

GLOBAL MALNUTRITION TRENDS

The World Bank's October 2024 'Investment Framework for Nutrition' states: "Malnutrition is one of the world's most serious but least-addressed development challenges. Its human and economic costs are enormous, falling hardest on the poor, women, and children."

Globally, undernutrition is still affecting many; in 2022, 148 million children under five years old were stunted. At the same time, obesity has doubled over the last two decades, from 7.9% in 2000 to 15.9% in 2022. In 2022, approximately 2.5 billion adults were identified as overweight, and 890 million suffer from obesity. Over the past 30 years, rates of overweight have risen faster in low- and middle-income countries (LMICs) than in high-income countries (HICs).⁹

Taking action to tackle malnutrition can deliver significant economic benefits. It is estimated that the total economic gains to society from investing in nutrition could reach USD 5.7 trillion a year by 2030, and USD 10.5 trillion a year by 2050.¹⁰

A recent World Bank report, along with other prominent publications (Box 1), describe the nutrition challenges the world currently faces, their impact on public health and economies, and the potential solutions needed. These reports make it clear why the world must take more action on nutrition and simultaneously address both undernutrition and obesity.

KEY DRIVERS OF THESE TRENDS

Changing Diets and the Role of Processed Foods

Changes in consumers' diets have played a significant role in driving malnutrition trends.^{11 12} In recent decades, there has been a global dietary shift towards the consumption of highly processed foods, as well as

BOX 1: PUBLICATIONS OUTLINING GLOBAL NUTRITION CHALLENGES

- 1 - World Bank (2024) Investment Framework for Nutrition 2024;**
- 2 - Global Nutrition Report (2022) 2022 Global Nutrition Report;**
- 3 - FAO, IFAD, UNICEF, WFP, and WHO (2024) The State of Food Security and Nutrition in the World 2024. Financing to end hunger, food insecurity and malnutrition in all its forms;**
- 4 - UNICEF, WHO, & World Bank (2023) Levels and trends in child malnutrition;**
- 5 - Passarelli, S., Free, C.M., Shepon, A., Beal, T., Batis, C., and Golden, C.D. (2024) Global estimation of dietary micronutrient inadequacies: a modelling analysis.**

the displacement of more traditional foods – such as wholegrains, fruits, vegetables, nuts, and legumes – which are key features of a healthy diet.¹³

Multiple studies find associations between non-communicable diseases (NCDs) (including type 2 diabetes, hypertension, cancer and coronary heart disease^{14 15}) and high consumption of highly-processed foods, low dietary diversity, inadequate micronutrient intake, and increases in incidence of obesity. There is also evidence that those who suffered from malnutrition as children are predisposed to NCDs later in life.

Sales of highly-processed foods and beverages (Box 2) are greatest in higher income markets, including North America, Europe, and Australasia, where they are estimated to account for between 40-60% of energy intake.¹⁶ However, there are signs that sales growth is plateauing, and even declining, in these markets.

On the other hand, highly-processed food sales are rising rapidly in Asia, the Middle East, and Africa, marking a transitional phase as companies increasingly expand their operations into LMICs.¹⁷ The growth in highly-processed food consumption in LMICs is of particular concern, given the triple burden of malnutrition present in many of these markets; 77% of NCD-related deaths now occur in LMICs.

Why Diets are Changing

The increasing worldwide consumption of processed energy-dense foods is multifactorial.



Processed, energy-dense foods are value-added products and therefore particularly profitable for food companies. They are heavily marketed to consumers through both online and traditional media channels. The globalisation of food trade; the rise in supermarkets, food service, and e-commerce; and the long shelf life of processed products, has facilitated the expanding global reach of these products.



With rising incomes in LMICs and the growing affluence of the working middle-class, consumers have more disposable income to spend on snack products and other pre-packaged foods.



Urbanisation results in lifestyle and food habit changes, including a shift to increased consumption of packaged-, processed-, and convenience foods (including highly- and UPFs). This dietary shift is also increasingly seen in rural areas.¹⁸



Government policies, including price incentives and subsidies,¹⁹ prioritise the production of calories and contribute to the overproduction of micronutrient poor staple commodities. The liberalisation of trade policies further contributes to increased availability of (highly-) processed, energy-dense foods.²⁰



Changes in working conditions - including increased participation of women in the workforce, longer working hours and commuting times, and limited time available for preparing food at home - all contribute to greater processed food consumption. However, women's participation in the workforce also has positive benefits for nutrition, through increased incomes and exposure to new dietary information.^{21 22}

BOX 2: HIGHLY- AND ULTRA-PROCESSED FOODS (UPFS)

Numerous high-quality cohort studies have consistently shown that increased consumption of highly- and UPFs has an adverse impact on health, escalating risks of obesity, cardiovascular diseases, and all-cause mortality.

There is no global consensus in either the policy or investment space on the classification of foods in relation to processing levels. The NOVA classification system is the most widely used in research and recognised by several international organisations, yet it is broadly acknowledged as having considerable limitations for practical application.

