



HEALTHY COMPETITION

Why the safest bet for investors is healthier
retail markets and how to get there

ShareAction»

About ShareAction

About ShareAction: ShareAction is a UK registered charity working globally to lay the tracks for responsible investment across the investment system. Its vision is a world where ordinary savers and institutional investors work together to ensure our communities and environment are safe and sustainable for all. In particular, ShareAction encourages institutional investors to be active owners and responsible providers of financial capital to investee companies, while engaging meaningfully with the individual savers whose money they manage. Since 2005, ShareAction has ranked the largest UK asset owners and asset managers on their responsible investment performance. The views expressed are those of ShareAction. More information is available on request.

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Executive summary

This is the second briefing for investors associated with Share Action's *Healthy Markets* campaign, which is designed to inform and support investor stewardship of companies most exposed to the childhood obesity agenda. Its aim is to facilitate investors in managing the risks associated with child obesity, taking the opportunities that come from action in this area, and ultimately supporting improved long-term outcomes for children.

ShareAction's first briefing, *Hitting the Sweet Spot*, set out the varied reasons why poor diets, a key cause of childhood obesity, is a topic deserving close attention by institutional investors.¹ Obesity drives significant damage both to people's health and to the economy as a whole. As a result, we see a growing array of regulatory actions and public policies to address obesity, and these invariably have financial implications for companies that are poorly prepared and positioned on this issue. Policy-related interventions range from taxes on sugary food and drinks, health warnings on labels of unhealthy foods, and marketing restrictions.

Globally, levels of people who are overweight or obese are at a record high and show no immediate sign of receding. As such, more action from policy makers and regulators around the world is expected and necessary.² In the UK, two in three adults and one in three children are overweight or obese. Tackling poor nutrition, in all its forms including obesity, is an urgent challenge and requires a whole-systems approach in which food companies are critically important players. On a positive note, solutions in this area deliver a broad spectrum of environmental, health, and socio-economic objectives covering more than three quarters of the 17 United Nations Sustainable Development Goals (SDGs).³

This second briefing sets out analysis of UK food retailers produced by the Access to Nutrition Initiative (ATNI) in their UK Supermarket Spotlight report.⁴ Using a new methodology developed for the *Healthy Markets*' campaign by ATNI, this report sets out the relative performance of major retailers in the UK in disclosing information about their policies and practices in respect of healthy eating.

Two in every three pounds that a UK family spends on food goes to retailers. As such, these companies have a major influence on the nation's eating habits.⁵ Food retailing is a highly concentrated sector. This means the majority of decisions on the food available, accessible, and affordable in the UK is in the hands of the small group of companies examined in this analysis. Concentration in the food retail sector means rapid and profound transformation is possible. Investors in this sector are well placed to catalyse the change that is needed.

ATNI's analysis shows that major retailers operating in the UK are all aware they have a role to play in supporting healthy eating. Indeed, most of them are taking some action across the eight different areas of intervention examined, namely governance, nutrient profiling, product formulation, in-store promotion, responsible marketing, labelling, stakeholder engagement, and infant and child nutrition.

Many retailers, for example are reformulating own-brand products to contain less sugar or fewer calories, removing unhealthy products from prominent store locations such as check-outs, and using traffic-light labelling on their products. This is encouraging.

Nevertheless, ATNI's report also shows that the current level of disclosure by major retailers is overall very poor. While it is true that companies may be doing more than they report, in general information gaps are likely to indicate inaction and weak risk management. The two best disclosers, Sainsbury's and Marks & Spencer, make information on their commitments and performance available across just a third of all possible interventions. This strongly suggests UK retailers are still far from fulfilling their potential role in the fight against obesity.

Moreover, inadequate reporting inhibits investors from forming a clear view on how companies are responding to the regulatory and consumer trends driving healthy eating. Shareholders and corporate debt financiers have an opportunity, through their stewardship activities, to press retailers to publish comprehensive strategies to support good diets and to openly report progress in delivering those strategies. Using ATNI's methodology as a framework, this briefing provides a set of suggested questions for investors to raise with retailers as a starting point for engagement on this theme.

In the year ahead, ShareAction will facilitate and support investor dialogue with food companies, informed by the analysis set out in this briefing and in ATNI's recent publication. We hope and expect investors will achieve faster and greater influence by virtue of coordinating their actions. Section 3.4. of this briefing sets out how investors can get involved in this work, including by joining the *Healthy Markets'* investor coalition.



1. Introduction

1.1. The scale of the challenge

Obesity is one of the biggest public health challenges globally. In the UK, being overweight or obese is becoming the norm.⁶ Affecting two in three adults and one in three children, the UK is one of countries with the highest levels of obesity in the world.⁷

Excessive weight has a huge impact on people's health. Being overweight is associated with an increased risk of many non-communicable diseases as well as some mental health disorders. Both overweight children and adults are more likely to be bullied and stigmatised. Overweight children are also more likely to become overweight adults, fuelling this negative cycle.

