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Health Check

Assessing food and drink manufacturers’ progress on health and nutrition

ShareAction»

About ShareAction

ShareAction is a NGO working globally to define the highest standards for responsible investment and drive change until these standards are adopted worldwide. We mobilise investors to take action to improve labour standards, tackle climate change and address pressing global health issues. Over 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. Our vision is a world where the financial system serves our planet and its people.

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Executive summary

Improving access to healthy diets is becoming a global priority. Current food environments are flooded with less healthy products high in fat, sugar, salt and calories and have greatly contributed to poor diets and ill health globally. As a result, obesity rates worldwide have tripled since 1975 and in the UK two in three adults and one in three children are overweight. Poor diets impact both public health and the world economy, with a cost estimated at $2 trillion annually or 2.8 per cent of global GDP, similar to the impact of smoking.

Covid-19 makes tackling poor diets and obesity more urgent. Excess weight has been identified as the leading preventable risk factor in reducing the severity of symptoms and death in patients with the virus. This is emboldening policymakers around the world to take action intended to discourage the sale, and ultimately consumption, of less healthy food and drink products.

This includes an array of fiscal and other policy measures similar to those used to regulate other products considered harmful to health such as tobacco and alcohol. Examples include the application of sugar taxes; the introduction of warning labels and even total bans on the sale of less healthy products to children in Latin American countries; and the introduction of advertising and promotion restrictions in the UK. Consumers are also demanding healthier products with less sugar and fewer calories, while also supporting increased regulation of the food industry.

In this context, it's important that food and drink manufacturers, who make and sell many of the products available on supermarket shelves and in out of home businesses, adapt to these changes. Embracing health is both a business opportunity and a way to remain financially competitive and avoid potential losses from increased regulation. This will require manufacturers to reformulate and create new healthier products and shift their marketing and advertising efforts to increase the proportion of sales generated from these varieties. By developing strategies for doing so and being more transparent about their actions, they can show investors how they are adapting to the changing regulatory and consumer landscape.

Investor expectations in this area for the sector include manufacturers setting targets to increase their sales from healthier products, defined in line with government-endorsed nutrient profiling models, and disclosing yearly progress. Currently this is not common practice and investors have access to very little robust and comparable data. This makes their job of assessing how companies and the sector as a whole are responding to risks and opportunities in this area quite challenging.

One of the few methods available to investors to address such gap is the analysis being provided by independent initiatives and studies being conducted on the sector. The findings of some of the most important initiatives out there suggest the food sector is largely unprepared to deal with the transition towards healthier diets. This is echoed by the conclusions from the recently published Food and Agriculture Benchmark of food and drink companies by the World Benchmarking Alliance, which identified nutrition as the least reported environmental, social and governance (ESG) issue, despite being one of their most impactful areas. In parallel, the latest reports from the Access to Nutrition Initiative (ATNI) shows that more than two thirds of packaged food and drink products sold globally are not healthy enough.

Despite the slow progress, investor awareness on their ability to drive positive change through their stewardship of companies and their participation in collective action is increasing. Section 5 of this briefing provides an overview of what investors can do, including joining our Healthy Markets investor coalition to engage with food manufacturers to help improve their disclosure and practices.

Introduction

1

Healthy diets and the role of manufacturers

Improving access to healthy diets plays a central role in addressing rising rates of obesity and related ill health. Worldwide, one in five deaths are related to poor diets,[i] with obesity and its comorbidities accounting for up to 20 per cent of health budgets globally.[ii] More recently, the Covid-19 pandemic has underlined the importance of reducing obesity to improve resilience during a health crisis, with the majority of deaths from the virus occurring in countries where more than half of the population is classified as overweight.[iii]

One the biggest contributors to obesity is the unhealthiness of our current food environments, defined as the spaces in which people make decisions about the foods and drinks that are made available, accessible, affordable and desirable. Current food environments have been branded as “obesogenic”, as convenient and cheap less healthy products high in fat, sugar, salt or calories tend to be widely accessible and more prevalent than healthier ones, while also being advertised, promoted and marketed more.

For example, 71 per cent of products from top packaged food and drink manufacturers sold in the UK were found to be less healthy.[iv] This is worrying considering that countries such as the UK and the US are now consuming almost four times as much packaged food than fresh food.[v] Moreover, recent data from the Food Foundation shows that in the UK advertising spend on fruit and vegetables accounted for just 2.5 per cent of total in 2020, compared to 45.9 per cent spent on sugary drinks, confectionery and sweet and savoury snacks.[vi]

As a result, obesogenic food environments are driving the overconsumption of less healthy products, which increasingly make up a significant part of our diets. In the UK, over half of people’s energy intake now comes from convenient, cheap and highly palatable ultra-processed foods,[vii] which are often high in fat, sugar, salt or calories.

