment strategies illustrated by the case study
1	Candriam	ESG integration, engagement and shareholder action
2	Robeco	ESG integration, engagement and shareholder action
3	Mirova	ESG integration, positive/best-in-class screening, negative/exclusionary screening, engagement and shareholder action
4	Nomura Asset Management	Engagement and shareholder action
5	ATNI Investor Signatories	Engagement and shareholder action – collaborative
6	Pictet Asset Management	Sustainability-themed investing
7	Guy's and St. Thomas's Foundation	Engagement and shareholder action - shareholder resolution
8	Rathbone Greenbank Investments	Engagement and shareholder action - public policy

## The relevance of nutrition to investors

Poor diets have two macroeconomic effects. First, they adversely impact nations' long-term economic growth. A 2020 Chatham House report found that businesses in low- and middle-income countries collectively lose up to US\$850 billion a year due to malnutrition-related productivity reductions, equivalent to 2.9% of those economies' combined gross domestic product (GDP)<sup>17</sup>. World Bank analysis showed the economy-wide costs of undernutrition due to lost national productivity and economic growth were up to 11% of GDP in Africa and Asia each year<sup>18</sup>. OECD analysis predicted a 3.3% average GDP reduction in its member countries between 2020 and 2050, due to lower employment and reduced productivity caused by overweight<sup>19</sup>.

Secondly, increasing levels of preventable diet-related diseases, such as cancers, cardiovascular disease, hypertension and type 2 diabetes, place a huge financial burden on national health systems and government healthcare expenditure. On average, OECD member countries are expected to spend 8.4% of their health budgets on treating the consequences of overweight between 2020 and 2050<sup>20</sup>.

Alongside the positive impact on financial performance, as outlined earlier, one of the key drivers behind adoption of sustainable investment by institutional investors is the desire to support the realization of the SDGs. Comprehensive action to improve nutrition is central to delivering the SDGs and transforming the current food system. SDG 2: Zero Hunger and SDG 3: Good Health and Well-being specifically relate to nutrition and health, urging investors to look at nutrition within their portfolios and sustainable investment strategies.

Additionally, the COVID-19 pandemic has illustrated the impact of malnutrition on overall health outcomes, raising the issue of nutrition higher up the public health agenda. Governments aiming to meet the SDGs and improve public health are starting to regulate for healthier food environments and products. This presents both risks and opportunities for investors.



## Changing consumer habits and increasing regulatory pressure

Consumer demand for healthier food is increasing. Many companies are investing in creating healthier products, either to capitalize on the predicted 2020-2024 6% compound annual growth rate opportunity, or in response to government reformulation targets<sup>21</sup>. Their aim is to reduce salt, sugar and fat, while maintaining good texture and taste and boosting levels of fruits and vegetables. Nevertheless, governments are taking regulatory action to accelerate the transition to healthier diets. Evidence shows that diets are primarily shaped by food environments rather than by individual choices or lack of willpower<sup>22</sup>. In other words, the problem is systemic, and requires alterations with regards to how food is formulated, labeled, marketed, priced and distributed. Regulation poses risks to returns and investments in this sector. As ever, investors must work out who the winners and losers will be, and back the winners.

For instance, governments worldwide are introducing sugar taxes, and there are now over 47 sugar taxes — exceeding the 31 carbon taxes currently in place<sup>23</sup>. Analysts expect additional countries to introduce sugar taxes in the short term and expand their scope to categories such as biscuits, cakes and breakfast cereals. Mexico's 10% tax on sweetened drinks, introduced in 2014, reduced consumption of sugary drinks by 7.6% within two years; its 8% sale price tax on energy-dense foods (more than 275 calories per 100 grams) reduced non-essential food purchases by 8%<sup>24</sup>. Similarly, a 2021 study of the British Sugary Drink Industry Levy (SDIL), indicated that whilst the volume of soft drinks purchases after the implementation of the SDIL did not change, the amount of sugar in those purchased was 10% lower per household, per week. Study results suggest that such a tax benefits public health without harming the industry<sup>25</sup>.

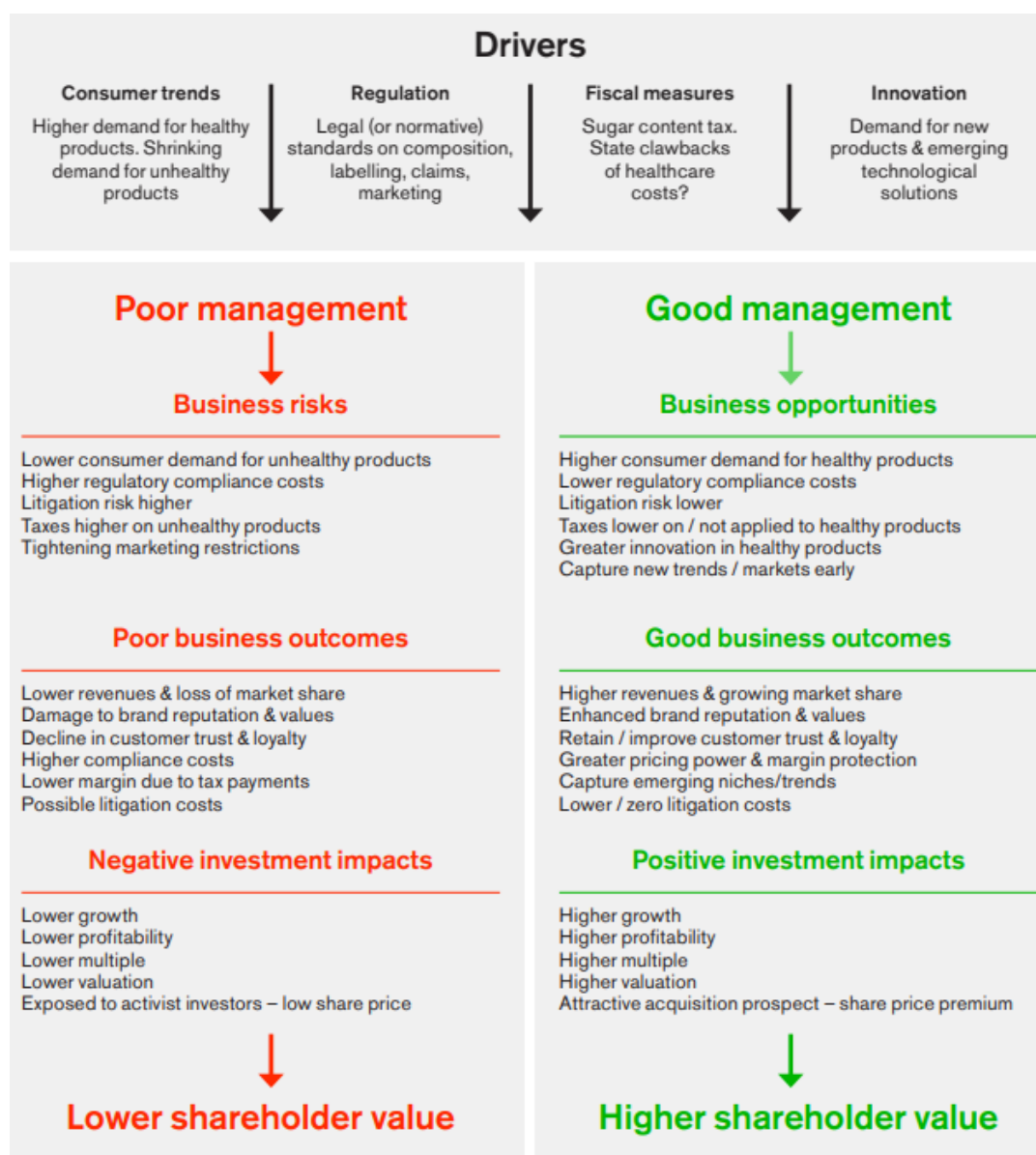
Marketing restrictions are increasingly prevalent, with the introduction of health warnings on unhealthy food and drinks products similar to those placed on tobacco. In 2016, Chile introduced a law which limits cartoon food packaging, prevents schools selling unhealthy foods, restricts TV adverts, bans promotional toys, and mandates large black cigarette-style warning labels on unhealthy foods<sup>26</sup>. In 2021, the UK government announced new restrictions on promotions of unhealthy foods in England, and, in 2019, Transport for London restricted adverts of unhealthy food and products across its network. Child protection measures range from the introduction of the 9pm watershed for fast food TV and online advertising in the UK, through to 35 countries imposing restrictions on sugar sweetened beverages in school<sup>27</sup>. In addition, Australia's Queensland government has restricted the salt, sugar and fat content of food or drinks that can be promoted in over 2,000 outdoor advertising spaces<sup>28</sup>.