It is not only people's health that is suffering. In the UK, obesity is a major driver of social inequalities and already costs billions to strained public services and the NHS, as well as to the economy through reduced productivity and growth. In the context of a mounting crisis, overall costs to the economy are predicted to almost double to £49.9 billion by 2050, with costs to the NHS going up from £6.1 billion to £9.7 billion in the same period.⁸

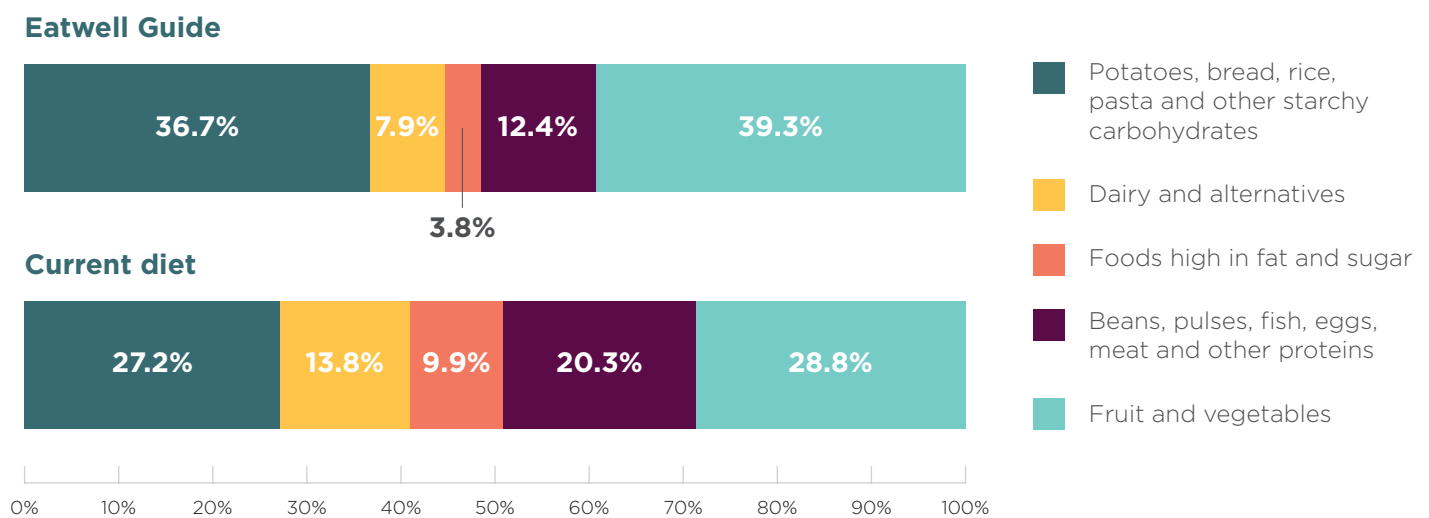
While the scale of the problem is daunting, obesity is a preventable condition, and solutions are available. Obesity results from an energy imbalance in which the number of calories consumed by an individual is higher than those they are expending. In the UK, this is the result of a growing trend towards diets made up of an excess of foods rich in sugars and saturated fats, and low in vegetables, fruit, oily fish and fibre.⁹ With a mounting body of evidence showing that diets are primarily shaped by food environments, there is a need to focus obesity-related interventions on improving available food options and ensuring these are accessible and affordable to all.



