

NUTRITION & WELLBEING



NUTRITION & WELLBEING: THE CONTEXT

Healthcare, one of our nine core positive pillars, was refreshed in 2017 as 'Health & Wellbeing'. For the first time our concept of healthcare has expanded holistically to include nutrition, diet, wellbeing and sport as well as pharmaceuticals and med-tech. We are signatories to the Access to Nutrition Index, and this Expert Brief examines the results of the 2018 Index survey, and our wider view of 'health & wellbeing' from an investment perspective.

WHAT IS THE ISSUE?

The benefits of eating a balanced healthy diet are well documented in terms of the social, economic and individual benefits. However, the twin healthcare issues we face globally are obesity and malnutrition with one in three people worldwide either over or under weight. Two billion people are now said to be either overweight or obese, and 815m people go hungry on a daily basis. Two billion people are thought to be lacking in vital micro-nutrients essential for healthy growth.¹

There is an economic cost as well as an individual one: It is estimated that by 2025, \$1.2 trillion will be required annually to treat the effects of obesity, whilst the costs of malnutrition are expected to be double that at \$2.1 trillion globally per annum.²

IS THIS A GLOBAL PRIORITY?



The UN Sustainable Development Goals (SDGs) have made zero hunger and good health & wellbeing core objectives for the period 2015-2030.

¹ <https://www.accesstonutrition.org/nutrition-challenges>

² <https://www.accesstonutrition.org/nutrition-challenges>

SDG2 *Zero Hunger*: Efforts to tackle hunger and malnutrition advanced considerably in the period 2000-2015, with the number of undernourished people world-wide reducing from 15% in 2000-2002 to 11% by 2016. However, in 2016, an estimated 155m children under five were stunted as a result of chronic malnutrition.³

SDG3 *Good Health & Wellbeing*: Since 2000 progress has been achieved on many health fronts. Focus in the next period is on reproductive, maternal, new born and child health. Achieving a target of fewer than 70 maternal deaths per 100,000 live births by 2030 requires a rate of reduction of at least 7.5% per annum - more than double the rate of progress so far achieved.

Only 53% of live births in Sub-Saharan Africa benefit from skilled medical care. The mortality rate of children under five in Sub-Saharan Africa remains high (84 deaths per 1,000 live births). Available data suggests 40% of countries have less than one doctor per 1,000 people. Premature death from heart disease, cancer, chronic respiratory disease and diabetes totalled 13 million in 2015, or 43% of all premature deaths.⁴ The 2030 UN target seeks to reduce this by one third.

WHAT IS THE INVESTMENT CONTEXT?

As responsible investors we invest in companies that have an impact (positive and negative) on global health. Our Health & Wellbeing pillar invests in sectors that save life, support healthy, active living and affordable, nutritious diets. However, food & beverage companies can also have a negative impact on health via foods high in sugar, salt and fats and which lack a range of balanced nutrients.

Under our negative screens, the Amity Funds exclude from investment tobacco and alcohol manufacturers, both a major cause of premature death. World-wide, more than 1.1 billion people smoke with 7 million premature deaths recorded. Up to 900,000 premature deaths arise from ambient inhalation.

³ <https://www.un.org/sustainabledevelopment/hunger/>

⁴ <https://www.un.org/sustainabledevelopment/hunger/>

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Alcohol related harm is a component cause of more than 200 communicable diseases, including cirrhosis and cancer. The World Health Organisation (WHO) estimates that world-wide, about 3.3 million premature deaths (5.9% of all deaths) were attributable to alcohol related harm.

- To achieve this by way of appropriate product formulation, pricing and distribution, and by way of
- Improved marketing, labelling and the promotion of healthy lifestyles.

WHAT IS THE ACCESS TO NUTRITION INDEX?



The Access to Nutrition Index (ATNI), launched in 2013, is an investor tool that assesses the contribution global food and beverage companies are making in addressing global nutrition challenges. The Index is supported by Global Alliance for Improved Nutrition (GAIN) and receives financial support, among others, from the Bill & Melinda Gates Foundation and the Dutch Ministry of Foreign Affairs (DGIS).

ATNI is an independent not for profit foundation based in the Netherlands.

Since launch in 2013, over 50 global investors, including EdenTree, have joined in support of the Access to Nutrition Index Investor Statement, with approximately \$5 trillion of assets under management. The Index reports its findings biennially.

WHAT IS ATNI's TARGET UNIVERSE?

The aim of the Index over time is to track the performance of the world's leading food and beverage companies in the area of malnutrition and diet related illness.

