
Investor Expectations on Nutrition, Diets & Health

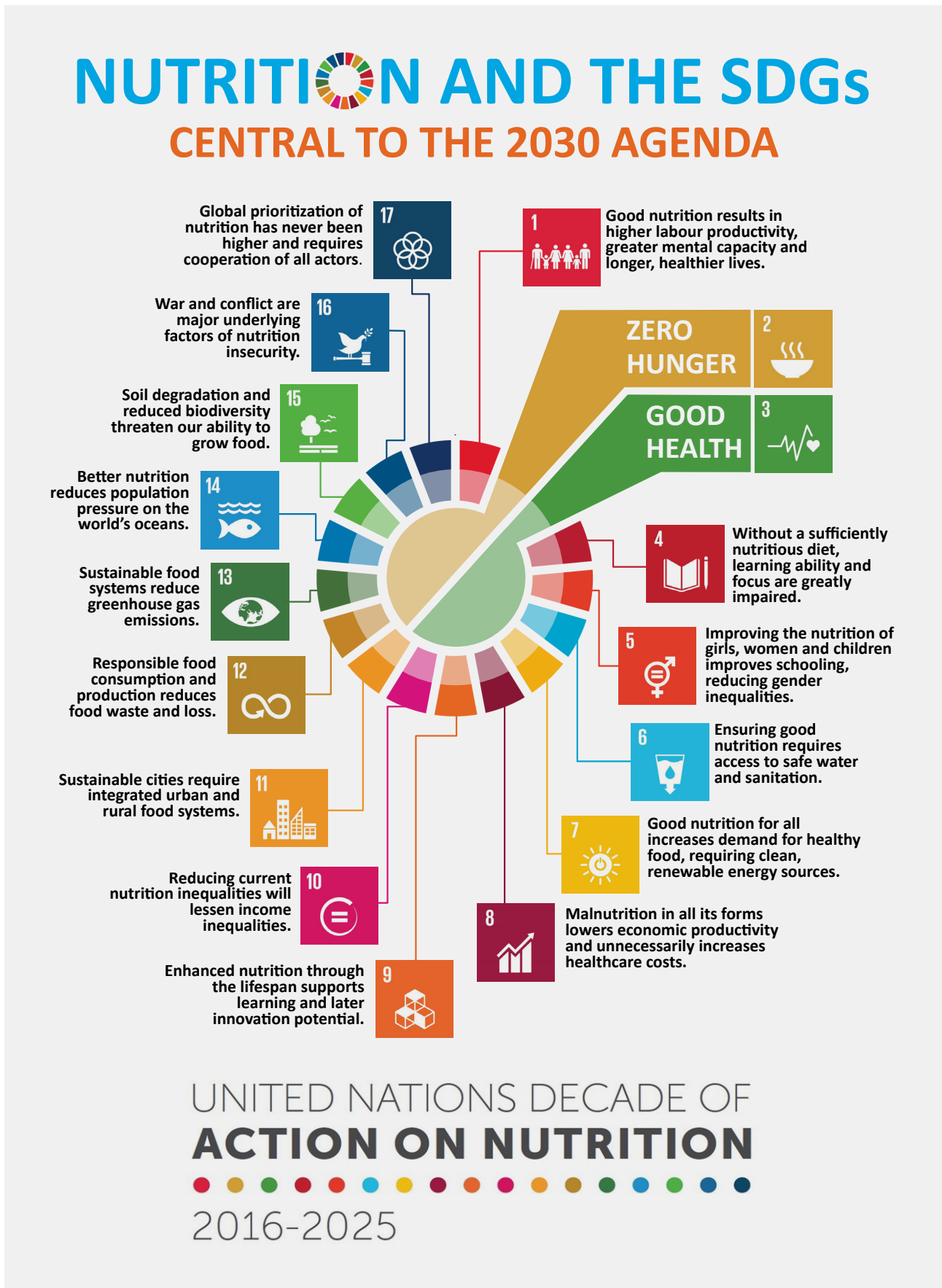
I. Introduction

As institutional investors, we acknowledge the global nutrition crisis. Poor diets provide inadequate nutrition and drive high levels of death and preventable non-communicable diseases, while also putting individuals at greater risk of contracting and dying from communicable diseases such as Covid-19. The high individual, societal and economic costs of poor diets and nutrition impact on our holdings, portfolios and asset values in the short, medium and long term, both in the food and beverage sector and more widely.