1.2. The importance of the retail sector

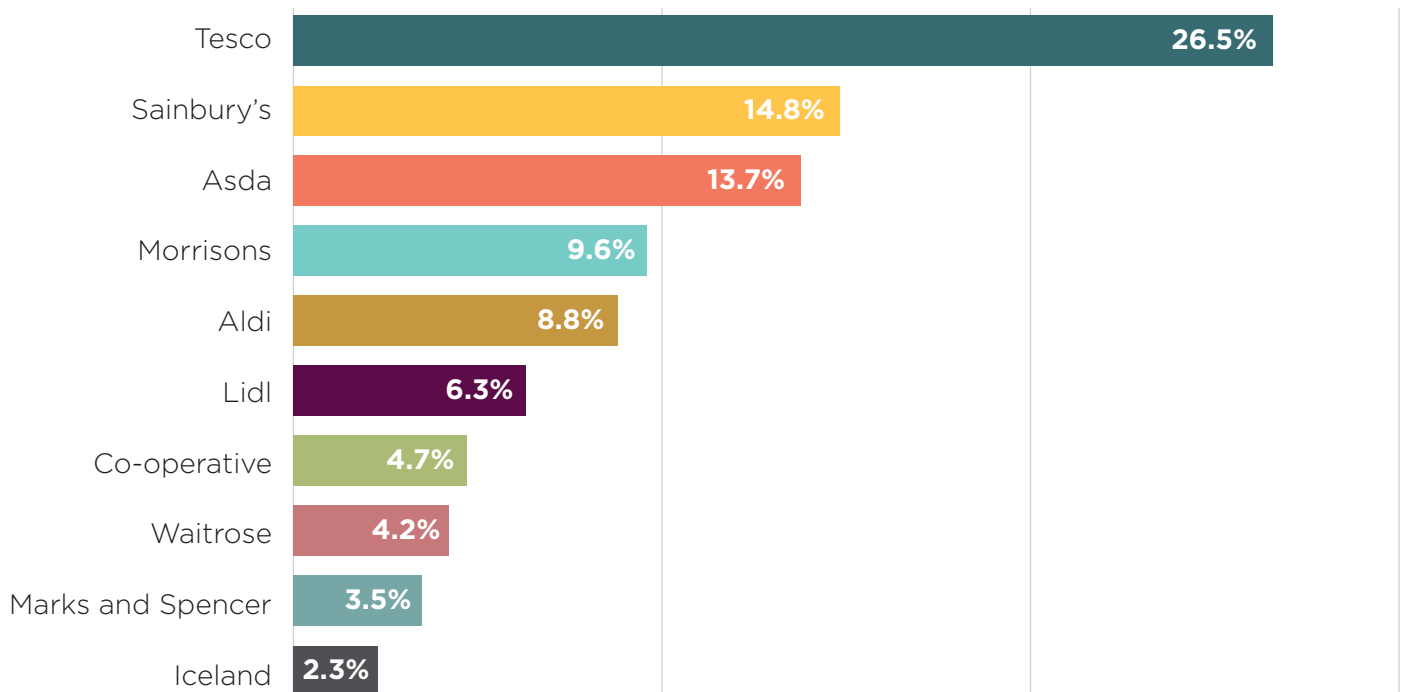
The retail sector has a key role to play in the fight against childhood obesity. In the UK, the sector is already valued at an impressive £190 billion and is forecasted to grow a further 15 per cent in the next five years.¹⁰ This is not surprising. After all, retailers are the recipients of the majority of food purchases, more precisely £27 out of a total of £38 weekly spend on food and non-alcoholic drinks.¹¹

Figure 1. Comparison between average diet and UK government recommendations



Source: Via ATNI P. Scarborough et al., 'Eatwell Guide: modelling the dietary and cost implications of incorporating new sugar and fibre guidelines' (2016) *BMJ Open* (6): e013182: doi: 10.1136/bmjopen-2016-013182

Moreover, the UK grocery sector is highly concentrated. Today, the top four companies alone (Tesco, Sainsbury's, Asda and Morrisons) hold almost 70 per cent of the market.¹² This trend towards higher concentration seems to be continuing as the larger retail groups are acquiring smaller players in the convenience sector. Recent examples include the acquisition of the Booker Group (the owner of One-Stop, Premier, Londis and, Budgens store chains) by Tesco in 2018, and the acquisition of Nisa Retail by the Co-op. This means that the decisions of a handful of companies have a huge influence on British shopping habits and this trend is likely to continue.

Figure 2. Major retailers' market share - December 2019¹³

Source: Nielsen via Retail Gazette

Influencing consumer purchasing is at the core of the retail business. Through their decisions on how products are priced, promoted, and distributed in their stores, and how these are marketed and advertised, retailers nudge consumers towards purchasing certain products over others. In addition, the rise of own-brand in the UK, which already represents 51 per cent of the grocery market, also puts retailers on a par with food and drink manufacturers when it comes to decisions regarding the formulation and labelling of products.¹⁴

In order for retailers to fulfil their role in tackling obesity, companies are encouraged to better integrate health considerations across all relevant aspects of their business operations, and rapidly abandon the most harmful practices. Given that scrutiny from regulators and consumers is increasing, doing so will not only boost retailers' responsibility credentials. It will also allow them to capitalise on growing consumer demand for healthier food and pre-empt further regulatory change in the shorter term, while getting on a more sustainable and financially future-proof path.

2. Healthy retail environments as an investment theme

2.1. State of play - ATNI's assessment of UK retailers

The Access to Nutrition Initiative (ATNI) is a global reference for investors when it comes to assessing major food and drink manufacturers' contribution to addressing nutrition challenges. Since 2013, it has published a number of indexes with the aim of encouraging food companies to both increase access to healthy products, and to responsibly exercise their influence on consumers' choice and behaviour.¹⁵

In partnership with ShareAction, ATNI has developed a first-of-a-kind methodology to assess the level of commitment and action that retailers are currently undertaking to support healthy eating. Using its well-established methodology for food manufacturers, ATNI has adapted it to retailers' business models, and applied it to the UK's major companies in this sector.¹⁶ The broad scope of this methodology, 120 indicators across eight areas of intervention, means that it comprehensively covers practices related to the food and drink retail sector.¹⁷

Figure 3. Topics included in ATNI's methodology

	Topics on which UK retailers have been assessed	N indicators (120 total)
1	Governance, management, reporting and financial results relating to nutrition	14
2	Nutrient profiling system (NPS): defining healthy products	8
3	Product formulation	30
4	In-store promotion, pricing and distribution	31
5	Responsible marketing and advertising policy (out of store)	11
6	Labelling	6
7	Engagement with stakeholders and policymakers	6
8	Infant and young child nutrition	14

Source: ATNI¹⁸

The assessment focused on the level of action being reported by each company. It assessed the extent to which these companies are making public commitments, developing policies and setting targets on their actions to support healthy eating, and whether they are communicating progress clearly and regularly to their stakeholders.