Further regulation seems highly likely. In 2019, public health experts proposed a Framework Convention on Food Systems, modelled on the UN conventions around tobacco and climate change<sup>29</sup>. This would regulate unhealthy foods, redirect subsidies away from red meat and corn, and increase taxes, in a bid to shift consumer behavior towards healthy and sustainable foods. It would also exclude the food industry from policy development.

With respect to the F&B sector, it is in institutional investors' interests to encourage companies to address nutrition-related risks and opportunities. Figure 2 below illustrates how companies' exposure to, and management of, these risks and opportunities can impact their financial performance and **valuation**. If F&B companies manage the risks associated with these drivers poorly, they deliver business outcomes that lead to lower growth, profitability, **valuation** and **multiples**. Conversely, these companies have the opportunity to increase shareholder value by capitalizing on the key drivers and delivering better business outcomes.



Figure 2: The Business and Investment Case for Nutrition



Source 3: [Investor Expectations on Nutrition, Diets and Health](#)

## The role of investors

Comprehensive action to improve nutrition is central to delivering the SDGs and transforming the current food system. A sustainable food system is one that delivers healthy diets for all, and produced from land that is sustainably managed while protecting the environment and producer livelihoods. It is also one that is resilient to shocks. However, the current food system is failing to deliver healthy diets and is fueling climate change, biodiversity loss and water crises, among other environmental and social problems<sup>30</sup>. With the support of their investors, F&B companies across the value chain can play a pivotal role in bringing about the required transformation.

Together, F&B manufacturers and retailers employ millions of people worldwide and contribute substantially to many countries' GDP. In 2019, total worldwide retail sales of packaged foods and non-alcoholic beverages amounted to approximately US\$3 trillion<sup>31</sup>. These companies have diverse ownership structures: some are privately owned, some are cooperatives, and others are listed on stock markets.



Institutional investors are key stakeholders in addressing the global nutrition challenge. They hold listed companies' shares, and bonds issued by all types of companies. Many institutional investors are so large that they are known as **universal owners** (i.e., they hold shares or bonds in most or all of the companies in this sector and in all other business sectors whose workers' health is also affected by their diets). **Universal owners** also tend to be long-term investors.

Beyond the F&B sector, it is in institutional investors' interests to encourage companies in all sectors to support their employees to eat healthily and be active, so as to reduce absenteeism, poor productivity linked to obesity and chronic disease, and related corporate healthcare costs. Adults experiencing at least one chronic disease associated with being overweight are 8% less likely to be employed the following year. When they have a job, they are up to 3.4% more likely to be absent or less productive<sup>32</sup>.

In summary, given the international consensus on the need to improve diets, and in light of the clear targets set by the World Health Organization (WHO) and the international community — as articulated by the SDGs and underpinned by international human rights frameworks — institutional investors have a vital role in holding businesses to account and urging F&B companies to play their part in delivering healthy diets.

## The role of ATNI

As shareholders and bondholders of most of the companies rated by ATNI Indexes<sup>iii</sup>, institutional investors have the potential to drive substantial changes in F&B companies' commitments, practices and disclosures on nutrition.

This is why ATNI works extensively with the investment community: to ensure that ATNI Indexes provide them with the in-depth information they require on companies' performance regarding nutrition, which is not available from any other source. Investors can then use ATNI Indexes and reports in their ESG research, investment analysis and engagement.

On 1 July 2020, ATNI released the [Investor Expectations on Nutrition, Diets and Health](#) (also available in Japanese [here](#) — as they were translated ahead of the Tokyo Nutrition for Growth Summit in December 2021). These were created in consultation with institutional investors to enhance investor engagement with companies to address global nutrition challenges and deliver the SDGs.

As of November 2021, the [Investor Expectations on Nutrition, Diets and Health](#) are supported by 76 investors, representing \$16.6 trillion in AUM. Any investors interested in signing up to the Investor Expectations can contact ATNI via [investor.support@accesstonutrition.org](mailto:investor.support@accesstonutrition.org).

## A note on methodology

This report provides a snapshot of some of the ways nutrition is embedded within sustainable investment strategies, via eight case studies.

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<sup>iii</sup> 20 of the 25 companies assessed in the ATNI Global Index 2021 are publicly traded: Ajinomoto, BRF, Campbell, Coca Cola, Conagra, Danone, General Mills, Grupo Bimbo, Kellogg, Keurig Dr Pepper, Kraft Heinz, Meiji, Mengniu, Mondelēz, Nestlé, PepsiCo, Suntory, Tingyi, Unilever and Yili.



The sustainable investment strategies were taken from the GSIA's core strategies, while definitions and sustainable investment data was obtained from GSIA's Global Sustainable Investment Review 2020 report<sup>33</sup>.

ATNI used publicly available information to identify examples of investor actions across GSIA's core sustainable investment strategies, and selected case studies to align with the most commonly deployed strategies. The majority of examples are gleaned from the ATNI Investor Signatories group, all of whom support the [Investor Expectations on Nutrition, Diets and Health](#), which commits signatories to disclose information about their nutrition investment strategies. Where necessary, calls and written correspondence with investors were used to obtain further information.

There are substantially more investors integrating nutrition into their investment strategies, than the eight profiled here. This report does not aim to provide an exhaustive list of responsible investment approaches to nutrition; rather, the goal is to start shining a light on some of these approaches, and their outcomes and achievements. Nutrition is a relatively new issue for most investors (compared to, for instance, climate), as illustrated in some of the case studies. As investors learn more about the challenges of nutrition, it is likely that they will start to escalate their engagement activities and develop more sophisticated means of integrating nutrition into their investment practices, thereby addressing the long-term risks and opportunities presented by global nutrition challenges.


The report is intended for global non-investment sector readers, to help them understand the pivotal role that institutional investors play/can play in driving better corporate performance on nutrition and health.

Refer to page 34 for a glossary and list of definitions.





# 1. Candriam

Candriam		<div>Global Head of ESG Investments and Research</div>  <div>Wim Van Hyfte, Ph.D.</div>
Type of company:	Investment Manager, France, US\$169 billion AUM (June 2021)	
Strategies in this case study:	ESG integration, engagement and shareholder action	
Date of activity:	May 2019	
Sources:	<a href="#">Sugar coated diets: the hidden costs of sugar</a>	

## 1.1 Investor overview

Candriam is an affiliate of New York Life, a major life insurance company and one of the world's largest **asset managers**. The name — standing for Conviction and Responsibility in Asset Management — reflects the company's 25-year history as a responsible investor, as the firm began running responsible investment portfolios in 1996.

