



Category A: Governance

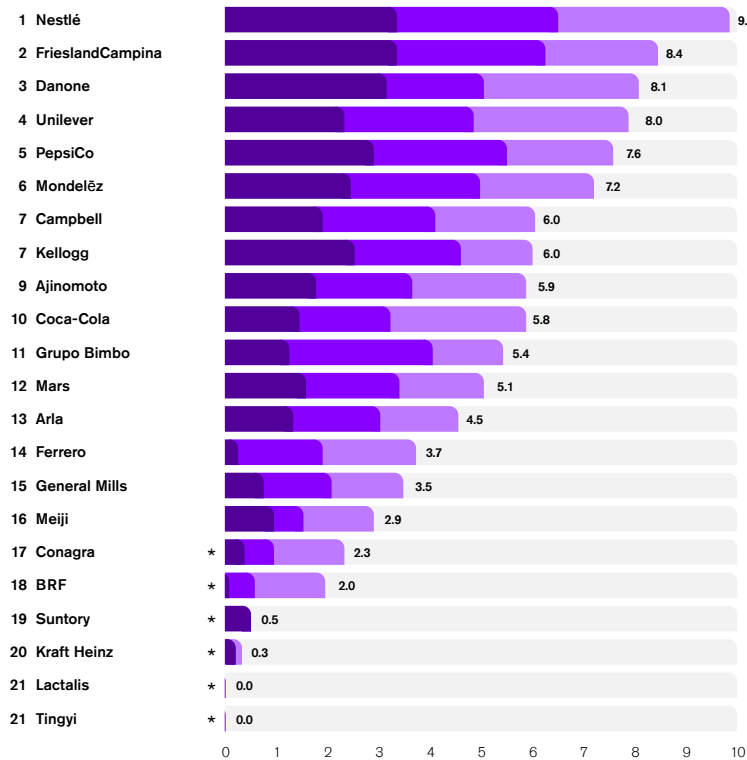
12.5% of overall score

Category A consists of three criteria:

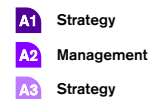
- A1 Corporate nutrition strategy
- A2 Nutrition governance and management systems
- A3 Quality of reporting

To perform well in this category, companies should:

- Commit at Board level to address obesity and diet-related chronic diseases.
- Set clear nutrition strategies, objectives and target in all business areas underpinned by strategic market research.
- Establish and use incentive and accountability structures at senior management level to reward successful implementation of nutrition strategies.
- Demonstrate high and increasing levels of sales of healthy products.
- Clearly and comprehensively report on activities to prevent and address nutrition-related issues and on progress against nutrition-related objectives and targets, on a global basis.



Category A Nutrition ranking, based on equally-weighted Criteria A1, A2 and A3 scores



* Did not provide information to ATNI

What are the main changes in Category A compared to 2016?

- The average Category A nutrition score increased to 4.7 from 3.9 in 2016 (as shown in Figure 2), and Nestlé currently leads the score with 9.8 points.
- FrieslandCampina showed the largest improvement by increasing its score by almost 4 points, mainly due to its new more comprehensive nutrition strategy and strengthened nutrition governance and management system.

- Category A remains the highest-scoring category on the Index. Many companies have strengthened their nutrition policies and management systems.
- A particularly elucidating finding is that Category A scores correlate strongly with overall Global Index scores, clearly indicating that a company can better sustain and scale up its nutrition activities if commitment starts at the top and is integrated into its core business strategy

A1 Corporate Nutrition Strategy

To what extent have companies enhanced the integration of their nutrition strategies into their core business since 2016?

Since 2016, companies' scores on Criterion A1, which measures the quality of their nutrition strategies, has increased by almost one point from 3.5 to 4.4 out of 10. More companies can now demonstrate a strategic orientation towards nutrition through commitments that indicate greater integration of nutrition factors into core business considerations.

FrieslandCampina and Nestlé score 100% on A1 and lead this ranking. Both companies make a strategic commitment to grow through a focus on nutrition, including by considering nutrition trends when making acquisitions and carrying out extensive nutrition risk assessments. Both companies can demonstrate that this focus has also resulted in increased sales from healthy products over recent years (company self-reported data). Danone ranks third with a score above nine. In 2017, the company adopted a comprehensive nutrition strategy that sets out clear 2020 nutrition commitments and targets.

Of the 22 Index companies, FrieslandCampina and Kellogg improved their scores the most – by more than 4.5 points. Compared to 2016, Kellogg discloses more information publicly about its nutrition strategy and how the strategy informs the company's 'way of doing business'. FrieslandCampina's A1 score increase is due to its new 'Route2020' strategy.