The findings present a mixed picture. Positively, most major retailers recognise, to a certain extent, their role in supporting healthy eating and report some action across many of the intervention areas. The most common areas being reported on are sugar reformulation efforts, moves towards healthier checkout options, and the use of front-of-pack traffic light labelling. In contrast, the areas least

reported on are their marketing to children policies, including those specific to infants and younger children, and the definitions of “healthy” being used by retailers to inform their product formulation and marketing practices. Where companies are reporting action, this is often ad-hoc, and does not provide a structured and transparent picture. In addition, companies often do not state whether policies are being applied across different store formats and subsidiary retail businesses, such as convenience store chains. This means that the extent to which actions are being undertaken, even when being reported, is often not available.

Overall, the level of reporting is very poor and scattered across different documents. While acknowledging that companies are unlikely to be reporting on all actions they are taking, poor reporting often suggests inaction. In terms of coverage, it is disappointing that even those retailers that performed best - Sainsbury’s, Marks & Spencer, Tesco, The Co-op, Lidl, and Morrisons - were only found to be reporting on around a third of all possible action areas. Information on less than 20 per cent of indicators was found to be reported on the remaining four retailers - ALDI UK, Waitrose, Asda, and Iceland.

In conclusion, the poor level of reporting does not allow investors to put together either a clear or a comparable picture of different retailers at this stage, even for those companies disclosing the most. This is problematic as the lack of data prevents them from being able to conduct an assessment of the reputational and financial implications associated to a company’s actions. As such, investors are strongly encouraged to ask retailers to publish comprehensive strategies on nutrition and health, including setting clear commitments, policies, and targets, and setting out plans for achieving these. Although reporting as a whole was poor, the fact that there was some level of reporting being undertaken across all action categories shows that this is possible.

Figure 4. Percentage number of indicators for which relevant information was found by retailer¹⁹

A 80-100%	B 60-79%	C 40-59%	D 20-39%	E 0-19%
None	None	None	Sainsbury’s 35%	ALDI UK 19%
			Marks & Spencer 33%	Waitrose 15%
			Tesco 30%	Asda 8%
			The Co-op 30%	Iceland 7%
			Lidl 25%	
			Morrisons 20%	

Source: ATNI

2.2. A topic ripe for investor engagement

2.2.1. Obesity and the United Nations Sustainable Development Goals

In 2015, the United Nations adopted 17 Sustainable Development Goals as part of the 2030 Agenda for Sustainable Development. These goals, underpinned by 169 individual targets, provide a global framework of reference on the most critical economic, social and environmental development issues for humanity.²⁰

The role of the private sector in delivering these goals is key. Just US\$1.4 trillion of the US\$3.9 trillion needed in total annual investment from 2015 to 2030 is being met by public investment, according to a 2017 report from the UN Conference on Trade and Development.²¹ Since then, many private companies and investors have expressed support for the SDG agenda. This includes making specific commitments on certain action areas, and working towards integrating these principles across all their business activities and investment decisions.