Candriam's sustainable and responsible investment process is based on the construction of a universe of companies with best-in-class ESG practices and, from there, investment in companies with leading financial prospects. This “pinpoints the most attractive opportunities” while minimizing financial and ESG risks. It covers **equity**, **fixed income**, money market and asset allocation solutions.

## 1.2 Investment perspective on nutrition

Candriam is concerned with “unhealthy diet-related medical issues” and their “impact on healthcare systems and...costs to society”. As such, F&B companies are viewed as facing a changing market and enhanced regulatory environment, with most risk arising from rapidly evolving consumer perceptions and increasingly stricter regulatory measures. Candriam notes an increasing demand for alternative, organically farmed, ethically sourced products delivered in sustainable packaging. More specifically, the firm notes a greater demand for vegetarian and low-fat food as well as reduced-sugar drinks.

Ingredients such as sugar, salt and saturated fat represent a particular challenge and have been overused, causing international, national and local authorities to regulate for their reduction. However, the functional role of sugar, similarly to that of salt, makes reformulation difficult. Candriam argues that sugar also poses a taste challenge, as consumers have become “*used to, or addicted to, the sweetness of processed food, [and] the industry has, so far, found only limited ideas to make their foods attractive beyond the use of added sugars*”.

These changing market dynamics are seen as an opportunity for corporates to improve their long-term growth by evolving their product range towards healthier options. Candriam indeed considers nutrition as a primary long-term performance driver for the F&B sector<sup>34</sup>.

## 1.3 Description of investment process

Candriam analyzes sector-specific ESG opportunities and challenges faced by companies, combining **fundamental analysis** with both ESG factors and engagement, known as integrated research.

## 1.4 Approach taken by investor

Candriam's ESG integrated approach has three components:

- Analysis I: comparison of the company to its peers, e.g., in terms of product reformulation, risk management and reduction of sugar, salt and saturated fat content, sugar risk management,



relevant research and development, targets including alternative and organic ingredients, evidence of progress and implementation.

- Analysis II: assessment of whether the company **valuation** model already embeds the sugar risk or if changes in the model are required to reflect the issue.
- Engagement: engagement with company management, necessary in assessing a company's strategy to address and mitigate the risk of product reformulation on cost, accessibility and affordability of the products.

With regards to the sugar-specific assessment, companies are evaluated using a sugar map, which identifies level of sugar risk exposure by plotting exposure to high-risk geographies (i.e., world regions where sugar regulation is prominent) against the Candriam company's sugar factor. This sugar factor is calculated based on estimates of sugar content per product category and relative category-level company revenue.

As company disclosures are often not detailed enough to determine this sugar factor, engagement is a key part of the integrated process that identifies long-term winners. Candriam uses a multi-step engagement plan covering company sugar risk management, nutrition-specific disclosure and overall nutrition strategy.

## 1.5 Outcomes

Based on the Candriam report 'Sugar coated diets: the hidden costs of sugar' which outlines the system reported above, Dr. Pepper, Coca-Cola, Monster, Lindt, Barry Callebaut, and Mondelēz were deemed as high-risk by Candriam in 2018. Additionally, the integrated analysis revealed upside potential, as indicated in Figure 2.1, below, illustrating that Candriam considers the **valuation** of a company (the example of Suntory was selected here), and its future stock price, could rise favorably, assuming the company adopts the engagement plan.

As can be seen in the Candriam study focusing on sugar reformulation, by using an integrated investment approach, responsible investment capital may be directed towards F&B manufacturers who are positively positioned to benefit from trends away from excess sugar. Further, investment into companies posing a higher risk on health and wellness, such as risks on the sugar, salt and saturated fat spectrum, would require further enquiry and is more likely to be avoided.

### Illustration 1: Excerpt of Candriam's sample analysis on Suntory



Source 4: Candriam, [Sugar coated diets: the hidden costs of sugar](#), p. 23



## 2. Robeco

Robeco		Senior Manager Engagement
<b>Type of company:</b>	Investment Manager, Netherlands, US\$225 billion AUM (June 2021)	
<b>Strategies in this case study:</b>	ESG integration, engagement and shareholder action	
<b>Date of activity:</b>	October 2020	
<b>Sources:</b>	<a href="#">Final Engagement Report, Social Risks of Sugar</a>	
		Peter van der Werf

### 2.1 Investor overview

Robeco, established in Rotterdam in 1929, is an international **asset manager** and part of ORIX Europe, a subsidiary of ORIX Corporation, a Japanese business conglomerate based in Tokyo, Japan. Robeco offers an extensive range of **active investments**, including bespoke sustainability funds. To help achieve sustainability goals, ESG factors are routinely integrated into the investment process.

### 2.2 Investment perspective on nutrition

Robeco launched its food-related investment strategy in 2007, identifying four investment-relevant topics that promote healthy living: consumer awareness of healthy nutrition, public awareness of healthy lifestyles, hygiene and consumer health products, and investment in prevention and diagnosis, health care efficiency and chronic care<sup>35</sup>.

Within the framework of this strategy, Robeco would like all investee companies to make a positive contribution to SDG3: Good Health and Well-being, as well as to contribute to SDG2: Zero Hunger by, for instance, adopting the engagement plan profiled below<sup>36</sup>.

In an April 2021 article, the firm identified potential upside opportunities and downside risks in the F&B sector. On the one hand, companies using high levels of sugar in their products could be impacted by negative investor sentiment and weaker performance as a result of regulatory, reputational, legal and market risks. On the other hand, “pure-play food companies” in healthier food categories — those focusing on a particular kind of food or drink — are becoming “more relevant to consumers, operate in a very large market, and have relatively low product penetration. This provides them with excellent growth opportunities.”<sup>37</sup> Companies that do not adjust to changing dietary preferences may lose market share, revenues and profits.

### 2.3 Description of investment process

Robeco routinely integrates ESG into its investment processes. Additionally, the healthy living investment strategy for the F&B sector had a three-year engagement program centered on sugar.

Robeco has also developed its own SDG rating system which assigns a negative score to companies deriving more than 5% of revenues from carbonated soft drinks or relying mainly on ultra-processed foods.

### 2.4 Approach taken by investor

In July 2017, Robeco commenced a three-year engagement program comprising eight F&B companies located in the US and Europe, all deemed to be highly exposed to the social risks of sugar.

Company profiles were built using input from ATNI, as well as Société Générale and Sustainalytics (two ESG research firms). New product development, acquisitions of healthy brands and sales of healthy



products were scrutinized. To maintain comparable definitions of healthy products, companies were expected to use nutritional standards set by industry and third-party initiatives, such as ATNI.

Through a review of nutrition policies, practices and performance, five engagement themes were identified: innovation management, product labeling, product reformulation, responsible marketing and responsible lobbying. By engaging on these themes, Robeco sought to encourage companies to adapt their business models to changing consumption patterns and increasing regulation on high-sugar products. Ultimately, Robeco's aim was to drive product reformulation, portfolio diversification, lobbying transparency and responsible marketing.