Ensuring our food environments improve so that the healthier products are the default option is key. Recently, retailers in the UK have started acknowledging their role in shaping people’s diets and are stepping up to the challenge, with many making commitments to improve the healthiness of their sales.[viii] Similarly, food and drink manufacturers that make and market many of the packaged products available can also use their influence and power to create healthier products, increase their sale and ultimately have a positive impact on people’s health.

Rising risks and opportunities

2

Rising risks and opportunities for companies and investors

As the evidence of the impact of unhealthy diets increases, so does the pressure on the food industry to do more and stop relying on the sales of less healthy products at the expense of public health. This section covers in detail the risks and opportunities that companies need to adapt to in the face of rising public and regulatory scrutiny.

Rising regulation

Worldwide, policymakers are looking at ways to improve our food environments and the practices of the food industry by increasing regulation. These measures are similar to the ones that have been used to regulate the harmful products and practices of the tobacco industry. For example, to limit the demand of tobacco, the World Health Organisation recommends regulating the contents of tobacco products; introducing health warnings on packaging and labelling; regulating advertising and promotion, and applying taxes to tobacco products.[ix] In the context of food and drink regulation, this translates into taxes on less healthy products high in sugar and calories, front-of-pack labelling to help consumers make informed decisions, and marketing and advertising restrictions so that less healthy options are promoted less, especially towards children.

The UK in particular has been spearheading this regulatory trend, passing a series of policies as part of its Childhood Obesity Strategy. More recently, the National Food Strategy, an independent review commissioned by the Secretary of State for Environment, Food & Rural Affairs, has recommended the introduction of additional salt and sugar taxes to curb consumption of products high in fat, sugar or salt (HFSS), as well as mandatory reporting for the food industry on the healthiness of their sales.

EU regulators are also ramping up measures to address the unhealthiness of food environments, with the European Commission's Farm to Fork Strategy including a series of actions.[x] These policy developments aimed at curbing the prevalence of less healthy products are only likely to increase in the future, meaning manufacturers will have to change many of their practices to keep up. Only by embedding health considerations in their strategies will companies be able to stay ahead and capitalise on this growing regulatory trend. The sections below provide an overview of developments in the UK and globally across different policy areas.

Health Taxes

The UK has implemented a levy on sugary soft drinks and is considering extending it to other milk-based drinks "if the evidence shows that industry has not made enough progress".[xi] Public Health England (PHE) has also implemented voluntary 20 per cent sugar and calorie reduction programmes for categories that contribute the most to children's sugar and calorie intake. The UK Government promised it will not "shy away from further action, including mandatory and fiscal levers" if progress is slow.[xii] A list of the top companies selling across these categories can be found below in Table 1.

The National Food Strategy has also recommended the introduction of a £3/kg tax on sugar and a £6/kg tax on salt sold for use in processed foods or in restaurants and catering businesses.[xiii] The intent is to encourage the industry to reformulate its products and if certain items cannot be reformulated this would increase their cost in shops, making them less appealing to the consumer.[xiv]

Globally, there are currently almost 50 sugar taxes worldwide. Both Mexico and Hungary have implemented a "junk food" tax on products high in calories.[xv]

Taken from the Global Food Research Program at the University of North Carolina

Labelling

In the UK, a voluntary front-of-pack (FOP) traffic light labelling system was introduced in 2007. In 2020 the government consulted on bringing in mandatory FOP labelling. The consultation included proposals to introduce new labelling systems such as the Nutri-Score and tobacco-like health warning labels on products high in fat, sugar, salt and calories.[xvi]

Globally, approximately 30 countries have introduced some form of FOP labelling,[xvii] with some countries introducing tobacco-like health warning labels on products high in fat, sugar, salt and calories (Chile, Mexico, Uruguay, Ecuador, Peru, Colombia and Israel).

Many European countries have recommended the voluntary use of the Nutri-Score labelling system, including France, Belgium, Germany, Spain, Luxembourg, and the Netherlands. The European Commission has also included the proposal for harmonised mandatory FOP nutrition labelling by 2022 in its Farm to Fork strategy, with many countries advocating for the introduction of the Nutri-Score system.[xviii]

In the US, back-of-pack labelling now needs to include both total sugar and added sugar quantities to help consumer while shopping,[xix] while the state of California has also introduced warning labels on sugary drinks.

Nutri-Score labelling

Advertising and marketing restrictions

In the UK, from October 2022 measures restricting volume promotions of high fat, sugar, salt (HFSS) products in physical and online stores and the placement of these products in prominent areas will come into force.[xx] These restrictions will apply to HFSS products included in the sugar reduction and calorie reduction programmes, and sugary drinks tax categories.