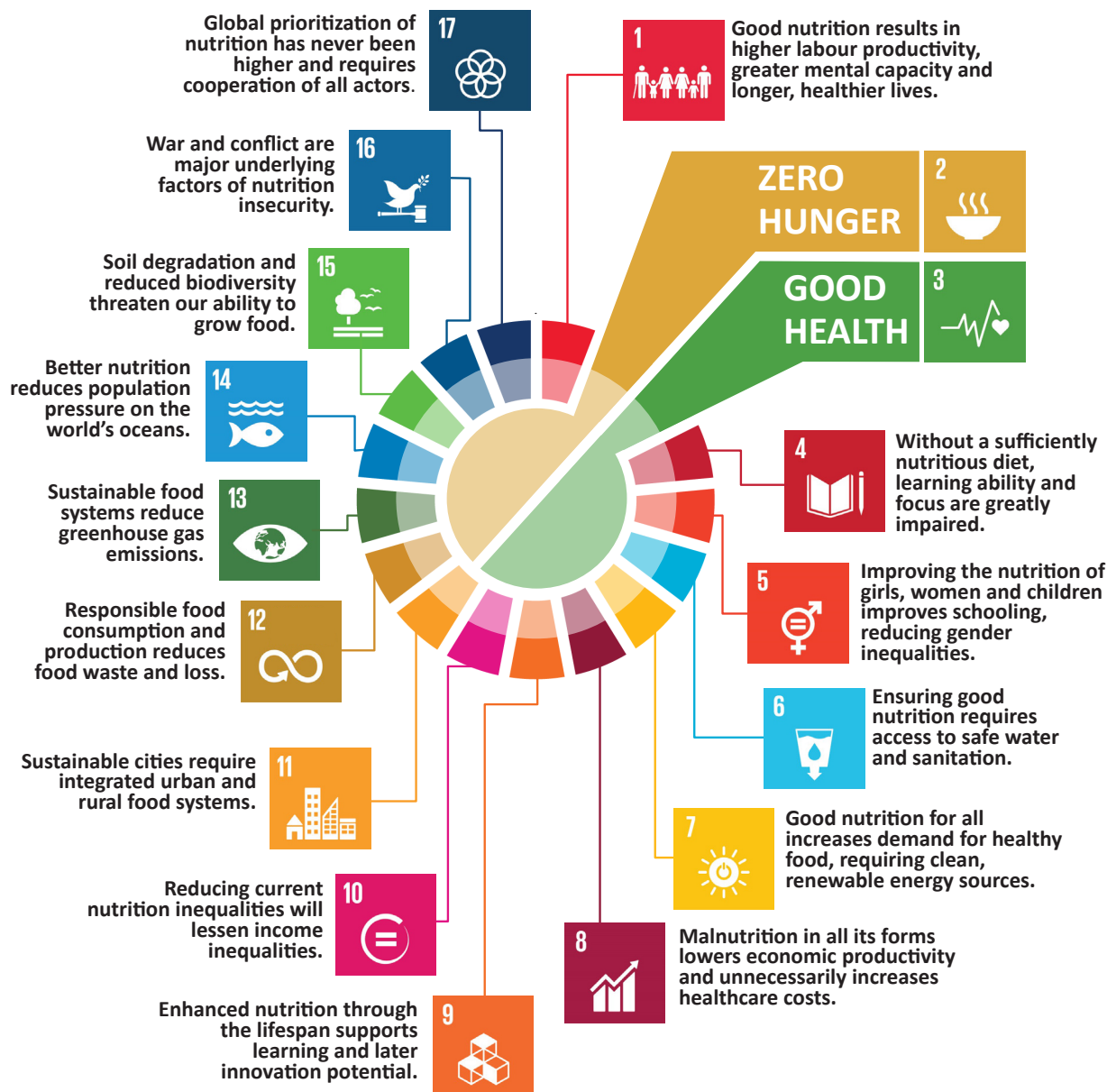
A notable initiative is the UN Principles for Responsible Investment, which already has 2,800 signatories with a total of US\$90 trillion of assets under management. This initiative includes a specific work programme to help its members to align their investment practices with the broader sustainable objectives of society as defined by the SDGs. Given the growing expectation on institutional investors to understand and measure the real-world impact of their portfolio, the SDGs and their targets provide a way for them to articulate and demonstrate to their beneficiaries how they are creating long-term societal value.²²

In this context, investors in the food sector are encouraged to engage with food companies, including retailers, on promoting healthy diets and tackling obesity. Tackling obesity is a fundamental aspect of addressing some of the most pressing health (SDG 3) and nutrition (SDG 2) challenges society is facing. Nevertheless, the crosscutting nature of the drivers and impacts of poor diets mean that solutions to it are also intrinsic to addressing other major environmental and societal concerns. For example, more sustainable food consumption and production patterns are key to addressing environmental degradation (i.e. climate change, deforestation, biodiversity loss, water stress). In addition, obesity also has significant socio-economic impacts (i.e. on poverty and inequality).²³

Figure 5. Nutrition and the Sustainable Development Goals²⁴

NUTRITION AND THE SDGs

CENTRAL TO THE 2030 AGENDA



UNITED NATIONS DECADE OF
ACTION ON NUTRITION



2016-2025

2.2.2. Opportunities and risks from regulatory and consumer trends

Increased awareness of the negative health impacts associated with poor diets, particularly excessive sugar consumption, has put the actions of the food industry under increased scrutiny of UK policy makers and consumers.

Since the publication of the UK Government's Childhood Obesity Plan in 2016, the focus of regulatory intervention in this area has shifted from the individual to their food environment. Notable initiatives have focused on improving the nutritional quality of food products by imposing taxes on drinks high in sugar or setting targets for reducing their sugar and calorie content, and by placing restrictions on the direct sale, marketing and advertising of certain products. Similar developments are taking place outside of the UK, with more people now covered by a sugar tax than a carbon tax worldwide.²⁵

In parallel, UK consumer demand towards healthier products continues to grow. Such demand is stimulating significant product innovation and reformulation across many food categories.

For all these reasons, investors need to understand whether the companies in their investment portfolios are leading or lagging behind these trends as there are important financial, competitive and reputational implications. ShareAction's previous briefing *Hitting the Sweet Spot* provided a detailed overview of these. Figure 6 below provides a high-level overview of the major risks and opportunities associated with different types of intervention.