## 2.5 Outcomes

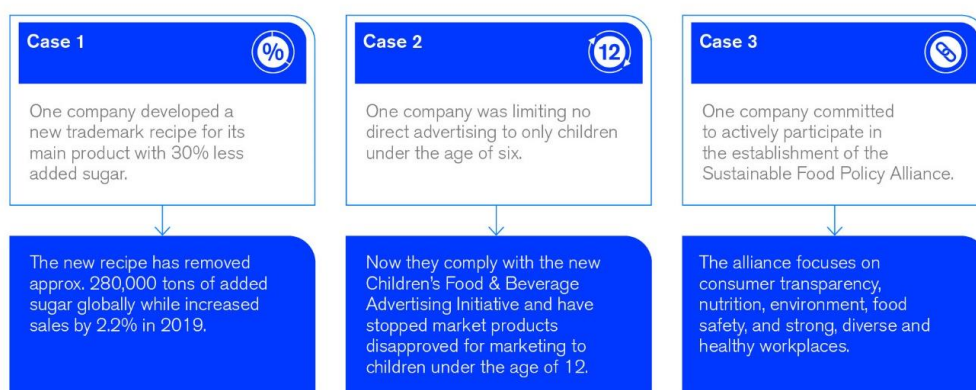
All eight companies agreed with the need for product reformulation and are reporting progress in this area, and 63% of these have made good progress with product reformulation. At the same time, leading companies directed their strategy towards developing healthy product categories.

Additionally, the following results were reported:

- Fifty percent of companies improved their innovation management, by focusing on dairy products or moving away from high-sugar beverages into low-sugar beverages or flavored water.
- Eighty-eight percent of companies made positive changes regarding responsible marketing, mainly by expanding the marketing of products with lower sugar content. However, only a few companies were open to discussing the allocation of marketing budget to healthy versus unhealthy products.
- Eighty-eight percent of companies positively responded to the responsible lobbying engagement, with successes including increased transparency, public position-taking and dedicated board capacity to review the lobbying practices as part of corporate responsibility or sustainability.

Specific examples of successes achieved through the Robeco engagement are described in Illustration 2.

### Illustration 2: Examples of success achieved through the Robeco engagement




Source 2: Robeco, [The Social Risks of Sugar](#), page 2

Overall engagement was deemed successful with 75% of companies in the peer group<sup>38</sup>. However, the lack of a broad adaptation of substantial innovation and product reformulation towards healthier product portfolios led to only 40% of the companies scoring a positive rating for SDG2 and 43% a positive rating for SDG 3.



## 3. Mirova

Mirova		ESG Analyst
<b>Type of company:</b>	Investment Manager, France, US\$26.5 billion AUM (June 2021)	 Manon Salomez
<b>Strategies in this case study:</b>	ESG integration, positive/best-in-class screening, negative/exclusionary screening, engagement and shareholder action	
<b>Date of activity:</b>	Ongoing	
<b>Sources:</b>	<a href="#">Our approach to ESG assessment</a> ; <a href="#">Controversial Activities</a> ; <a href="#">Consumption: Food and Beverages</a>	

### 3.1 Investor overview

Mirova launched in 2012, with the central objective of reconciling financial performance and contributions to the emergence of a more sustainable economy. Since 2016, Mirova has used the SDG framework to guide their ESG assessments and, in 2020, the company included their environmental and social investment objectives in their articles of association.

### 3.2 Investment perspective on nutrition

Mirova has a detailed understanding of trends in obesity, diet-related diseases and evolving regulations faced by the food industry. They look for companies with a strong health and nutrition positioning, including organic, fortified foods, medical nutrition products, and those formulated with natural ingredients. The firm is especially concerned about overconsumption of added sugar, due to its link to type 2 diabetes and obesity, concluding that manufacturers and retailers of sugar-sweetened beverages (SSB) pose negative health consequences for their consumers. Mirova regards low-calorie sweeteners in the same way as the products they aim to replace.

The negative consequences of unhealthy foods and excess sugar consumption are viewed by Mirova as an opportunity for growth and increasing social impact, as companies *“can use their experience to provide healthy, affordable and highly nutritious food and increase awareness of the importance of healthy and proper eating.”*<sup>39</sup>

Mirova considers that consumers are becoming increasingly aware of the important role that diet plays in health, a trend reflected by evidence of a change in their eating habits and purchase preferences. It also believes that the trend towards healthier diets *“is likely to increase as life expectancy rises and people become more conscious of the long-term effects of their dietary choices.”*<sup>40</sup>

### 3.3 Description of investment process

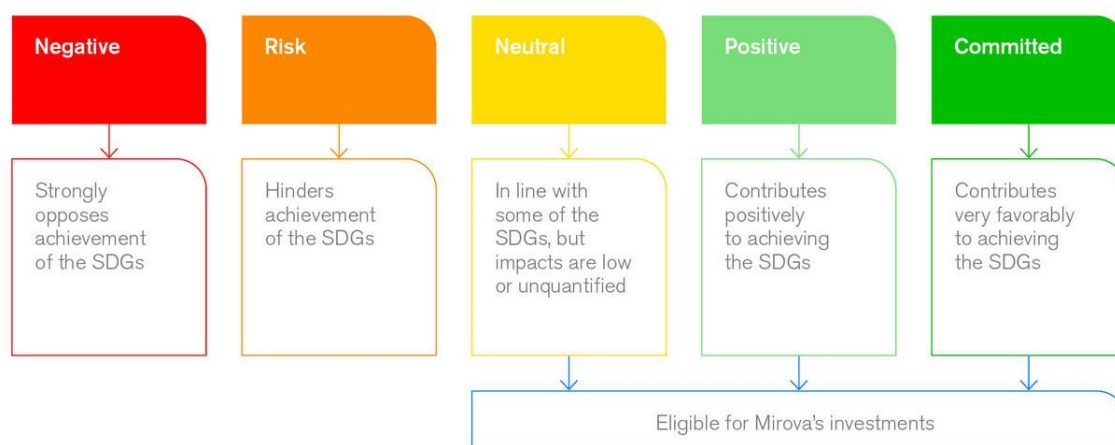
Mirova uses the SDG framework to guide the ESG assessment that is embedded within the firm's investment process, which results in an overall qualitative opinion of any asset. Each company is assessed using three main ESG assessment principles: namely the risk and opportunity approach, life cycle assessment and differentiated issues. Engagement supports research into the three main principles, and the resulting overall qualitative opinion is described using the five-point scale (outlined in Illustration 3, below) — determining whether the company is consistent with achieving the SDGs.

Mirova invests primarily in the best rated assets (Positive and Committed), thereby applying a best in class/positive screening approach, and does not invest in assets with a rating below Neutral, thereby applying an avoidance screen or exclusionary approach. This makes it possible to ensure a robust integration of sustainability risks in all investments, as well as limit the potential negative impact. Additionally, companies deriving more than 10% of sales from SSB will receive a negative rating and be excluded entirely.





### Illustration 3: Mirova's five-point scale used for qualitative research evaluation



Source 5: Mirova, [Our Approach to ESG Assessment](#), page 9

### 3.4 Approach taken by investor

In establishing the overall qualitative opinion, various key indicators relating to nutrition and health are considered:

- Percentage of product portfolio that positively contributes to improved health and nutrition.
- Percentage of product portfolio that contributes negatively to health.
- Percentage of R&D dedicated to increasing exposure to the theme.

Mirova also looks at inclusive business models. For instance, the presence of an inclusive business model as part of a company's core strategy, and the percentage of products belonging to such model, are considered key performance indicators for food companies that provide affordable and nutritious foods to low-income populations.