From 2023 HFSS advertising on broadcast media before 9pm and HFSS advertising online will be banned.[xxi] This will apply to HFSS products included in the sugar reduction and calorie reduction programmes, and sugary drinks industry levy categories. These measures will reinforce current HFSS advertising restrictions. At the moment, HFSS advertising is banned in children's broadcast media and in non-broadcast media (such as online, cinema, print and out of home) where children make up 25% or more of the audience. HFSS advertising bans have also increased at a local level with Transport for London (TfL) banning HFSS advertising across the entire public transport network, and Bristol and some London boroughs banning HFSS advertising on all council-owned property.[xxii]

As part of its Farm to Fork Strategy the European Commission has updated its voluntary Code of Conduct on Responsible Food Business and Marketing Practices for businesses to follow to create a healthy and sustainable food system.[xxiii] The Code outlines that businesses need to commit to and provide evidence of how they are contributing to healthy diets and reversing the prevalence of non-communicable diseases. The Code of Conduct also includes a monitoring and evaluation framework to measure progress. If companies make insufficient progress the EC will consider legislative measures.[xxiv] There are also plans to implement a nutrient profiling model by the end of 2022 to restrict the promotion of health and nutrition claims on HFSS foods.[xxv]

In 2014, Mexico began restricting the advertising of less healthy food to children in broadcast media.[xxvi] In 2018, it also banned the use of cartoon characters to market and advertise less healthy products to children.[xxvii] In 2021, the states of Oaxaca and Tabasco have banned sale of less healthy "junk food" to children under 18. Other Mexican states are considering similar measures.[xxviii] In 2016, Chile introduced a ban on HFSS marketing and advertising to children and a ban on the sale of HFSS products in schools.[xxix]

Similar regulations restricting advertising of less healthy foods on broadcast media aimed at children have also been passed in South Korea, Ireland, Taiwan and Turkey.[xxx] Sweden, Norway and Quebec have banned advertising of all food and other commercial products aimed at children.[xxxi]

Cereal packages in Chile with health warning labels and plain packaging complying with marketing to children ban

Consumer demand for healthier food is increasing

Consumers are also demanding healthier products: a survey from The Grocer found that 64 per cent of UK consumers want to reduce their sugar and calorie intake and 40 per cent want to increase the amount of fruit and vegetables in their diet.[xxxii] In addition, they increasingly expect companies to take responsibility, with almost 60 per cent of consumers supporting increased advertising restrictions[xxxiii] and 76 per cent supporting promotion restrictions in supermarkets.[xxxiv]

If companies choose to ignore consumers' rising concerns for health, this could impact their bottom line in different ways. First of all, consumers might choose to purchase other brands that are more health-focused, which will impact sales and market share of more established brands who are slow to change. In addition, brands that keep selling and marketing products that consumers perceive as less healthy might suffer reputational damage as they may be seen as less ethical and responsible compared to competitors.

Table 1: Top food and drink manufacturers selling products in categories included in PHE's sugar and calorie reduction programmes

Holding Company	Headquarters	Examples of well-known UK brands
Nestlé	Switzerland	Shreddies, Cheerios, Aero, Milkybar, Smarties, Yorkie, Kit Kat, Toffee Crisp, Quality Street, Rowntrees, Nesquik
Arla Foods	Denmark	Arla, Cravendale, Skyr, Yeo Valley
PepsiCo	United States	Pepsi, 7up, Tropicana, Quaker, Naked, Walkers, Doritos
Unilever	United Kingdom	Magnum, Ben & Jerry, Carte D'Or, Cornetto, Lipton, Wall's, Marmite, Pot Noodle, Knorr, Solero, Viennetta
Mars	United States	Celebrations, Galaxy, Mars, Maltesers, M&M's, Milky Way, Twix, Dolmio
Coca-Cola	United States	Coke, Fanta, Sprite, Lilt, Minute Maid, Rose's, Powerade, Appletiser, Fuze Tea
Danone	France	Danone, Activia, Actimel, Cow & Gate, Oykos
Kraft Heinz	United States	Heinz, Farley's, TinyTums, Lea & Perrins, HP sauce
Mondelez	United States	Cadbury, Dairy Milk, Côte D'Or, LU, Milka, Nabisco, Toblerone, Trident
Associated British Foods (ABF)	United Kingdom	Jordans, Dorset Cereals, Ryvita
General Mills	United States	Häagen-Dazs, Yoplait, Nature Valley, Betty Crocker, Fibre One, Larabar
Kellogg's	United States	Coco pops, Crunchy Nut, Frosties, Pop Tarts, Rice Krispies, Special K, Pringles
Suntory	Japan	Ribena, Lucozade, Orangina
Post Holdings	United States	Weetabix, Alpen, Weetos
Britvic	United Kingdom	Robinsons, J20, Tango, Gatorade
Premier Foods	United Kingdom	Ambrosia, Angel Delight, Birds, Lloyd Grossman, Lyons, Mr Kipling
AG Barr	United Kingdom	Irn Bru, Barr, Rubicon, Snapple, Simply Fruit, Tizer, Bundaberg