Overall, companies acknowledge they have a role to play in tackling nutrition challenges and support the WHO Global Action Plan for the Prevention and Control of Non-communicable Diseases (WHO Global Action Plan). Eleven companies also link this role to contributing to nutrition-related Sustainable Development Goals (SDGs) 2 and 3.

Conversely, BRF, Ferrero, Kraft Heinz, Lactalis and Tingyi show very limited or no evidence of having a relevant nutrition strategy in place according to ATNI methodology. These companies are encouraged to initiate a process of developing a formal global nutrition strategy.

How many companies consider nutrition issues in their M&A activity?

Ten companies that have articulated a commitment to and/or strategic focus on health and nutrition and provided evidence of nutrition being a factor in decisions about acquisitions and disposals, as well as when forming joint ventures or other partnerships. This indicates that these companies have genuinely embedded a commitment to nutrition into their core business strategy.

Can companies demonstrate that their nutrition strategies are delivering increasing sales of healthy products?

A concrete indication of whether companies' commitments to deliver healthier products are bearing fruit is whether they can show that sales generated from healthy products are increasing over time. Based on their own definitions of healthy products, only four companies are then listed including Danone, FrieslandCampina, Meiji and Nestlé report that more than 50% of their F&B revenue was generated by healthy products in FY2016.

In addition to the companies that reported achieving more than 50% of sales from healthy products in the 2016 Index, companies such as Arla, Coca-Cola, FrieslandCampina, General Mills, Grupo Bimbo, Kellogg, Mondelez and PepsiCo reported increased revenues from healthy products since 2016.

The other Index companies do not demonstrate similar results, and many were either unable or unwilling to disclose this information

Recommendations for improvement:

1. Implement a strategic commitment to delivering better nutrition across their businesses
2. Take measures to boost global sales of healthy products and report on these publicly

A2 Nutrition governance and management systems

Have companies moved beyond simply making commitments on nutrition and put in place or strengthened their nutrition policy and objectives to deliver on high-level, strategic nutrition commitments, and how are these translated into management systems?

Some companies can demonstrate that they have improved their nutrition policy and strengthened governance systems to deliver objectives articulated in their nutrition policies since the last Index in 2016. The average score on Criterion A2 increased from 3.5 to 4.7 out of 10. Nestlé leads the ranking on A2 with a score of 9.5 followed by FrieslandCampina. Grupo Bimbo, PepsiCo, Mondelez and Unilever, each with a score of more than 7. All of these companies have a comprehensive nutrition policy with clear objectives and Board-level oversight.

In 2016, two thirds of the companies assessed had some elements of either a Board-approved nutrition strategy or policy, whereas in 2018, 77% companies had such a system in place – an increase of 15%. Considerably more companies (four in 2016, ten in 2018) provided evidence of comprehensive nutrition policies with a broad range of objectives. In 2016, seven companies did not have a nutrition policy in place, and by 2018, this number had decreased to four.

Do companies increasingly assign Board-level oversight and executive responsibility for their nutrition strategies?

The CEO accountability arrangements remain similar to 2016, with only Danone strengthening its approach in this area. In terms of managerial oversight and day-to-day responsibility for the nutrition policy and strategy, some progress has been made. Ajinomoto, General Mills, Grupo Bimbo and Mondelez re-allocated day-to-day responsibility for implementing their nutrition strategy/plan to an executive-level manager, which contributed to their higher scores. BRF, Kraft Heinz, Lactalis, Suntory and Tingyi do not report on accountability and managerial oversight.

Recommendations for improvement

1. Adopt or enhance a formal global nutrition policy
2. Link executive compensation to performance on nutrition objectives

The companies that have strengthened their nutrition policy objectives and management systems the most since 2016 are Ajinomoto, FrieslandCampina and Mondelez.

Six companies do not solicit any external expert advice on preventing and addressing obesity and diet-related chronic disease at Board level. While five of the companies do so on an ad-hoc basis. Ten of the companies have a formal panel of experts (albeit with rather limited expertise) in place.

Compared with 2016, four more companies conduct a standard internal audit and annual management review that covers nutrition issues. While in 2016 only two companies conducted both assessments, in 2018, the number had increased to six. BRF, ConAgra, Lactalis, Meiji, Suntory, Kraft Heinz² and Tingyi do not share relevant information or do not publish this in the public domain about their nutrition governance.