As mentioned previously, Mirova applies an exclusion policy in the area of nutrition, and companies which derive more than 10% of sales from SSB will be excluded entirely. Companies that sell products with added sugar in solid form are not necessarily excluded, but are instead subject to a case-by-case analysis based on the following indicators:

- 1 A strategy to decrease sugar, salt and fat in their products with time-bounded targets.
- 2 A transparent and third-party verified measurement of their products' nutritional profiles.
- 3 Responsible marketing practices that promote a healthy lifestyle and limit marketing of sugary products to children.
- 4 Transparent nutrition labels<sup>41</sup>.

### 3.6 Outcomes

The Mirova investment model for nutrition identifies companies with a high exposure to opportunities within the F&B segment — for example, those which are well-positioned to take advantage of trends towards healthier diets.

This model is designed to increase the alignment of Mirova's assets with certain SDGs, including SDG 2 and SDG 3. The Mirova Global Sustainability fund has positive exposures to these SDGs relative to the benchmark (MSCI World). The overall research approach to nutrition, which includes the exclusionary policy for sugar and the key indicators outlined above, plays a part in achieving these objectives.





## 4. Nomura Asset Management

Nomura Asset Management (NAM)	
<b>Type of company:</b>	Investment Manager, Japan, US\$569 billion AUM (June 2021)
<b>Strategies in this case study:</b>	Engagement and shareholder action
<b>Date of activity:</b>	October 2021
<b>Sources:</b>	ATNI Correspondence with Nomura Asset Management; <a href="#">Nomura Responsible Investment Report Q2 2021</a>

Senior ESG Specialist



Wakaba Kawai

### 4.1 Investor overview

Founded in 1925, Nomura is a global financial services group which has operations in over 30 countries and connects markets East and West. Nomura Asset Management (NAM) is the global investment management division of Nomura and is one of Japan's largest independent investment managers. It offers a wide range of investment strategies and has a dedicated firm-wide Responsible Investment Committee.

### 4.2 Investment perspective on nutrition

In 2021, Nomura continued to work on progressing its six Impact Goals, — which focus on what the group considers to be the most pressing global issues and on areas where NAM, as an investment manager, believes it can have the greatest positive impact. One of these goals is the mitigation of the “obesity pandemic”<sup>42</sup>. As part of this, in May 2021, NAM signed the ATNI-developed [Investor Expectations on Nutrition, Diets and Health](#).

NAM notes, that although there has been significant progress in recent years, access to proper nutrition is still considered a major global sustainability challenge, compounded by the COVID-19 pandemic.

NAM considers that both previous efforts and successful developments around access to nutrition may have potentially been reversed during the COVID-19 pandemic, despite nutrition being recognized in SDG 2 and SDG 3<sup>43</sup>. This is causing investors to escalate the issue of nutrition.

The firm conducts regular engagement with companies to “*help them reduce risks and pursue profit opportunities to increase their long-term corporate value.*” Engagement discussions cover broad ESG issues, including nutrition.

### 4.3 Description of investment process

NAM integrates ESG research (both proprietary internal research and research from external data providers) into global [equities](#). The firm assigns its own ESG ratings and use them as an important factor in making investment decisions in order to build its portfolio.

Engagement is a key part of the investment process, and the firm considers it has a “*duty to engage with the businesses [they] own and/or lend to, and even those [they] don't, to push for better practices where necessary.*”<sup>44</sup> Engagement is conducted with boards, senior management and specialists within companies, depending on the underlying investment risk and severity of the engagement topic. In addition to the engagement conducted by NAM, the engagement services of an external data provider are also used.



#### 4.4 Approach taken by investor

As Japan's largest investment manager, NAM is keen to leverage its voice in Asia around the issue of nutrition. By joining ATNI's Investor Group in May 2021, the firm aims to strengthen ATNI's influence in the region among other companies and organizations.

This multi-lateral action builds on the engagement Nomura has conducted with companies over the past three years. Detailed nutrition engagement has been held with various companies within NAM's portfolio. More specifically, engagement with a Japanese food manufacturer and an American beverage company covered the following topics:

- Ways in which social issues/public health considerations impact research and development (R&D) strategy and output.
- Product reformulation plans and publicly reported progress, including salt and sugar reduction.
- Revenue expectations derived from personal nutrition.
- Investment opportunities from shifting the product portfolio into healthier and more nutritious products.

Furthermore, NAM's engagement programs have recently expanded to include collaborative engagement with the ATNI Investor Group, where the firm plays a leading role with certain companies.


#### 4.5 Outcomes

Companies partaking in NAM's engagement program acknowledge the need to evolve, invest in their product portfolio and increase sales from healthier products. They showed an understanding that, as large multinational businesses, they can contribute to improving people's health and eating habits, and are particularly aware of the markets where the regulatory environment is becoming stricter for food producers.

NAM sustains its engagement with companies regarding the risks and opportunities presented by nutrition, and continues to integrate nutrition into the investment process using ATNI data, research, and collaborative engagement, thereby enhancing investment decisions.



## 5. ATNI Investor Signatories

ATNI Investor Group		<div>Investor Group Co-chair, Managing Director at Boston Common Asset Management</div> <div></div> <div>Lauren Compere</div>
Type of Company:	ATNI Investor Signatories, global, US\$4 trillion AUM (May 2018)	
Strategies in this case study:	Engagement and shareholder action – collaborative	
Date of activity:	May 2018 – December 2019	
Sources:	<a href="#">ATNI Collaborative Engagement External Report</a>	

### 5.1 Investor Group overview

In 2018, ATNI's Investor Group counted 68 Investor Signatories on the investor statement published in 2013 following the foundation of the Initiative. That year, ATNI conducted (as it still does) collaborative engagement on the back of the Global Access to Nutrition Indexes. In May 2018, after the release of the Global Index 2018, 31 institutional investors, representing US\$4 trillion AUM, initiated an 18-month collaborative engagement program with the 18 publicly-listed F&B companies assessed in the Index.

### 5.2 Investor Group perspective on nutrition

Institutional investors in this group acknowledge the global nutrition crisis and have a detailed understanding of the high individual, societal and economic costs of poor diets and malnutrition. They are also aware of the impact malnutrition has on their holdings, portfolios and asset values in the short, medium and long term, both in the F&B sector and more widely. They acknowledge the sector's growing trends and impacts and recognize the need to scrutinize how well F&B companies manage related risks and opportunities. The investors are aware of the role they can play in addressing global nutrition challenges and supporting the realization of global nutrition targets and the SDGs.

### 5.3 Description of collaborative engagement process

Collaborative shareholder engagement occurs when a group of institutional investors come together to engage in dialogue with companies on ESG issues<sup>45</sup>. By speaking with a unified voice, investors can more effectively communicate their concerns to corporate management. Collaborative engagement helps investors build knowledge and skills, in turn developing the following:

- A clear shared understanding of the issue or issues.
- An authoritative business case for action.
- A clear view of the desired corporate response.

This approach is particularly helpful when engaging with companies on a highly complex issue, with those operating in a challenging environment, and with firms that have not responded to requests from individual investors to engage. It also offers geographic diversity within a group, creating a more nuanced approach that is sensitive to the economic, regulatory and cultural context of different markets. Furthermore, it supports investors who have less resources or experience on a specific topic.

Collaborative engagement enables investors to channel their concerns in a systematic and consistent manner and allows the sharing of tasks and responsibilities according to shareholdings, expertise and location. Through collaborative action, institutional investors can increase the weight of their demands on ESG issues in the eyes of corporate management, thus exerting greater leverage. A group that includes different types of organizations (asset owners, investment managers and service providers with varying investment strategies) will be more likely to formulate robust engagement strategies and



influence change. Due to the collective reputation, size and weight of the coalition's members, an invitation to engage can be difficult for a company to ignore.