List based on data from The Grocer Top Products 2019

How manufacturers can adapt

3

How manufacturers can adapt

Manufacturers can demonstrate they are adapting to regulatory changes and consumer trends by making commitments to increase the proportion of sales generated from healthier products and reporting on such efforts. Reporting on this metric shows that the actions taken as part of a company's nutrition strategy are translating into healthier products and sales, as this is the most relevant metric to better understand companies' impact on public health and their preparedness for regulatory and market trends towards healthier diets.

Companies should set long-term SMART targets to increase the proportion of sales generated from healthier products and report on progress on a yearly basis. All food and drink products should be included in the scope of reporting and companies should use a recognised independent nutrient profiling model from a government authority to define healthier and less healthy products. The box on page 17 provides an overview of some of the most relevant nutrient profiling models currently available worldwide.

Nutrient profiling models and their uses

Nutrient profiling models (NPMs) assess the nutritional value of food and drink products and are used for multiple purposes, from regulating the marketing of products to children and FOP labelling, to guiding reformulation efforts of food and drink companies.[xxxv] Some of the most notable and robust ones include the UK's HFSS model, the Australian and New Zealand Health Start Rating (HSR), the French Nutri-Score, and the NPMs from the World Health Organisation (WHO). These are all independent NPMs from government authorities that can be used for regulatory purposes.

The UK's HFSS model was developed in 2004 to help categorise products into healthier products and less healthy HFSS to regulate the marketing of food and drink products to children. Products are assigned a score based on the balance between positive and negative nutrients.

The HFSS model was used as a base for other NPMs around the world, such as the HSR and the Nutri-Score. These NPMs also assess the balance of positive and negative nutrients and are used for FOP labelling purposes. The HSR assigns a start rating from 0.5 to 5, with products scoring 3.5 and above considered healthy. The Nutri-Score on the other hand uses letters from A (healthy) to E (least healthy).

The WHO also has regional-specific NPMs that countries can adopt to restrict marketing of less healthy food and drink to children. These include the WHO EURO (for Europe), the WHO SEAR (for South East Asia region) the WHO WPR (West Pacific region), the WHO AFR (for Africa), and the PAHO NPM (Pan-American Health Organisation NPM used for the American continent). Unlike the other NPMs mentioned so far, these do not grant a score to the product based on the balance of nutrients. Instead, they look at thresholds of negative nutrients across product categories. Products above the thresholds cannot be marketed to children. The PAHO NPM also works slightly different as it specifically applies to processed and ultra-processed foods and considers the presence of artificial sweeteners, which other WHO NPMs don't take into account. The PAHO NPM criteria are currently being used in Mexico to implement strict FOP labelling.

There is no single global NPM or superior NPMs, as criteria vary according to use, region and dietary considerations. Nonetheless, companies should adopt government-endorsed NPMs, such as the ones mentioned above, as their internal NPMs and disclose this information. This would ensure that their nutritional criteria are robust and aligned with independent health guidelines, while also being transparent and open to scrutiny.

Data on manufacturer progress

4

Data on manufacturer progress

This section looks at whether there has been any progress on manufacturers reporting on the healthiness of their sales, and whether research analysing the healthiness of company sales show any signs of the industry improving its practices.

Company data is still lacking

Currently reporting on the healthiness of product sales is not common practice. Evidence of the lack of data on nutrition was recently highlighted by the World Benchmarking Alliance (WBA). In September 2021, the WBA published its first Food and Agriculture Benchmark which assessed 350 companies along the food supply chain on food system issues, from nutrition to sustainability and human rights. It found that nutrition is the most overlooked and least reported on food system issue by companies.[xxxvi] Only 12 out of 233 manufacturers worldwide were found to have targets to increase the proportion of healthier options.[xxxvii]

In its 2021 Global Index, the Access to Nutrition Initiative (ATNI) also found that only a handful of companies are reporting on increasing food and drink sales that align with their internal nutritional standards.[xxxviii] However, nutritional standards vary from company to company and for the most part are not clearly linked to government-endorsed NPMs.[xxxix] This makes it challenging to assess whether their standards are robust, in turn making it hard to understand company performance and how it compares to others. In fact, ATNI found that when comparing the healthiness of these companies’ sales using a government-endorsed NPM (the Health Star Rating), the results were quite different from the ones reported by the companies themselves. Except for Campbell, all companies' reported sales figures of healthier products were significantly higher.[xl] This clearly shows the need for more robust and transparent nutritional guidelines and reporting practices.