A3 Quality of reporting

Nestlé leads the ranking of A3, achieving a full score on this criterion. Danone and Unilever share the second rank with a score above nine. Campbell's, Coca-Cola, FrieslandCampina and Mondelez improved the quality of their reporting since 2016. Campbell's provides more nutrition reporting in its annual reports and, since 2017, the company conducts independent verification of the nutrition commentary included in its corporate responsibility report. FrieslandCampina and Mondelez now provide more comprehensive reporting on preventing and addressing obesity and diet-related chronic diseases in their annual reports.

Eighteen companies report annually on their nutrition activities at a global level. This increasingly widespread practice appears to indicate that companies are aware of the need to be more transparent and accountable on this issue.

Coca-Cola, Danone, Nestlé and Unilever publish separate reports for a few national or several major markets in which they operate, in addition to their global reporting.

Only five companies' reports that cover nutrition issues – those of Campbell's, Danone, Ferrero, Nestlé and Unilever – are externally verified.

Recommendations for improvement

1. Publish separate reports for major markets
2. Conduct external verification of nutrition data and commentary

Footnotes

1. High-priority countries are defined as non-OECD member countries that are classified as low-income and lower-middle income economies by the World Bank (Source: World Bank list of economies, December 2016) and have both 'More than 10 per 1000 under 5 mortality rate' (Source: World Development Indicators Database, accessed 29/3/2017) and 'More than 2% acute malnutrition (moderate and severe wasting) in under-5s' (Source: Joint Malnutrition dataset from UNICEF, World Bank and WHO, December 2016). Low-priority countries are defined as all other non-OECD member countries and Mexico.
2. Like in 2016, products that fall within the scope of the WHO International Code of Marketing of Breast-milk Substitutes (BMS) were excluded from the assessment for any aspect of the Corporate Profile assessment. To avoid any unclarity on the potential relevance of the WHO Code for programs and initiatives targeting women of child-bearing age and children under two, these have been excluded from the assessment for companies that sell BMS products. The scoring was adapted for these companies to ensure that scores were not impacted negatively or positively by this approach. ATNF plans to refine its methodology in this area for future Indexes to enable the assessment and scoring of such programs and initiatives for companies that sell BMS products, based on objective criteria that ensure the WHO Code and related resolutions are respected.
3. Although PepsiCo sells baby food in Russia, this is fully independent of and geographically separated from their philanthropic initiatives.



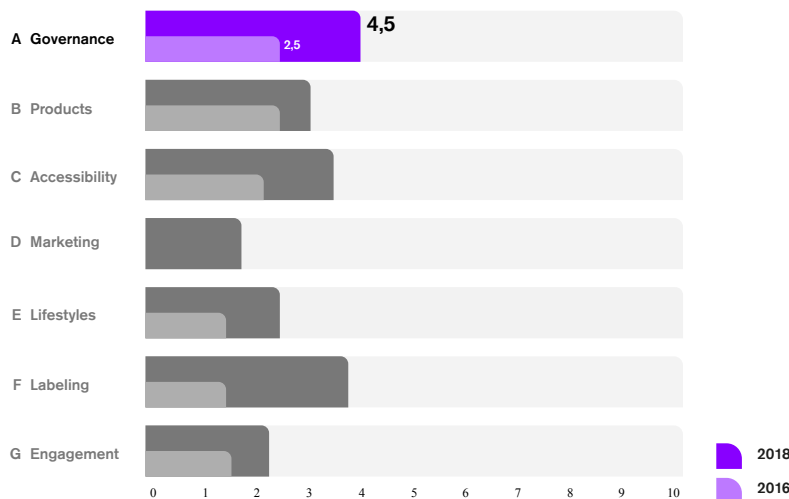
Category A - Undernutrition: Governance

12.5% of the total undernutrition score

Category A consists of three criteria:

To perform well on undernutrition in Category A, companies should:

- Commit to address undernutrition and set objectives and targets as part of their core commercial business and philanthropic programs, with oversight assigned to their Board or other senior executives.
- Take a well-structured approach with a focus on high-priority countries and on critical population groups, pledging to work within regional and national frameworks to address specific fortification needs and undernutrition issues more broadly.
- Carry out extensive research and publicly disclose information about these activities to identify the needs of key populations with specific micronutrient deficiencies.



The average scores for Category A Undernutrition in 2018 and 2016

What are the main changes in Category A compared to 2016?

- Eleven companies now commit to addressing undernutrition either using commercial and non-commercial approaches, up from eight in 2016. Of these, ten now formally define a commercial approach, compared to four previously.
- It appears that companies now recognize they can, and should, do more to tackle undernutrition. The average score increased substantially from 2.5 to four points. However, there is clearly still room to do much more.