Understanding these growing trends and impacts, we recognise the need to scrutinise how well food and beverage companies manage the related risks and opportunities. While the sector as a whole includes agricultural producers and processors, food service companies, restaurant and café chains, manufacturers and retailers, these Investor Expectations on Nutrition, Diets and Health are designed specifically for investors' engagement with companies in the latter two segments.

This document sets out four Investor Expectations related to corporate governance, strategy, lobbying and transparency for food and beverage manufacturers and retailers. We will use these Expectations, as appropriate to our style of responsible investment, in our research and engagement with boards and management. We will tailor the application of the Expectations to each company's business model, exposure to emerging trends and its impacts. By adopting these Expectations, we aim to demonstrate our commitment to addressing global nutrition challenges and supporting the realisation of World Health Organization nutrition targets and the 2030 Sustainable Development Goals (SDGs).

Figure 1: Nutrition is central to realising the Sustainable Development Goals



Source: World Health Organization, Department for Nutrition and Health Development, 2018

II. Context

Comprehensive action to improve nutrition is central to delivering the SDGs, as illustrated by **Figure 1**, and to transforming the current food system. A sustainable food system is one that delivers healthy diets for all, 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 fuelling climate change, biodiversity loss and water crises, among other environmental and social problems.¹ Food and beverage companies across the value chain can play a pivotal role in bringing about the required transformation – supported by their investors.

The scale and nature of the global nutrition challenge

According to the World Bank, malnutrition is one of the world's most serious but least-addressed challenges.² Three forms of malnutrition – overweight and obesity, undernutrition and micronutrient deficiencies – are together known as the 'triple burden of malnutrition'.³ All countries suffer one or more forms, and some all three.⁴

Together, poor diets now generate more disease worldwide than physical inactivity, alcohol and smoking combined.⁵

Obesity, overweight and related diseases: Worldwide, obesity has nearly tripled since 1975 and levels continue to grow in all regions among adults and children.⁶ In 2017, dietary factors were responsible for 11 million deaths worldwide and contributed to many illnesses such as type 2 diabetes, cardiovascular disease, hypertension and many cancers.⁷ Nearly 2 billion adults – 39% of the world's adult population – were overweight in 2016, of whom 650 million had obesity.⁸ Childhood obesity is of particular concern as it is a 'ticking time bomb'; children and adolescents with obesity are five times more likely to become adults with obesity. In 2016, 340 million of the world's children and adolescents aged between 5 and 19 were overweight or obese;⁹ a further 40 million (5.9%) of the world's children *under 5* were overweight or obese in 2018.¹⁰

Undernutrition, hidden hunger and related diseases: An estimated 821 million people – approximately one in nine people in the world – were undernourished in 2017, up from 784 million in 2015.¹¹ More than 2 billion people suffer from micronutrient deficiencies (so-called hidden hunger) which cause a range of debilitating diseases and can be fatal.¹² In 2018, nearly 22% of children under five (149 million) were stunted and 49 million children in that age group were affected by wasting.¹³ The number of people facing acute hunger as a result of the Covid-19 pandemic is predicted to nearly double the current figure of 135 million to 265 million.¹⁴

Infant and young child nutrition: Poor infant and young child nutrition, including low levels of breastfeeding, contribute to poor health in childhood and later life. Globally, in 2018, only 40% of infants under six months of age were exclusively breastfed.¹⁵ Increasing breastfeeding to near-universal levels could prevent the deaths of over 820,000 children under five each year and provide lifetime protection from a range of illnesses.¹⁶

Global societal and economic implications

High levels of diet-related disease impair countries' economic growth, take up substantial proportions of their healthcare budgets, reduce productivity among workers across all sectors and impose serious burdens on individuals and families, particularly those on low incomes. On average, across the 52 OECD countries, 8.4% of the health budget is expected to be spent to treat the consequences of overweight between 2020 and 2050, with the associated average reduction to GDP due to lower employment and reduced productivity predicted to be 3.3%.¹⁷ The expected economic costs of undernutrition, in terms of lost national productivity and economic growth, range from 2% to 3% of GDP in some countries, up to 11% of GDP in Africa and Asia each year.¹⁸

The international policy response

The United Nations declared 2016–2025 the Decade of Action on Nutrition. The World Health Organization (WHO) has established two sets of global targets designed to reduce by 2025 the high levels of death and illness linked to several diseases caused by poor diets. The first set of non-communicable disease (NCD) targets include three focused on nutrition: to reduce salt intake, lower blood pressure, and stem the rise in diabetes and obesity. The second set of six focus on improving maternal, infant and young child nutrition (MIYCN) by substantially reducing low birth weight, stunting, wasting and overweight among children, anaemia in women of childbearing age, as well as increasing levels of exclusive breastfeeding in the first six months of life. The *Global Nutrition Report 2018* concluded that no country is on track to meet all nine nutrition targets.