The lack of data and transparency means that investors have no way of assessing the impact of company efforts on nutrition. In the face of this data gap, independent initiatives and academic studies provide some insight into the healthiness of product sales and the direction of travel of the industry. Section 4.2 below covers the data sources that investors can use to get an overview of the sector’s performance.

Table 2: Companies reporting on healthy sales and how it compares to ATNI's data

Company	Company reported % healthy sales	ATNI 2021 Product Profile % healthy sales (HSR >=3.5)	% Difference
Arla	90	60	-33
Campbell	18	42	133
Danone	90	61	-32
General Mills	45	29	-36
FrieslandCampina	70	59	-16
Nestlé	80,5	43	-47
Kraft Heinz	76	41	-46
Unilever	61	17	-72

Source: ATNI 2021 Global Index

University of Oxford study on healthiness of UK sales

In August 2021 a study from researchers based at the University of Oxford analysed the healthiness of sales between 2015 and 2018 from the top 10 food and drink manufacturers.[xli] To do so the study applied the UK HFSS NPM to nutrient composition data for over 3000 products and weighted by volume sales, providing a sales-weighted nutrient profiling score for each company on a scale between 1 and 100 (with a score of minimum 62 for food and 68 for drinks indicating healthier non-HFSS products). Using this NPM shows which manufacturers sell more HFSS products, making them more vulnerable to upcoming regulation which will uses the HFSS model to regulate the marketing and promotion of products in certain categories.

The study found that between 2015 and 2018 there was little change in the sales-weighted average nutrient profiling score of all the products (going from 49 to 51) and in the proportion of products sold that can be classified as healthier, going from 46 per cent to 48 per cent of products. The study found that Coca Cola improved the most over the years, although its sales-weighted nutrient profiling score was still low, meaning its sales come from predominantly HFSS products. The companies with the highest sales-weighted nutrient profiling score were Danone and Kraft Heinz. Mars, Unilever, Nestlé and Mondelez scored poorly, with sales dominated by confectionery and snacks which are HFSS.

With just two companies out of 10 having sales that are on average non-HFSS, it indicates that the industry as a whole is not making enough progress to stave off further regulation and that current nutrition strategies are not ambitious enough to contribute to healthy diets.

Total sales-weighted nutrient profiling score by company and year.

Company Name	2015	2016	2017	2018
Danone	64	65	66	66
Kraft Heinz	62	62	63	62
PepsiCo	60	59	59	60
Kellog	53	53	54	56
Premier Foods	52	53	54	54
Coca-Cola	48	48	48	51
Mars	39	39	39	39
Unilever	39	38	39	38
Nestlé	32	32	31	35
Mondelez	31	30	30	31

Taken from Bandy et al (2021)[xlii]