Case Study: Health as a major trend of UK food and drink sales in 2019



UK consumers care about the impacts of their diets on their health, with half of the British population consistently telling the Food Standards Agency they are concerned about the level of sugar in their food since 2010.²⁶ Given this, it is not surprising that retailers' trade magazine the Grocer reports that 2019 was another good year for sales of healthier food products across most of the so-called "indulgent" varieties.²⁷

Of particular mention is the soft drinks category where, supported by the sugar levy, consumers are quickly making low or no-sugar varieties the norm. Manufacturing giant Coca-Cola sold 41.5 million litres less of its classic variety while volumes of Coke Zero increased by 42.4 million litres. Similarly, Standard Pepsi value sales were down by £23.7 million this year, while Pepsi Max went up by £77 million.

This trend is also noticeable in categories such as snacks, where the healthier segment is growing at three times the rate of other savoury snacks. Pepsi's Walkers Oven Baked and KP's Popchips, with growth over 20 per cent, are the fastest growing products. Other success stories of healthier products are found even in categories where sales as a whole dropped last year, such as savoury biscuits (70% less fat Mondelez' Ritz value went up by 13.9 per cent), breakfast cereals (Weetabix highest value product went up by 2.9 per cent), ice-cream (Halo Top grew by 77.6 per cent) and table sauces (Heinz 50% less sugar & salt was up by 18.9 per cent and Hellmann's Lighter than Light sales went up by £2.8 million).

While ultimately solutions to obesity require a dietary shift away from processed foods, improving the nutritional quality of such products will go a long way in delivering much needed dietary reductions in sugar, fat, and calorie intakes.

Figure 6. Risks and opportunities for investors in the UK retail sector

Major Areas of Intervention		Opportunities	Risks
Products	 <p>Product Formulation</p>	<p>Consumer trends: UK consumers are concerned about health and sugar in their food. This is fuelling growth of healthier products within most food categories.</p> <p>Competitive advantage: Significant investments are being made in developing innovative technological solutions to challenges posed by reformulation and the creation of new products to meet this trend.</p>	<p>Fiscal measures (beverages): The UK taxes soft drinks with sugar content of five grams per 100 millilitres (18 pence per litre) and eight grams per 100 millilitres (24 pence per litre). The UK Government will consider extending this to other categories such as sugary milk drinks “if the evidence shows that industry has not made enough progress”.²⁸</p> <p>Fiscal measures or legislation (food): There is currently slow progress towards Public Health England’s sugar and calorie 20 per cent reduction programmes involving voluntary measures. The UK Government has promised not to “shy away from further action, including mandatory and fiscal levers” if insufficient progress is made.²⁹ 69 per cent of consumers support its extension to confectionery and biscuits.³⁰</p>
	 <p>Labelling</p>	<p>Consumer support: Six in 10 consumers are more likely to buy food from an establishment using traffic-light labelling.³¹</p>	<p>Legislation: Not all major retailers have introduced front-of-pack traffic light-labelling. Even those that have done, do not report what per cent of their products are covered. The UK Government has promised to explore “opportunities leaving the European Union presents for food labelling”.³²</p> <p>Globally, tobacco-like health warning labels on unhealthy foods have been adopted in many countries including Chile, Mexico, and Israel. Additionally, the UK Government has consulted on introducing calorie labelling in the out-of-home sector, which includes retailers’ in-store cafes.³³</p>

Practices	 <p>Promotion and Pricing</p>	<p>Consumer support: More than one third of consumers agree they impulse purchase unhealthy products because these are on special offer.³⁴</p> <p>More than a third of consumers support a ban on promotions of unhealthy foods.³⁵</p> <p>Many consumers claim to struggle with healthy eating due to the associated cost.³⁶</p>	<p>Legislation: The UK Government has agreed to introduce a ban on sales of energy drinks to children under 16.³⁷</p> <p>The UK Government has set out its intention, and consulted, on the ban or restriction of price promotions on unhealthy food and drinks.³⁸</p>
	 <p>Product Placement</p>	<p>Consumer support: Half of consumers agree that there are more unhealthy than healthy products on the shelves.</p> <p>Three quarters of consumers who have children aged 10 or under agree that unhealthy products are often found at their children's eye-level.³⁹</p>	<p>Legislation: The UK Government has set out its intention, and consulted, on banning the placement of unhealthy food and drinks in prominent store locations.⁴⁰</p>
	 <p>Marketing and Advertising</p>	<p>Consumer support: Three quarters of consumers who have children aged 10 or under want supermarkets to do more to promote healthy food and drink to children. They also agree that cartoon characters are often used to promote unhealthy foods.⁴¹</p>	<p>Legislation: The UK Government has consulted on introducing a 9pm watershed on TV advertising of unhealthy food and drinks and similar protection for children viewing adverts online.⁴²</p> <p>Adverts of unhealthy food and drink products in public spaces have started to be banned by some local authorities⁴³ and transport networks.⁴⁴</p>

3. How investors can get involved

3.1. Listed equity holders

Listed companies represent two thirds of the UK grocery market. In decreasing order of market share, these include Tesco, Sainsbury's, Asda (owned by Walmart), Morrisons, Marks & Spencer, and Ocado.

Investors, as shareholders, need to understand the risks and opportunities associated with the actions of major UK food retailers. Through their active stewardship activities, investors should, as a starting point, request retailers commit to full disclosure of their actions to support healthy eating across the entire range of interventions available to them.