What has changed in the companies' strategic commitments and approaches to delivering better nutrition for undernourished consumers in developing markets?

A crucial starting point for addressing undernutrition in low-income countries is for companies to make a commitment to do so. Eleven out of 18 companies have committed to playing a role in addressing undernutrition, three more than in 2016. Arla, Kellogg and Mars have published new commitments. Nine of the 11 have undertaken a Board-level strategic review of the commercial opportunities available to them in addressing undernutrition and/or developing products for the undernourished, underlining the importance to the business. Two companies have undertaken strategic reviews but not at Board level.

The findings suggest that companies now focus more on embedding their activities to address undernutrition in their commercial strategy. Currently, ten companies have formally set out how they intend to address undernutrition through their commercial strategy aimed at selling more healthy products that are fortified or otherwise suitable to address nutritional deficiencies in undernourished target groups, compared to only four in 2016.

- Unilever leads the rankings in Category A with the most comprehensive approach to address undernutrition, followed by Nestlé, FrieslandCampina, Kellogg and Danone.

The number of companies that have formally set out their approaches to addressing undernutrition through philanthropic giving, or in other ways not embedded in their core businesses, increased from five to eight. However, this increase is smaller than the increase in commercial approaches. In contrast to 2016, more companies now take a formal commercial approach than a non-commercial approach, which is a positive development. More information on changes in companies' commercial and non-commercial approaches.

This increased focus on commercial approaches to tackling undernutrition does not yet translate into higher reported percentages of companies' total global sales values related to products specifically formulated for the undernourished. In 2016, four out of 20 companies provided such data, compared to five out of 18 in 2018: Danone, FrieslandCampina, Mondelez, Nestlé and Unilever. The reported percentages of sales were very similar to 2016, and although the same three companies reported that more than 10% of their total global sales value was accounted for by fortified products that address undernutrition, the relevant percentage based on the Access to Nutrition Index methodology, which looks only at non-OECD countries, is estimated by ATNI to be lower.

What are companies doing commercially to address undernutrition and is their approach well-structured?

Some developing countries are more heavily impacted by the burden of undernutrition than others. ATNI has compiled a list of high-priority countries ¹ in which the world's largest food companies should prioritize seeking opportunities and starting new initiatives. Eleven companies include high-priority countries in their initiatives, most often in combination with low-priority countries. Three companies focus exclusively on one or more high-priority countries: Ajinomoto, Arla and Mars, while FrieslandCampina shows best practice by selecting high-priority countries to pilot new initiatives: Nigeria, Indonesia and Myanmar.

Five companies, Coca-Cola, Danone, FrieslandCampina, Nestlé and Unilever, describe a strategic and well-structured commercial approach to address undernutrition in many developing countries, one more than in 2016. FrieslandCampina has started the new program 'Broadening access to nutrition', aimed specifically at people with lower incomes. Two companies have a well-structured approach in a single market or small selection of countries – Grupo Bimbo and Mars. All companies with a structured approach, except Coca-Cola, emphasize the importance of their undernutrition commercial strategy by assigning top-level oversight to their CEO or other senior executive (six companies in total), or to a committee that reports to the CEO (four companies in total).

New commercial initiatives, or new initiatives linked to existing commercial strategies, were reported by some companies. For example, Unilever integrates a program to stimulate healthy eating and address iron deficiency anaemia in a priority population in Nigeria with its existing commercial strategy to sell iron-fortified Knorr cubes. Other companies, including Coca-Cola, report new initiatives that enter the commercial phase, taking learning from non-commercial and pilot projects and exploring opportunities that are outside the current scope of the company's business.

Companies need to undertake market research and studies into the nutritional status and deficiencies of target populations as a basis for designing their strategy. They should seek expert input to advise on setting up and adapting their approach over time. There is a lot of room for improvement on both of these fronts, as only five companies show evidence of having a formal panel in place (Ajinomoto, Coca-Cola, Danone, Mars, Nestlé), but all have a narrow set of mostly nutrition and biomedical experts. Although ten companies in total have done market research, only four companies have done extensive research in five or more developing countries: Danone, FrieslandCampina, Nestlé and Unilever. FrieslandCampina's leading performance and approach to address undernutrition is based on large-scale research activities in the past and new initiatives.

Eleven companies commit to focus on children as a target group for their commercial undernutrition efforts. Only three non-baby food companies focus on women of child-bearing age and children under two: Ajinomoto, Arla and Unilever. Three companies that sell baby food products focus on these target groups too, but this aspect was not scored ² (not influencing the score positively or negatively).