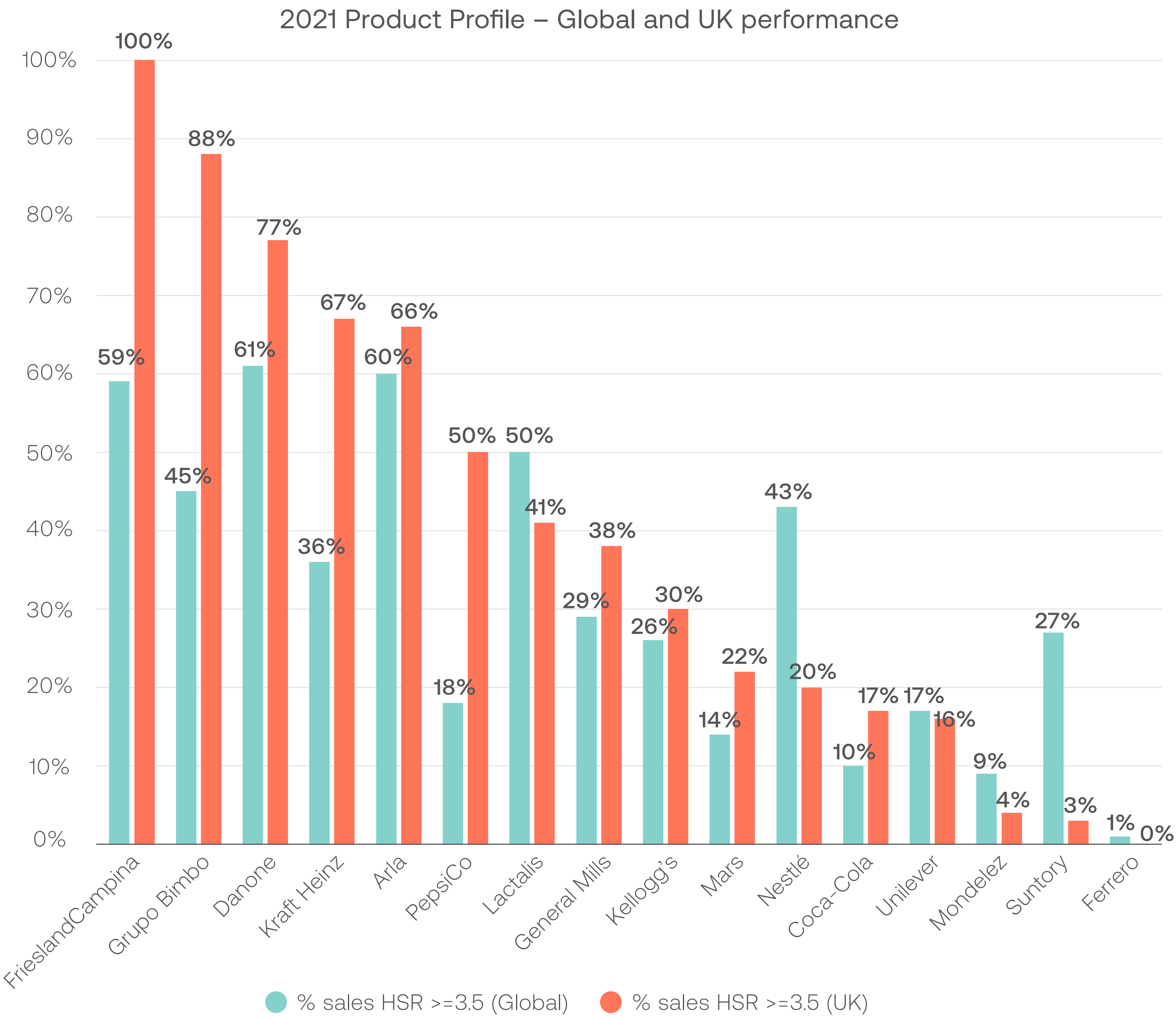
ATNI Product Profile performance

Since 2019 ATNI has published both global and country-specific product profiles, with research carried out by the George Institute for Global Health looking into the healthiness of both portfolios and sales of the world's largest packaged food and drink manufacturers. It does so by applying government-endorsed NPMs (the HSR and the WHO EURO) to sales data for each company, allowing investors to compare performance across the sector.

In 2021, ATNI published its second Global Product Profile which looked at the healthiness of both sales and portfolios of 25 companies across 25 countries. It shows that since 2019 there hasn't been much improvement when it comes to health. Only 31 per cent of products made by companies could be considered healthy (3.5 HSR or above), the same result as in 2019, and only nine per cent were healthy enough to be marketed to children.[xliii] Only four companies (Arla, Danone, FrieslandCampina, and Lactalis) were found to generate at least half of their sales from healthier products.[xliv]

The UK 2021 Product Profile shows similar results, with just 32 per cent of products in companies' portfolios defined as healthier. But encouragingly, this follow-up UK Product Profile, which includes 16 companies, shows initial signs that the industry is slowly shifting towards healthier sales. In fact, there has been a seven per cent increase in healthier sales since the 2019 UK Product Profile results, with 29 per cent of sales coming from healthier products (up from 22 per cent). This is a positive result, but the majority of UK sales, 71 per cent, still come from less healthy products. Moreover, this progress is driven by a handful of companies, with only six manufacturers (FrieslandCampina, Grupo Bimbo, Danone, Kraft Heinz, Arla and PepsiCo) generating at least 50 per cent of their sales from healthier products (up from five in 2019). Some companies' performance has even decreased since 2019 (Ferrero, Kraft Heinz, Mars, Mondelez, Suntory and Unilever), putting them at higher risks compared to their competitors. Far greater effort is needed from all manufacturers.

Figure 1: ATNI's global and UK Product Profile results - Percentage of sales derived from healthier products (3.5 HSR or above)[xlv,xlvi]



Data taken from 2021 ATNI Global and UK Product Profiles. This table excludes companies in the Global Product Profile that are not relevant to the UK market (Ajinomoto, BRF, Campbell, China Mengniu, ConAgra, , Keurig, Meiji,Tingyi, Yili).