Moreover, in 2016, the United Nations adopted the 17 SDGs. While two of the goals relate specifically to diet and health – SDG 2 (Zero Hunger) and SDG3 (Good Health and Wellbeing) – improving diets and nutrition will also support the realisation of the other SDGs, as shown in **Figure 1**. The WHO, Codex Alimentarius, the Food and Agriculture Organisation (FAO), UNICEF and other international organisations have developed frameworks, plans, conventions, recommendations and standards to support the realisation of these targets and goals.

Concerted and coordinated action is therefore needed by all stakeholders – including the private sector – to meet the nine nutrition targets and deliver the SDGs by 2030.

The role of institutional investors

Food and beverage manufacturers and retailers together 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.¹⁹ The companies have diverse ownership structures: some are privately owned, some are cooperatives, while others are listed on stock markets.

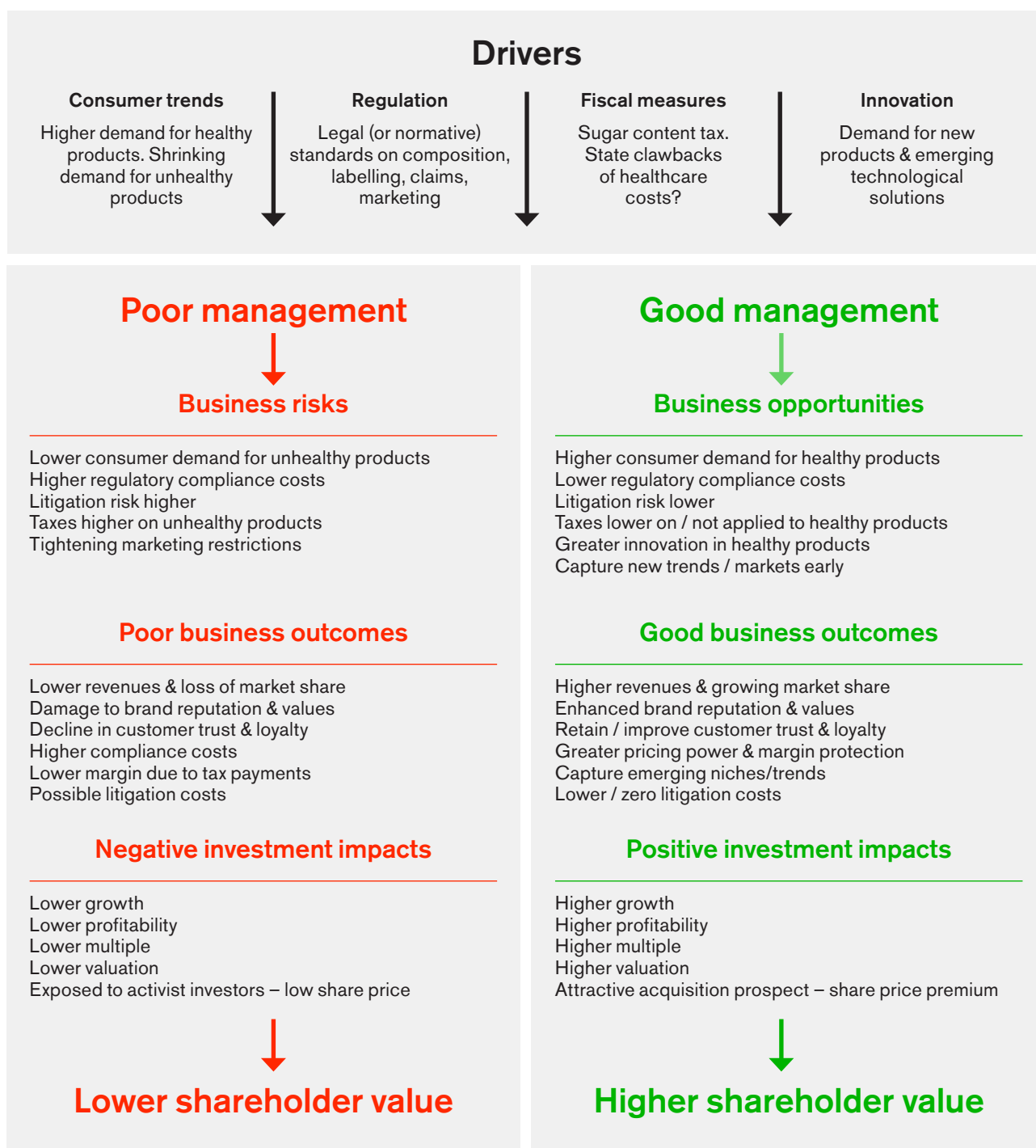
Institutional investors are key stakeholders in addressing the global nutrition challenge. They hold listed companies' shares, and bonds issued by all types of companies. Many institutional investors are so large that they are known as 'universal owners' i.e. they hold shares or bonds in most or all 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.