#### 5.4 Approach taken by investor group

ATNI works extensively with the investment community to ensure its indexes provide the in-depth information they require on companies' nutrition performance that is unavailable elsewhere. Investors can then use ATNI Indexes and reports in their ESG research, investment analysis and engagement. Additionally, ATNI now has an active investor support function to alleviate a significant part of the engagement burden (organizing meetings, taking notes, tracking progress) for investors, enabling more investors to join the collaborative engagement.

The collaborative engagement began following the publication of the Global Index 2018 in May of that year, and ran until 5 December 2019, with a final impact report released in May 2020. Between 2018 and 2020, ATNI had 68 Investor Signatories, representing US\$7 trillion in AUM. Of those, 31 investors, representing US\$4 trillion in AUM joined the program.

Investors wrote to the 18 companies listed in the Global Index 2018, outlining the key asks (performance gaps identified via the Global Index) that they had for each company. Each company was assigned investor leads and co-leads, who were responsible for managing each of the collaborative engagements and tasked with completing the engagement tracker, noting when a company made a commitment. Investors aimed to have at least two meetings with each company during the engagement program, to obtain evidence of any commitments made and met. Forty-one percent of the engagement covered products, illustrating the financial materiality of each companies' product portfolio.

#### 5.5 Outcomes

Investors engaged with four companies that had not submitted information to the ATNI research platform, thereby driving home the relevance of nutrition on long-term shareholder returns with those companies and starting those companies on their 'nutrition strategy' journey.

Investors made 95 asks to 18 companies: with 39 focused on products (i.e. product development, product reformulation, definition of 'healthy') and 45% of those product asks being to US companies.

Responsible marketing was the next most popular form of ask, equating to 25% of the engagement focus with US and rest of the world (ROW) companies. Governance made up 20% of the US and ROW based company asks, with none being asked in EU companies — illustrating that EU companies seem to be more advanced at embedding nutrition within their corporate governance structures. In response to these asks, 29 statements — defined here as either commitments or disclosure of additional information — were made to investors by 14 companies. However, upon further analysis by ATNI at the end of the engagement, only 18 statements from 12 companies were considered to encompass new information since the index publication date, illustrating the need for robust engagement meetings. This is particularly the case with companies in the US, where collaborative investor engagement is a relatively new process. Interestingly, the two Japanese companies that engaged each made three statements, all of which were confirmed as being new commitments during the engagement phase.

Finally, 50% of companies acknowledged that ATNI impacted its policies and practices, with 28% of these sharing ATNI results with the board and/or executive-level officers. Ultimately, companies learned the significance of nutrition to investors and their desire for a consistent definition of healthy products and understanding of the healthiness of product portfolios.

Note: ATNI Investor Signatories are, as of November 2021, undergoing a new engagement phase, which started following publication of the 4<sup>th</sup> Global Access to Nutrition Index, published in July 2021.



## 6. Pictet Asset Management

Pictet Asset Management		Strategy managers	
<b>Type of company:</b>	Investment Manager, Switzerland, US\$74.1 billion AUM (June 2021)		
<b>Strategies in this case study:</b>	Sustainability-themed investing	Mayssa Al Midani	Alex Howson
<b>Date of activity:</b>	Ongoing since 2009		
<b>Sources:</b>	ESG in Practice series: Mayssa Al Midani on engagement in the Nutrition strategy, Pictet Asset Management Responsible Investment Strategy 2021		

### 6.1 Investor overview

Pictet's thematic investment teams are described by the firm as “specialists in understanding companies operating in growth pockets of the global economy, underpinned by megatrends such as health and sustainability.” By investing in long-term trends — which include tackling obesity, climate change, and access to water — Pictet aims to outperform broader **equity** markets. In other words, the firm considers that investing in themes to tackle societal and environmental problems can reward investors, beyond traditional investment approaches which do not take these factors into account.

Additionally, Pictet Group is active in the field of nutrition through the Pictet Group Foundation — which, for example, works with United Nations Children's Fund (UNICEF) in reshaping urban food retail environments in the Asia-Pacific region to prevent childhood obesity.

### 6.2 Investment perspective on nutrition

Mayssa Al Midani, thematic **equities** senior investment manager for nutrition, states ‘*Pictet's objective is to encourage companies to grow the share of healthy products in their portfolio, increase affordability and accessibility for all consumers regardless of income levels...*’<sup>46</sup> This philosophy shows a good level of understanding of the nutrition agenda.

According to Al Midani, Pictet considers that sustainable nutrition is strategically important to the Pictet Group and says: ‘*Public interest in health and sustainability has become so widespread it is something companies can no longer ignore*’<sup>47</sup>.

Pictet recognizes that Millennials and Gen-Z consumers are more health-conscious and increasingly want to align their purchases with their values. They desire nutritious food that is responsibly produced, and are willing to pay a price premium for this — and, as such, Pictet's nutrition strategy considers that companies who respond to these needs could be more attractive investments.

### 6.3 Description of investment process

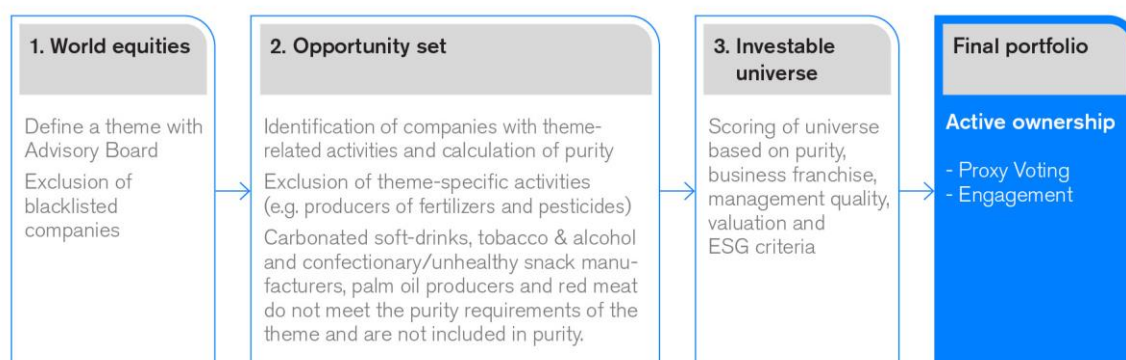
Pictet is one of a small number of **asset managers** that has developed a specific nutrition strategy. The strategy invests primarily in global **equities** (i.e., in publicly quoted companies), including those in low- to middle-income countries. A sustainable investment approach is applied, which aims to achieve a positive social and/or environmental impact by investing in companies contributing to and/or benefiting from the nutrition value chain — particularly in relation to quality of nutrition, access to nutrition, and sustainability of food production. Pictet focuses on the impact of the products and services produced by the companies.

The strategy also has a ‘purity’ threshold — the percentage of company revenues exposed to nutritious foods or improvements to food quality and access — and it will only invest in companies that reach this. Their definition of nutritious foods is based on what leading health and environmental



non-governmental organizations (NGOs) classify as foods that optimize both human and planetary health.