How are companies contributing to undernutrition through their CSR or philanthropic activities?

Eight companies formally expressed how they intend to address undernutrition through philanthropic giving or other non-commercial approaches, three more than in 2016. FrieslandCampina, Kellogg, Kraft Heinz and PepsiCo focus mostly on donations, school programs and collaborations with NGOs to provide undernourished populations access to specifically fortified products or otherwise suitable products. In addition to such approaches, Ajinomoto, Danone and Unilever focus on developing new social business models; Ajinomoto through its foundation, Danone through 'Danone Communities' and Unilever as an integrated part of its category strategies. Although these initiatives have commercial dimensions – for example, participants in these programs may sell locally produced products – they are considered to be non-commercial initiatives in the ATNI assessment, as they are not yet embedded in the core business. Mondelez takes a different approach, focusing on increasing access to fresh foods through programs that help diversify the diets of people in the community, in some cases combined with specific nutrient fortification.

Similar to the commercial approaches described, the companies that have a philanthropic strategy in place focus mainly on children, but only Ajinomoto, PepsiCo³, Unilever and one company that sells baby food products include a focus on women of child-bearing age or children under the age of two.

Are the companies' reports on their efforts to tackle undernutrition now more comprehensive?

Reporting on how companies implement strategies to address undernutrition is less robust than in the case of nutrition reporting more generally, and has not changed much since 2016. Three companies provide extensive commentary, similar to 2016, but the number of companies that provide limited commentary increased from seven to ten.

Six of the companies include high-priority countries in their philanthropic or non-commercial approaches, although none of the companies demonstrate an exclusive focus on these countries. Two companies, Kraft Heinz and Unilever, did not provide clear information about their geographic focus of relevant initiatives.

Although a number of companies publish the amount they spend on philanthropy, it is unclear in most cases what part of this budget is spent addressing undernutrition in developing countries, as companies' activities often include non-nutrition related activities or activities in developed countries.

An effective way for companies to make a contribution to tackling undernutrition is to partner with leading international expert organizations, such as the SUN Business Network or World Food Programme. 13 companies support one or more such initiatives, while five others do not. This represents an increase compared to 2016, when only 11 out of 19 relevant companies reported such activities.

The number of companies with clear reporting on their strategy, outlook and targets, progress against these targets and/or the challenges they faced increased. Despite a greater emphasis on commercial approaches to address undernutrition, the reporting is largely done through CSR reports or specific documents or sections of the corporate website, rather than being integrated into companies' commercial annual reporting.

Recommendations for improvement

- Adopt a formal approach to address undernutrition

Food and beverage companies with significant businesses in developing countries have an opportunity and responsibility to address undernutrition and to contribute to public health improvements for the most vulnerable. All 18 relevant companies should formalize their approach in doing so, focusing specifically on commercial opportunities that are expected to be more sustainable in the long run. ATNF will increase the emphasis on commercial approaches for future indexes and adapt the scoring to reflect that, to ensure that companies can attain the full score if they have implemented a well-designed and comprehensive commercial approach to address undernutrition (even if they do not have parallel non-commercial initiatives in place as well).

- Improve the focus on priority populations and expert guidance

Companies have room for improvement with respect to both their commercial and non-commercial strategies to tackle undernutrition by including a focus on women of child-bearing age and children under two in priority countries. To optimize and adapt their strategy over time, companies should appoint formal panels of external experts with a wide range of relevant expertise, focusing not only on nutrition and health issues, but also on cultural, behavioral and other aspects that influence food consumption in developing countries. These panels should meet regularly to discuss, review and update the company's strategy.

- Pre-competitive collaboration on research to identify nutritional gaps

Danone, FrieslandCampina, Nestlé and Unilever demonstrate best practice in their market research and wider research to map nutritional intake and deficiencies in order to inform their commercial approaches to address these. Although organizations such as the SUN Business Network and GAIN play a role already, there is an opportunity to improve pre-competitive collaboration on a global level between companies and with international organizations to streamline these initiatives and make them more efficient.

- Better reporting on efforts to address undernutrition and the level of investments

As companies increase their focus on commercial approaches to addressing undernutrition, their reporting in this regard should be clear and integrated into their annual reporting. Besides reporting on objectives and progress, companies should reflect more clearly on the level of investment they make to address undernutrition through both commercial and philanthropic avenues, and whether their investment is increasing or decreasing. Currently, although a number of companies provide information on philanthropic spending, the variation in the way this information is reported makes it difficult to compare them. Overall, there is no clear evidence as to whether companies have significantly ramped up their efforts since 2016.