If we look at category specific data in Table 3, we can clearly see that some categories are becoming increasingly healthier. Companies are performing well in the breakfast cereals category with all companies, excluding Kellogg's, scoring above 3.5 HSR. Categories such as Dairy, Soups, Ready meals, Rice, Pasta and noodles show that healthier products are possible and increasingly the norm. Companies with predominantly unhealthier products in these categories, such as Unilever, General Mills, Lactalis, Mars, Nestlé and Kellogg's, risk losing valuable market share to their healthier competition.

On the other hand, indulgent categories like ice cream, confectionery and sweet biscuits show very little progress and low HSR scores. This is understandable considering the nature of these categories which are harder to reformulate above the NPM threshold for healthier products. Nonetheless, companies whose portfolios and sales are heavily reliant on these categories (such as Mondelez, Ferrero, Nestlé and Unilever) are at increased risk. They should aim to reduce such risk through innovating less healthy products as much as possible, shifting the emphasis of their marketing spend toward healthier products within those categories and perhaps considering a diversification strategy toward more healthier product categories.

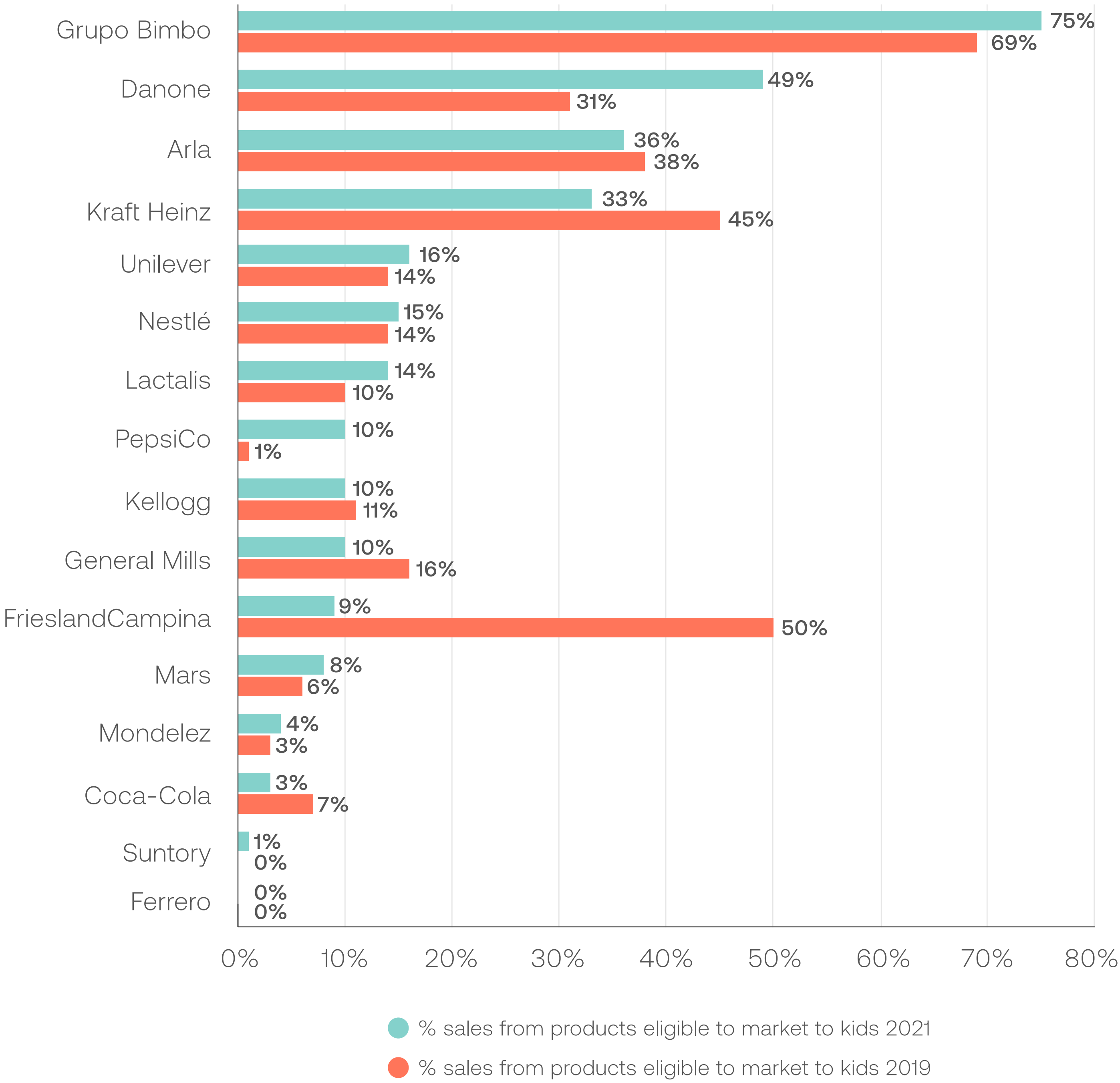
Table 3: 2021 UK Product Profile – category performance[xlvii]