This is important because at present, reporting is so limited that it can only give an indication of performance, and not accurately reflect the efforts of individual retailers in tackling this issue. On top of this, the current level of reporting does not allow investors to incorporate relevant data in their analysis of these companies, which clearly has troubling implications for valuations and investment decisions.



Case Study: Candriam's active stewardship driving positive change in the food sector

Many asset managers are already demonstrating how active stewardship can be used to drive positive corporate change as well as to lower portfolio risks. One such firm is Candriam, a global investor with €125 billion under management, which reports having positively engaged with Suntory, a Japanese multinational manufacturer specialised in beverages, well known in the UK market for brands such as Ribena and Lucozade.

In that specific case, the targeted sales and margins of the company in question had been hit by the increasing regulatory pressure on sugary drinks in the UK and France, combined with national campaigns on healthier diets. Candriam's ESG and financial analysts and portfolio managers were involved in discussions with the company's senior general manager for investor relations. Candriam reports that the company in question had put health initiatives high on its agenda, yet its first attempt to lower sugar in its historical drinks through reformulation was not positively received by its consumers. The company was forced instead to shift its portfolio, and enter the healthy beverage segment with new products.

Following stewardship engagement, the company in question has now strongly invested in R&D and marketing, and has also gained experience in markets less focused on sugary drinks. In its website, Suntory says that through "utilizing knowledge for developing sugar-free beverages such as tea and water and low-sugar beverages, knowledge cultivated for many years in Japan, we are developing new beverages such as goodmood in Indonesia and MayTea in France. Originally developed for the Indonesian market, we also launched goodmood in Thailand in 2019. In Europe, we are actively reducing the amount of sugar in our products, especially in Lucozade and Ribena."²⁸ Victoria Morgan, Head of Innovation at Lucozade Ribena Suntory reported in 2018, "The MayTea brand has seen incredible success on the continent. In just three years, the brand has generated £85 million in sales revenue across France".²⁹ This means that what was previously seen as a risk is now considered a competitive advantage.

Such engagement helped strengthen the relationship between Candriam and the company's management. As a result, the company appreciated Candriam's interest and was pleased to be able to engage on more detailed conversations about their strategic plans. In addition, Candriam was able to update its opinion on the investee company as well as strengthen its valuation model.

Source: Principle for Responsible Investment and Candriam^{30, 31}

In this context, the methodology developed by ATNI provides an appropriate and comprehensive framework for such engagement covering all areas related to the making (i.e. overall nutritional quality and formulation) and the promotion (i.e. in-store and external marketing and advertising and labelling) of food and drink products. Investors are also encouraged to ask retailers whether they have appropriate procedures for managing risks and monitoring progress at board level, and whether retailers' engagement on the topic with policy makers is aligned with public health goals.

If within a certain timeline investors consider companies have not made sufficient progress – for example, companies do not meet investors' expectations for disclosure or they do not fulfil their expectations for taking action in certain areas – investors should look into possible methods of escalation. This could include voting against companies at their annual general meetings (AGMs) or tabling related shareholder resolutions. Disinvestment might be considered as a last resort.

Case Study: Sugar and obesity related resolutions being filed in the United States

In recent years, investors have started to file resolutions on food and drink companies requesting that they assess the public health impacts associated with consumption of their products and that they put in place strategies to mitigate against these.

In 2018, Trinity Health filed a resolution on Dr Pepper calling on the board of directors to “issue a report on company-wide efforts to address the risks related to obesity” and for such report to include “aggressive quantitative metrics around reduction of added sugars in its products and development of healthier product offerings”.³²

In 2019, Harrington Investments filed a similar resolution on Coca Cola calling on the board of directors to “issue a report on Sugar and Public Health” on “our Company’s sugar products marketed to consumers, especially those Coke products targeted to children and young consumers” and for such assessment to cover “risks to the company’s finances and reputation associated with changing scientific understanding of the role of sugar in disease causation”.³³

Neither of the two resolutions passed, with only five per cent of the companies’ shareholders voting in favour. However, the fact that resolutions in this topic are starting to be filed shows that this is a topic rising up the agenda and companies need to take them seriously.

3.2. Corporate Debt

An additional route of influence available for investors to engage with retailers is through their role as financiers of corporate debt in primary markets. Many of the major UK retailers, including Tesco, Asda, Morrisons, The Co-op, Marks & Spencer, Iceland, and Ocado, issue bonds and many of them rely heavily on these methods of external financing.

If investors consider the progress made to be insufficient within a reasonable timeline, they should make any new debt issuance conditional on action being taken. This would send an important signal to companies to act, while limiting their exposure to market risks. Informal communications with banks involved in the marketing of new debt issues could be an effective start to this process.

3.3. Investor Expectations

ATNI's report provides a very detailed set of recommendations for companies to improve their reporting. Based on these, a list of high-level questions for investors to raise with retailers is provided here. These provide an effective starting point for discussion with companies if this is a new topic for engagement.