The financial returns that institutional investors deliver to their beneficiaries (mainly pension and insurance policy holders, and individual investors) depend upon companies' financial performance. Those returns depend in part on how well companies manage their environmental, social and governance risks, opportunities and impacts. Evidence is strong and mounting that companies that manage these most effectively provide better returns in the long run.²⁰

The majority of institutional investors acknowledge their responsibility to their clients to actively address companies' exposure to, and management of, these risks, opportunities and impacts in their investment research, engagement and voting. This is evidenced by the 2,300 signatories to the UN Principles for Responsible Investment (PRI), which together manage over US\$80 trillion and have pledged to implement its six principles.²¹

With respect to the food and beverage sector, it is in institutional investors' interests to encourage companies to address nutrition-related risks and opportunities. **Figure 2** illustrates how companies' exposure to, and management of, these risks and opportunities can impact their financial performance and valuation. Growing consumer demand for healthy products, increasing regulation and fiscal measures to improve diets, along with innovation, are key drivers for the sector. If food and beverage 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 capitalising on the key drivers and delivering better business outcomes.

Figure 2: Business and investment case for nutrition



Beyond the food and beverage 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 with 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.²²

In summary, given the international consensus on the need to improve diets, and in light of the clear targets set by the WHO and by the international community, as articulated by the SDGs and underpinned by the international human rights frameworks, institutional investors have a vital role in urging food and beverage companies to play their part in delivering healthy diets.

III. Investor Expectations

As responsible investors, and consistent with our fiduciary duty to our beneficiaries, we recognise the mutual benefit to investors, businesses and society of taking action on nutrition.

We therefore commit to engage directly with food and beverage manufacturers and retailers, and/or (as appropriate) to require the fund managers who invest on our behalf to do so, using these Investor Expectations. We will disclose information about our engagement within, for example, our standard quarterly or annual stewardship or engagement reports or on our websites, or through reports that the Access to Nutrition Initiative will publish on signatory engagement. We will use the insights we generate from our engagement to inform our investment research and, potentially, our investment decisions.

The aim of our engagement will be to ensure that food and beverage companies minimise their business risks and impacts associated with global nutrition challenges and capitalise on the related opportunities to enhance investor returns and societal outcomes. Principally, this will be by improving the nutritional quality of their products and encouraging their customers to choose healthy products through appropriate labelling, pricing, distribution, promotion and advertising. We will ask them to adopt consistent, high international standards in all markets and to adhere to stricter national standards where these exist.

We urge food and beverage manufacturers and retailers to take the following actions:

1. Governance

- Put in place governance and management systems that ensure delivery of a comprehensive nutrition strategy for all markets, which include:
 - Assigning responsibility for delivery of the strategy at both Board and senior management level
 - Linking CEO and senior management remuneration to delivery of the nutrition strategy and targets
 - Establishing processes to ensure a consistent approach to delivering the strategy within and across all markets and business units
 - Establishing a process by which the Board and senior management can monitor and review progress, and report regularly and comprehensively to shareholders and stakeholders.