### Illustration 6: Investment process overview



Source: Pictet Asset Management, Nutrition Strategy

## 6.4 Approach taken by investor

Pictet's thematic portfolio managers draw on the support of an advisory board, whose members are experts from different areas of the food industry. Among them is a medical practitioner, whose research activities focus on the link between non-communicable diseases (NCDs), such as obesity, diabetes and nutrition. Another is a food scientist, formerly the head of innovation, technology and R&D at Nestlé, whose science-based perspective ensures the investment theme remains relevant. The strategy is complemented by an 'active ownership' approach, which includes:

- Engagement: in 2020, Pictet engaged with 21 food companies within the consumer staples sector (representing just over nine percent of total Pictet engagements). Through 2021/22, Pictet is engaging collaboratively with the ATNI investor group with Nestlé, Danone, and Mengniu, with the view that *"partnering with other **asset managers** representing several trillions of assets under management gives much more weight to our actions."*<sup>48</sup>
- Regular articles: strategy manager Mayssa Al Midani writes regular investment features on nutrition, most recently an ESG in Practice series from August 2021<sup>49</sup>.

## 6.5 Outcomes

Achievements referred to by Pictet include<sup>50</sup>:

- Investment in companies whose activities are aligned with SDG 2 "Zero Hunger" and SDG 3 "Health & Well-being".
- Reduced environmental footprint for the portfolio using the "planetary boundaries framework"<sup>51</sup>.
- Sourcing of innovative investments, e.g., in sustainably produced salmon.
- Targeted and collaborative company engagements on nutrition.





## 7. Guy's and St. Thomas' Foundation

Guy's and St. Thomas' Foundation		<div>Engagement Manager – Investment</div> <div></div> <div>Matthias Lomas</div>
Type of company:	Asset Owner (charity, endowment fund), UK, US\$805 million AUM (June 2021)	
Strategies in this case study:	Engagement and shareholder action – shareholder resolution	
Date of activity:	February 2021	
Sources:	<a href="#">The role of supermarkets in children's health – Impact on Urban Health, Impact Investing at Guy's and St Thomas' Charity Report, 2020</a>	

### 7.1 Investor overview

Guy's and St Thomas' Foundation (the Foundation) is a UK registered charity with US\$805 million of its US\$1.3 billion permanent endowment in financial instruments<sup>52</sup>. In its role as investor and asset owner, the Foundation is working towards an investment portfolio that has a positive health impact, as well as achieving financial returns<sup>53</sup>. The endowment has an investment engagement function to influence the corporate behaviors of their investments and help support their mission.

### 7.2 Investment perspective on nutrition

ESG concerns, such as the healthiness of food sales, are performance issues which affect a company's long-term value. Those that increase their sales of healthier foods are likely to be more competitive in the future, due to increasing regulations around unhealthy foods and rising consumer demand for healthy products.

As part of its emerging engagement strategy, the Foundation focuses on *“sharing insights and encouraging investors and businesses to create the conditions that support more equitable health. For example, ensuring the investment chain works to increase the availability of healthy foods in the food industry...”*<sup>54</sup> In addition, food and nutrition is an area “closely aligning to the charity's core programmatic work addressing childhood obesity”<sup>55</sup>.

### 7.3 Description of investment process

The Foundation is committed to being a responsible investor and developing an effective investor engagement program aligned to their mission. It considers that partnering with different networks creates greater opportunities to achieve health impacts. For example, in partnership with ShareAction, the Foundation launched the Healthy Markets Initiative, which harnesses the power of the investment system to influence F&B manufacturers and retailers to support healthier options for consumers. Healthy Markets works alongside investors delivering focused research, collaborative engagement, AGM questions, shareholder voting and filing shareholder resolutions.

In 2019, Healthy Markets commissioned ATNI to assess disclosures from UK supermarkets on a variety of health topics. The findings revealed that Tesco, the UK's largest food retailer, along with several other UK food retailers, performed poorly — reporting on just 30% of indicators. In addition, the UK Food Foundation found “encouraging healthy diets” was Tesco's weakest area of performance across 10 environmental and social topics<sup>56</sup>. Kieron Boyle, the Foundation's CEO, commented: *“Supermarkets like Tesco have a significant opportunity to show real leadership by disclosing and, where needed, improving their efforts to help families to keep healthy.”*<sup>57</sup>

Ongoing investor engagement, including asking questions at the AGM in 2020, showed that Tesco is making some progress on health and nutrition and assessing the nutritional value of its F&B lines. However, targets for increasing the proportion of healthy products remained unset, unlike its



competitors Marks & Spencer and Sainsbury's. This, combined with Tesco's market leadership position in the UK, led Healthy Markets to decide to escalate engagement with them.

#### 7.4 Approach taken by investor

In February 2021, the Foundation co-filed a shareholder resolution at Tesco as part of the Healthy Markets investor coalition. Other co-filers included over 100 individual and seven institutional investors, with US\$188 billion in AUM. Many co-filers specifically bought shares in Tesco to enable this to occur, as UK rules require 100 investors to co-file a resolution. This was the UK's first health-related shareholder resolution, and asked the supermarket chain to set a target on the proportion of healthy food it sells, specifically to:

- Disclose the share of total food and non-alcoholic drink annual sales by volume made up of healthier products (as defined by the UK Department of Health) and develop a strategy to significantly increase that share by 2030.
- Publish a review of its yearly progress in its annual report, from 2022 onwards.

The engagement ramped up considerably when the resolution was tabled, remaining in place until substantial commitments were made. The resolution remained tabled for the AGM, while the Foundation and the Healthy Markets investor coalition continued to engage. The investors withdrew the resolution in May 2021 following Tesco's commitment, which also included a pledge to publish a strategy as to how it will achieve the goal and to annually report on its progress<sup>58</sup>.

The Foundation and Healthy Markets investor coalition continues to engage with Tesco to monitor the company's progress against its targets.

#### 7.5 Outcomes

In March 2021, Tesco set a target to increase the share of healthy products in UK and Irish stores, from 58% to 65% of sales by 2025<sup>59</sup>. The supermarket also committed to publishing its strategy to achieve this goal and to annually report on its progress.

A couple of months later, in May 2021, Tesco agreed to set out further actions to boost sales of healthy foods at its central European business and at Booker, which supplies independent corner shops — causing the investor coalition to withdraw the resolution.

To meet Tesco's targets, its strategy will focus on:


- Reformulating products. Tesco will remove billions of calories and thousands of tons of salt, fat and sugar from products, without affecting taste, as part of a rolling program of reformulation.
- Helping customers make healthier choices by removing barriers. For example, by offering affordable plant-based protein options and increasing the number of promotions on healthy products.
- Inspiring customers to make bigger changes to their lifestyles. For instance, through the launch of new ranges, as well as reviewing the prominence and the amount of space dedicated to healthier products in stores<sup>60</sup>.



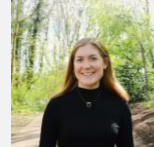
## 8. Rathbone Greenbank Investments

Rathbone Greenbank Investments	
Type of company:	Investment Manager, UK, US\$3 billion AUM (June 2021)
Strategies in this case study:	Engagement and shareholder action – public policy
Date of activity:	July 2021
Sources:	<a href="#">National Food Strategy Letter</a> , <a href="#">Financial Times: Tesco to boost sales of healthy foods after investor pressure</a>

Head of and Senior Researcher of Ethical, Sustainable and Impact Research



Kate Elliot



Sophie Lawrence

### 8.1 Investor overview

Rathbone Greenbank Investments (Greenbank) is the dedicated ethical, sustainable and impact team of Rathbones, one of the UK's leading investment managers. Greenbank directly manages US\$3 billion, and supports Rathbones in sustainable investment matters. Rathbones has US\$73.4 billion AUM.