Categories	Arla	Coca Cola	Danone	Ferrero	FrieslandCampina	General Mills	Grupo Bimbo	Kellogg	Kraft Heinz	Lactalis	Mars	Mondelez	Nestlé	PepsiCo	Suntory	Unilever
Baked goods				1			3.8					1.2				
Breakfast cereals						3.8		3.1					3.7	4.1		
Confectionery				0.6							1	0.8	1			
Dairy	3.4		3.9		4.2	3.5				3	2.8	2.7	3			
Ice cream + frozen desserts						1.7					1.6					2
Ready meals						2.7			3.6							
Rice, pasta + noodles											3.6					3.2
Sauces, dressings + condiments									2.2		3.3			3.1		1.9
Savoury snacks								2.1						3.1		
Soup									3.6							3.2
Sweet biscuits, snack bars + fruit snacks						2.5		2.5				1.4				
Sweet spreads				1												4
Beverages		3.1	3.1										2.9	3.8	1.8	

Scores that are healthier (3.5 and above) have been marked in green. Less healthy products scoring less than 3.5 HSR are marked in red

When we instead look at the sales from products healthy enough to be marketed to children using the WHO EURO NPM to assess healthiness (Figure 2), manufacturers have not made any progress. In fact, performance overall has decreased, with just 12 per cent of all products in portfolios suitable to be marketed to children and 88 per cent of total sales generated by unsuitable products (up from 85 per cent in 2019). This oversight puts companies at risk of losses both from increased restrictions on their products and practices and damaged reputation if consumers feel companies are not supporting their desire to live healthier lives.

Figure 2: Sales from products that can be marketed to children: comparison 2019-2021[xlviii]



Conclusion

5

How investors can get involved

With more regulation to improve food environments and rising consumer demand for healthier food, investors and other stakeholders increasingly want to know how food and drink companies are responding to these changes. One way to show commitment and action in this area is for companies to integrate nutrition into their strategies and demonstrate their impact by setting long-term targets to increase the healthiness of their sales using independent nutrition standards developed by government-endorsed nutrient profiling models. Though to date, lack of transparency around nutrition strategies and the healthiness of product sales continues to be a considerable oversight for companies that manufacture food and drink products.

In the meantime, data from independent initiatives provide valuable insight into company performance and help investors understand who is increasingly focusing on health and who is falling behind. The most recent global and UK ATNI Product Profile shows that companies are not stepping up their efforts to produce and sell healthier products, as the majority of companies' portfolios are still dominated by less healthy food and drink. There are encouraging signs coming from the UK and companies are starting to generate more sales from healthier products, an increase from 22 per cent in 2019 to 29 per cent in 2021, mostly driven by a handful of companies. The progress made by companies such as Danone, Arla and PepsiCo shows that change is possible. Competitors who continue to rely on less healthy products and ignore the risks and opportunities around healthy diets risk facing financial consequences and loss of market share if they don't catch up.

To help drive the industry forward, investors can use the data from ATNI and others within this report to engage with manufacturers and understand their plans to improve the healthiness of their products and sales. In particular, investors can help improve consistency across corporate efforts and reporting by encouraging manufacturers to:

- Use a government-endorsed NPM to classify healthier products
- Increase the proportion of sales from healthier products and ensure the scope includes all food and drink products
- Set long-term SMART targets and report on yearly progress in annual reports
- Publish a comprehensive food and health strategy outlining how they plan to increase healthier sales and support healthy diets

Join the Healthy Markets Coalition

To help with their engagement, investors can also join the Healthy Markets Investor Coalition, coordinated by ShareAction. With 30 members with over 2 trillion USD in assets under management, the coalition brings together asset managers and owners who recognise the risks and opportunities associated with childhood obesity. The coalition is committed to engaging with companies to create healthier food environments. Through such engagement, investors can help to secure the long-term value creation of their investments and contribute towards positive social impact.

Research, data and analysis collected and conducted by ShareAction is disseminated among coalition members and used as a framework for company engagement. Investors are supported, both individually and collaboratively, to engage with companies, including through facilitated calls or meetings, co-signing company letters, invitations to roundtables, and other collaborative events. Supporting asset managers are asked to agree to a set of commitments, including acknowledging the case for solutions to child obesity and actively engaging with companies on this topic. For asset owners who are not able to support these commitments directly, the expectation is to request that their asset managers 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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