2. Strategy

- Develop and commit to delivering a comprehensive nutrition strategy and plan to deliver affordable, accessible healthy food and beverage products (healthy products) to all consumers in all markets.
- Include within the strategy, as relevant to the company's business model, specific commitments to:
 - Articulate a definition of healthy products using an independent nutrient profiling model (such as the Health Star Rating system or equivalent)
 - Improve the affordability and accessibility of healthy products (through action on pricing, distribution and promotion, plus placement in retail environments) by setting SMART targets (Specific, Measurable, Achievable, Relevant, and Time-bound)
 - Set SMART targets that deliver internationally agreed recommendations and standards on nutrition, on the topics set out in the Annex.

For those companies that make and market breast-milk substitutes (BMS) and complementary foods and drinks marketed as suitable for children aged between six months and three years of age, in addition:

- Commit to achieve full global compliance, as soon as possible but by 2030 at the latest, with the International Code of Marketing of BMS and subsequent relevant WHA resolutions, including WHA 69.9.

3. Lobbying

In order to demonstrate a commitment to lobby only in support of government measures to address diet-related diseases, public health and nutrition, and not to undermine regional, national and sub-national policy, regulations, guidelines and standards designed to improve health through better diets, companies should:

- Adopt the five principles and associated management practices set out in the Responsible Lobbying Framework: legitimacy, transparency, consistency, accountability and opportunity.²³

4. Transparency

- Disclose publicly in formal corporate reports:
 - Governance arrangements, nutrition strategy, plan and related SMART targets, key nutrition policies and standards for defining healthy products
 - Quantitative data on the (increasing) revenues from healthy products
 - A narrative on progress in implementing the strategy, for all business units, in key markets, and in aggregate for the whole business
 - How the implementation of the nutrition strategy is reducing risk and impacting shareholder value
 - Information on lobbying, as outlined in the Responsible Lobbying Framework.
- In addition, actively participate in private sector accountability initiatives that track companies' delivery on their commitments, such as, but not limited to, the Access to Nutrition Initiative.

Investors that support the Investor Expectations are indicating their support for ATNI and are listed as signatories on the [ATNI website](#). ATNI supports investor signatories in their engagement and research. For further information contact: investor.support@accessstonutrition.org

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Annex: International goals, targets, conventions, standards and recommendations on nutrition for use with Expectation 2 – Strategy

As noted on page 6, companies' strategies should include SMART targets on the following topics, as appropriate to their businesses. The key to the relevant SDG and target numbering follows the table.

International goal(s) and targets	Relevant business area	Related target / guidance	Investor Expectation	Category / Topic within ATNI methodologies	
1 Products					
				Manufacturers	Retailers
UN SDG 2 & 3 WHO NCD Targets 4, 6, 7 WHO MIYCN Target 4	Nutrient profiling	Health Star Rating (or equivalent independent system)	1.1 Adopt the Health Star Rating nutrient profiling model, or equivalent, to assess and track the nutritional quality of all packaged food and beverage products sold and to define 'healthy' products.	Category B (Products) B3: Healthy products (nutrient profiling system)	Topic 2 Nutrient profiling system
UN SDG 2 & 3 WHO NCD Targets 4, 6, 7 WHO MIYCN Target 4	Formulation	WHO standards on consumption and formulation (existing or forthcoming) on: <ul style="list-style-type: none"> • salt • transfat • added sugars • saturated fat • fruits, vegetables, nuts, legumes and whole grains 	1.2 Commit to reformulating packaged products in line with WHO targets and guidance on maximum levels of trans-fat, salt, free sugars and saturated fat and minimum levels of fruit, vegetables, nuts, legumes and whole grains and /or improving the nutritional profile of the overall product portfolio / range.	Category B (Products) B2: Product formulation	Topic 3 Product formulation
UN SDG 2 WHO MIYCN Targets 1, 2	Formulation	Codex standard CAC/GL 9-1987	1.3 Commit to fortifying staple and processed food products according to Codex Standard CAC/GL 9-1987 (or its national equivalent, whichever is stricter) and WHO and FAO guidance, and to using ingredients naturally high in micronutrients or that have been appropriately fortified. 1.4 Participate in and support national fortification initiatives.	Category B (Products) B2: Product formulation	
2 Marketing					
All companies					
UN SDG 2 & 3 WHO NCD Targets 4, 6, 7 WHO MIYCN Target 4	Marketing	International Chambers of Commerce (ICC) Framework for Responsible Food and Beverage Marketing Communications 2012 (for all consumers) WHO Set of Recommendations on Marketing Foods and Non-Alcoholic beverages to Children International Food and Beverage Alliance (IFBA) Global Policy on Marketing Communications to Children	2.1 Market all products in all markets according to the ICC Framework for Responsible Food and Beverage Marketing Communications . 2.2 Respect the recommendations set out by the WHO on the Marketing of Foods and Non-alcoholic Beverages to Children and associated WHO/UNICEF guidance, in all markets, and /or by upholding the IFBA Global Policy on Marketing Communications to Children , or the regional or national equivalent.	Category D (Marketing) D1 + D2: Marketing policy (all consumers) and D3 + D4: Marketing policy (children)	Topic 5 Responsible marketing
Companies that make or market breast-milk substitutes (BMS) and complementary foods (CF)					
UN SDG 2 & 3 WHO MIYCN Targets 1, 4, 5, 6	BMS and complementary food (CF) marketing	International Code of Marketing of Breast-milk Substitutes and subsequent relevant WHA resolutions	2.3 Commit to achieve, by 2030, full compliance with the International Code of Marketing of Breast-milk Substitutes and subsequent relevant WHA resolutions, in all markets. Publish an action plan to demonstrate how the commitment will be delivered.	Sub-ranking: BMS / CF marketing	Topic 8 Infant and young child nutrition