Members of the Greenbank team have managed ethical and responsible investment portfolios since 1992 and have provided this service at Rathbones since 1997, prior to the formation of Rathbone Greenbank in 2004.

### 8.2 Investment perspective on nutrition

Greenbank says it regards the food system as a significant factor behind climate change and biodiversity loss and, at the same time, demonstrates a sophisticated understanding of global nutrition challenges.

This case study highlights the Greenbank-led US\$3.7 trillion AUM coalition of investors who issued an open letter to the UK Government in July 2021 on the back of the UK National Food Strategy. The development of the National Food Strategy is the first independent review of the UK's food system in 75 years, and recognizes the food system is “delivering poor health and environmental outcomes”<sup>61</sup>.

The National Food Strategy recommends the development of mandatory reporting requirements for large companies in the F&B sector to report on their products, sales and food waste. This kind of reporting would allow investors to identify leaders and laggards and engage more effectively with them to influence change<sup>62</sup>.

Greenbank and the coalition of investors strongly support the National Food Strategy recommendation of a more robust company reporting framework, recognizing the multitude of risks and opportunities facing the food industry which are linked to issues such as food waste, nutrition and sustainable supply chains. They believe that the way in which companies respond to these issues, changing regulatory environments and evolving consumer expectations will influence not only their social license to operate, but also the long-term resilience of their operating models and supply chains<sup>63</sup>.

### 8.3 Description of investment process

The Greenbank-led coalition wrote to the UK Prime Minister Boris Johnson in July 2021, setting out the case for greater corporate disclosure on the health aspects of F&B products, as well as requesting further fiscal interventions along the lines of the UK's Soft Drinks Industry Levy (SDIL). Recognizing that many issues facing the food industry are too wide-ranging and complex for companies to effectively address in isolation, the investors welcomed the National Food Strategy's recommendation on mandatory reporting of nutrition and sustainability metrics for the F&B sector.



The letter stated that, in relation to concerns such as weak corporate disclosures, obesity rates and public health, investors “seek to integrate these issues into [their] investment analysis, decision-making processes and [their] engagement and stewardship activities. Signatories to this statement have played a key role in supporting ongoing investor engagement on this issue via initiatives such as the Access to Nutrition Index, the Food Foundation’s Plating up Progress initiative, ShareAction’s Healthy Markets investor coalition, and the FAIRR Initiative. The aims and objectives of these projects align closely with our call to the UK government today.”

This is the first time an investor coalition has initiated nutrition policy work with a national government.

#### 8.4 Approach taken by investor

While the coalition acknowledges that there have been some examples of good practice regarding the reporting of nutrition issues by corporates, it felt there is a notable lack of consistency in how metrics are reported. This means that investors are “often comparing apples and oranges and are limited in [their] ability to direct capital toward the companies which are taking a proactive and leading approach to sustainability issues.”<sup>64</sup> A lack of published data on food industry practices hinders the ability of investors and other stakeholders to compare performances across the sector and accurately understand what progress is being made.

The coalition of investors believes that well-designed regulation creates an essential enabling environment for companies seeking to build long-term thinking and sustainability into their business models. Likewise, it facilitates the allocation of capital toward more sustainable investment opportunities and supports the transition to a sustainable and healthy food system.

#### 8.5 Outcomes

The letter received substantial press coverage in the UK, featuring in financial, industry and NGO press. Additionally, the call for mandatory reporting requirements has already been supported by several large food businesses.

Greenbank is “continuing to explore opportunities to coordinate investor support and influence policymakers in this area, in collaboration with the Food Foundation, ShareAction and the Access to Nutrition Initiative.”

The UK government has committed to responding to the National Food Strategy with a white paper (a formal policy response) within six months of the strategy’s publication. This creates a window of opportunity for investors and other stakeholders to influence the government response and encourage the strategy’s recommendations to be formally adopted. It is anticipated that the coalition will expand in size and write again to Prime Minister Johnson within the six-month window, while seeking dialogue with relevant ministers and government committees. It is also hoped that this work in the UK can serve as an example of investors’ potential to engage in nutrition policy at a global level.



# Conclusion

Investors have a critical role to play in tackling malnutrition — directing finance, and influencing business decision makers, influencing the healthiness and accessibility of foods and beverages, and influencing policy makers.

Responsible and sustainable investment is becoming mainstream, and most financial service companies are adopting one or more of the approaches outlined in this report. As investors continue to explore the full range of sustainability issues, and in part as a consequence of COVID-19, nutrition is rising up their agendas.

Engagement has been shown to be an effective tool for encouraging companies to change and address nutrition. A small number of thematic strategies and funds with a focus on nutrition are emerging. Companies that perform poorly on nutrition, particularly with respect to sugar, are now regarded like alcohol and tobacco companies by some and excluded from investment. And financial research now covers nutrition.

ATNI welcomes the explosion of interest in integrating nutrition within a wide range of sustainable and responsible investment strategies, and urges other investors to follow these leaders' examples — by, for instance, supporting the Investor Expectations and also encouraging governments to tackle the triple burden of malnutrition by introducing effective regulatory and fiscal measures.

ATNI will continue to further support investors by providing the crucial nutrition data and transparency necessary to allow them to scrutinize companies and hold them to account in addressing global nutrition challenges.

All stakeholders, particularly investors, interested in engaging with the food sector and nutrition are encouraged to use the framework laid out in the [Investor Expectations on Nutrition, Diets and Health](#).

Institutional investors and other investment organizations, interested in learning more about ATNI and its work with investors, can get in touch with ATNI via [investor.support@accesstonutrition.org](mailto:investor.support@accesstonutrition.org).



# Glossary

**Active investment:** This implies that a professional money manager or a team of professionals is tracking the performance of a client's investment portfolio and regularly making buy, hold and sell decisions about the assets within it.

**Asset/investment management/asset manager:** The professional management of various securities, including shareholdings, bonds and other assets.

**Equities/stock:** An equity security represents ownership interest held by shareholders in an entity (a company, partnership or trust).

**ESG rating:** A scale which measures the degree to which a company's economic value is at risk, driven by Environmental, Social and Governance (ESG) factors.

**Ethical investment:** investing that considers values as well as returns, where investments are based on ethical or moral principles<sup>65</sup>.

**Fixed income/bond:** A fixed-income security (bond) is a debt instrument issued by a government, corporation or other entity to finance and expand their operations.

**Fundamental/traditional analysis:** A method of evaluating the intrinsic value of an asset and analyzing the factors that could influence its price in the future.

**Investment research:** The work done to study the performance of stocks, mutual funds and other assets.

**Multiple:** A ratio that is calculated by dividing the market or estimated value of an asset by a specific item on the financial statements, such as revenue or earnings

**Proxy voting:** A delegation of shareholder voting authority to a representative on behalf of the original vote-holder.

**Sell side:** The part of the financial industry that is involved with the creation, promotion and sale of stocks, bonds and foreign exchanges.

**Shareholder resolution:** This is a proposal submitted by the shareholders of a company to be voted on at the AGM, directing the board to take some form of action<sup>66</sup>.

**Universal owner:** Many institutional investors are so large that they are known as this because they hold shares or bonds in most or all companies in a given sector. Universal owners also tend to be long-term investors.

**Valuation:** A set of procedures used to estimate the economic value of an owner's interest in a business.

**Wealth management/wealth manager:** An investment advisory service that combines other financial services to address the needs of affluent clients.





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