 <p>Strategy and Governance</p>	<ul style="list-style-type: none"> □ Has the company made a quantified commitment to address nutrition and health, including childhood obesity? □ Has the company published a nutrition strategy and accompanying multi-year plan for its delivery? Does it apply across the whole retail group's operations? □ Is there board level oversight of nutrition related risks? □ Are lobbying activities of the company, and of trade associations that the company is a member of, aligned with public health goals?
 <p>Nutritional Quality and Formulation of Products</p>	<ul style="list-style-type: none"> □ Does the company use a nutrient profiling system to define what a healthy product is? Is it differentiated for adults and children? Is it aligned with public health guidance, such as the World Health Organization (WHO) Regional Office for Europe's NPS or the UK's Office for Communication (OFCOM) model? Are details of this publicly available and is it being applied consistently to guide reformulation and marketing across all products? □ Has the company set SMART targets aligned with Public Health England's sugar, salt and calorie reduction objectives? Does it report and publish progress against these targets regularly?
 <p>Promotion of Products</p>	<ul style="list-style-type: none"> □ Has the company set SMART targets to increase sales of healthier products and decrease sales of unhealthy ones? What actions regarding affordability, availability, and accessibility of healthy products is the company undertaking to ensure targets are met? □ Has the company committed to responsible marketing to children under 18? Does this commitment cover all products sold across its stores and marketing channels? Does it adhere to the WHO Code for breast-milk substitutes and subsequent resolutions? □ Does the company use front-of-pack colour-coded labelling in all its products in line with Food Standards Agency's guidelines?

3.4. Healthy Markets' Investor Coalition

The Healthy Markets Investor Coalition, coordinated by ShareAction, brings together asset managers and owners who recognise the risks and opportunities outlined in this briefing. The coalition will engage with companies in order to create healthier food environments, for example by making recommendations to retailers, informed by the results of this assessment. Through such engagement, investors can help to secure the long-term profitability of their investments and ensure positive social impact.

Research and data collated by ShareAction will be disseminated among coalition investors and used as a framework for company engagement. This will include bespoke briefings and exclusive detailed company report cards. Investors will be supported, both individually and collaboratively, to engage with companies, including through facilitated calls or meetings, co-signing company letters, invitations to informative roundtables, and other collaborative events.

Supporting asset managers are asked to agree to a number of general commitments in order to join the coalition, including acknowledging the case for solutions to child obesity and actively engaging with companies on this topic. For asset owners who won't be able to support these commitments directly, the expectation would be that they request their asset managers to undertake commitments on their behalf.

If you are an asset manager or asset owner and would like to find out more about the coalition, please contact:

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4. Conclusions and Next Steps

As set out in this briefing, there are clear reasons why investors in the food sector need to understand how companies are responding to childhood obesity and drive improvements in corporate practice. While the scale of the problem is daunting, solutions do not have to be complex. Ensuring that healthier food options are available, affordable, and accessible to all should be an achievable objective. Under current market and regulatory trends, progressive food companies are being presented with a competitive opportunity to produce and promote food that is both healthier and fulfils consumers' expectations.

In this context, ATNI's report shows that many major retailers in the UK are starting to take action, with at least one retailer reporting some level of activity under all of the areas of intervention available to them. It also shows that the level of action is more extensive around sugar and salt reformulation efforts, moves towards healthier checkout options, and adopting front-of-pack traffic light labelling. Conversely, the level of action reported is poor when it comes to responsible marketing to children, the use of nutrient profiling system to guide product reformulation and pricing and promotion strategies. In addition, there is limited information on retailer's approach to the marketing of breast-milk substitutes and complementary foods for young children and infants, as well as the formulation of these products. Moreover, where there is information on initiatives, the extent to which these are applied across all business operations, including all store formats, franchises and convenience store groups, is unclear.

In any case, the current level of reporting is very poor. It neither provides a structured and transparent picture of each company's approach to nutrition and health, nor a tool to monitor and track progress of current performance. As a first step, ShareAction encourages investors to request that companies commit to full disclosure of their actions across their entire product portfolio. Following this, investors have an interest in improving their understanding of companies' actions and reflect this in their stewardship activities.

Investors, via their engagement with companies around their equity holdings or debt financing activities, have a real opportunity to drive positive impact for society on a significant public health agenda as well as driving the profitability of their investments. If insufficient progress is made through stewardship, investors must not shy away from escalating their engagement, filing resolutions or being selective on primary market transactions. ShareAction invites investors to join its Healthy Markets coalition and is committed to facilitating a coordinated and collaborative approach alongside asset managers and owners with similar concerns.

Going forward, ShareAction hopes to publish a follow-up benchmark on retailers in the next two years, which will assess the full strength of companies' commitments, targets, action and reporting going well beyond only publicly available information.

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ShareAction (Fairshare Educational Foundation) is a registered charity that promotes responsible investment practices by pension providers and fund managers. ShareAction believes that responsible investment helps to safeguard investments as well as securing environmental and social benefits.

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