International goal(s) and targets	Relevant business area	Related target/guidance	Investor Expectation	Category/ Topic within ATNI methodologies	
3 Labelling and claims				Manufacturers	Retailers
UN SDG 2 & 3 WHO NCD Target 4, 6, 7 WHO MIYCN Target 1, 2, 4	Labelling & claims	Codex Standard CAC/GL 2-1985 (revised 2017) Codex Standard CAC/GL 23-1997 (revised 2013)	3.1 Use back-of-pack labels for all products in all markets in line with <u>Codex Standard CAC/GL 2</u> or the national equivalent, whichever is stricter. 3.2 Place health and nutrition content claims on products only when they comply with <u>Codex Standard CAC/GL 23</u> , or their national equivalents, whichever is stricter.	Category F (Labelling) F1: Product labelling F2: Use of health and nutrition claims	Topic 6 Labelling
4 Human resource management					
UN SDG 2 & 3 WHO MIYCN Target 5	Supporting breastfeeding mothers at work	ILO Maternity Protection Convention 2000 (No. 183)	4.1 Adopt and implement globally <u>ILO Maternity Protection Convention 183</u> as a minimum standard, to support mothers in having healthy pregnancies, providing adequate maternity leave and providing breastmilk to their babies after returning to work.	Category E (Lifestyle) E2: Supporting breastfeeding mothers at work	
UN SDG 2 & 3 WHO NCD Targets 4, 6, 7 WHO MIYCN Target 3	Supporting employee health + wellness	None yet available	4.2 Take measures to support employees to eat healthy diets.	Category E (Lifestyle) E1: Supporting employee health + wellness	
5 Supply Chain					
UN SDG 12	Food loss and waste	World Resources Institute Food Loss & Waste Protocol	5.1 Minimise food loss and waste by following the <u>Food Loss & Waste Protocol</u> or similar guidance.	Category A (Governance) Within A2: Nutrition governance and management	
UN SDG 2 & 3 WHO NCD Target 4,6, 7 WHO MIYCN Target 1,2 3,4,5,6	Workforce nutrition	None yet available	5.2 Take measures to support workers in the supply chain to secure and eat healthy diets.		

Key

Sustainable Development Goals (SDGs)

SDG Target 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

SDG Target 3: Ensure healthy lives and promote well-being for all at all ages

SDG Target 12: Ensure sustainable consumption and production patterns

World Health Organization (WHO) Non-communicable disease targets – to be achieved by 2025.

Target 4: 30% relative reduction in mean population intake of salt/sodium

Target 6: 25% relative reduction in prevalence of raised blood pressure or contain the prevalence of raised blood pressure, according to national circumstances.

Target 7: Halt the rise in obesity and diabetes

World Health Organization (WHO) Maternal, infant and young child nutrition (MIYCN) Targets – to be achieved by 2025.

Target 1: 40% reduction in children under 5 stunted

Target 2: 50% reduction of anaemia in women of reproductive age

Target 3: 30% reduction in low birth weight

Target 4: No increase in levels of overweight children

Target 5: Increase rate of exclusive breastfeeding in first 6 months to at least 50%

Target 6: Reduce and maintain childhood wasting to less than 5%

Endnotes

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