ATNi will closely follow new evidence on health outcomes, as well as the development of practical classification systems of food processing for integration into our methodology. Doing so will improve the utility of our research so that investors and policymakers can better contribute to healthier food environments.

THE ROLE OF STAKEHOLDERS

The Food and Beverage Industry

All actors have a role to play in improving access to nutritious foods. The food and beverage industry is particularly important, given its substantial role in shaping food environments and the significant influence it has on consumers' diets worldwide through the formulation, marketing, and pricing of products.

Food and beverage companies can voluntarily shift their focus towards expanding the market for healthier products, while reducing the availability of less healthy foods. There is a clear business case for doing so, as unhealthy portfolios represent a material risk to long-term profitability - with consumers increasingly prioritising healthier products in their diets. Companies who are proactive in improving the healthiness of their portfolio can also stay ahead of regulatory headwinds, as governments globally increase adoption of regulatory policies that seek to improve food environments.

In 2024, ATNi conducted a preliminary analysis on the materiality of nutrition, to examine whether companies with healthier portfolios have higher earnings compared to those with unhealthy food portfolios. The analysis indicated that companies with broad, healthier portfolios may see higher earnings than peers with broad, unhealthy portfolios.

Investors

Institutional investors are increasingly recognising that nutrition is a material issue for business and long-term profitability. Therefore, companies can benefit by demonstrating to investors that they are taking action to address nutrition-related risks. They can also benefit by responding to the considerable opportunities that nutrition represents, including the growing demand (especially in HICs) for healthier food options.

ATNi's Investor Expectations on Nutrition, Diets, and Health is a framework used by 88 institutional investors to integrate nutrition concerns into their investing approaches. The expectations are derived from metrics across material nutrition topics and use data provided by ATNi's Global Indexes. Such metrics include the percentage of sales derived from healthy products, executive remuneration linked to nutrition objectives, implementation of policies on responsible marketing to children, and transparency around lobbying.

Policy and Regulation

There is global consensus regarding the role of governments in overseeing the development and setting of standards for the private sector. Key policy areas for governments to prioritise have been identified as:

- Eliminating the use of misleading promotion of breast milk substitutes (e.g. infant formula, follow-on formula);
- Strengthening restrictions on the marketing of unhealthy foods, snacks, and beverages that are high in energy, sugars, fats, and salt, especially to children;
- Adopting front-of-pack nutrition labelling;
- Introducing targeted taxes on foods, snacks, and beverages high in energy, sugars, fats, and salt
- Subsidising nutritious foods to encourage healthier purchasing patterns.

Reporting Standards

Companies are failing to disclose sufficient information to enable investors to properly price-in the impacts

of nutrition. However, governments are increasingly recognising nutrition as a risk to societal wellbeing, and the need for stronger reporting standards. For instance, in 2022, the European Union introduced new mandatory reporting requirements for large companies to disclose and audit data on their impact on people and planet, and their exposure to sustainability risks.

To enable investors to assess food industry actions, compare the healthiness of company portfolios, and hold companies accountable, it is essential for there to be a standardised and accepted way to define, measure, and report on the relative healthiness of products. In 2024, ATNi conducted an alignment process on the use of nutrient profiling models (NPMs), to try and find alignment between investors, industry, academia, non-governmental organisations, and other stakeholders. Three NPMs were found to be most appropriate for reporting: the Health Star Rating (HSR), Nutri-Score, and the UK NPM. Guidelines were also proposed for standardised reporting. In the medium- to long-term, mandatory corporate reporting on the healthiness of product portfolios is required to create a level playing field and support market transformation.

SUSTAINABILITY

Human health is directly linked with environmental health, meaning that nutrition and environmental food system outcomes should be considered together. The global food system is a significant contributor to annual greenhouse gas emissions (GHG), with estimates ranging that it accounts for 21-42% of global GHG. Because of this, the food sector has a key role to play in aligning with the Paris Agreement goals of limiting climate change to well below 2°C, preferably in line with a 1.5°C trajectory.

The World Benchmarking Alliance (WBA), through their Food and Agriculture Benchmark, ranks the performance of the 350 most influential global food companies on their activities related to environmental, nutritional, and social impact. A number of the companies selected for inclusion in ATNi's Global Index 2024 were also assessed by WBA in their latest 2023 Benchmark. The results for these companies, specifically for the environment measurement area of WBA's assessment, can be found here.

Notes and References

- ⁹ World Health Organization (2024) Obesity and overweight. Available at: <https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight> (Accessed: 4 November 2024).
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- ¹¹ Fanzo, J. (2019) 'Healthy and Sustainable Diets and Food Systems: the Key to Achieving Sustainable Development Goal 2?', *Food Ethics*, 4(2), pp. 159-174. Available at: <https://doi.org/10.1007/s41055-019-00052-6> (Accessed: 4 November 2024).
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- ¹⁷ Baker, P., et al. (2020) 'Ultra-processed foods and the nutrition transition: Global, regional and national trends, food systems transformations and political economy drivers', *Obesity Reviews*, 21(12). Available at: <https://doi.org/10.1111/obr.13126> (Accessed: 4 November 2024).