Its aims are to encourage companies:

- To increase consumer access to affordable, nutritious food;

The 2018 Index findings focus on a universe of 22 food and beverage companies which collectively operate in over 200 countries and generate in excess of \$500 billion in sales. They were chosen for their global influence and impact on nutrition and wellbeing. Companies selected include Nestlé, Danone, Unilever, Coca-Cola, Mars, Mondelez, Kellogg, Arla and Kraft-Heinz.

HOW ARE COMPANIES RANKED?

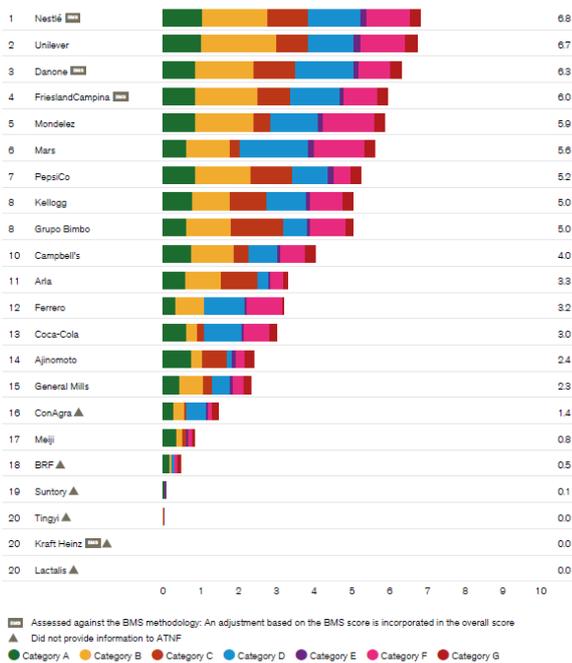
The ATNI methodology is complex, and measures companies across three areas:

- Corporate profile
- Product profile
- Exposure to Breast Milk Substitutes (BMS)

The Corporate Profile rating assesses company nutrition and under-nutrition related commitments across seven categories:

- Governance (12.5%)
- Products (25%)
- Accessibility (20%)
- Marketing (20%)
- Lifestyles (2.5%)
- Labelling (15%)
- Engagement (5%)

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75% of the scoring profile relates to nutrition and 25% to under-nutrition. Companies are scored on a scale of zero to 10 with the top performing company (Nestlé) scoring 6.8. A score of zero would indicate no evidence of any positive nutrition commitment; 10 would reflect best practice. In 2018, Nestlé, Unilever and Danone were ranked top three food and beverage companies out of 22. The lowest scoring company was Lactalis with zero.

WHAT ARE THE CORE FINDINGS?

The 2018 Index shows that the largest food and beverage companies are improving their efforts to promote healthy diets. The Index suggests the better performing companies have improved their commitment to affordability, marketing, labelling and product refreshment since 2016. Nevertheless, with the best performing company scoring just 6.8, ATNI expresses some concern that the pace of change is not fast enough.

Nine companies scored 5 or more compared to just 2 in 2016, with the average score overall rising from 2.5 to 3.3.

The Index finds that companies are responding positively to SDG2 with 11 committing to address under-nutrition; 12 highlight research and investment in under-nutrition whilst four indicate the use of bio-fortified staple foods or ingredients.

WHAT ELSE DOES ATNI LOOK AT?

New for 2018 is a product by product analysis of 23,013 lines from which ATNI judge less than a third to be 'healthy'. Only 14% of the products assessed appear to meet WHO Euro criteria for marketing to children, whilst none have more than 50% of their product portfolios meeting best practice for being fit to market to children. Perhaps, unsurprisingly, companies specialising in dairy (e.g. Danone) tend to have the best product profiles, those with mixed portfolios (such as Nestlé and Unilever) are in the middle rankings and snacks and confectionary companies towards the bottom.

ATNI also publishes a separate benchmark ranking the world's six largest BMS producers. The BMS Index continues to find companies falling below the standards set by the WHO Code on the Marketing of Breast Milk Substitutes (1981), although improvements are noted. In this Index, Danone achieves the best result (46%) with Nestlé second (45%). We do not use ATNI as our primary judge of BMS manufacturers, preferring to use the constituents of the FTSE4Good process, in which manufacturers have to comply with stringent in-country verification in order to secure inclusion in the Index. Companies failing to meet FTSE4Good's BMS criteria for inclusion would not ordinarily be viewed as suitable for inclusion in the Amity Funds.

WHAT IS EDENTREE DOING?

Our Health & Wellbeing pillar puts nutrition at the heart of our approach to healthcare. We have long been committed to the sector with leading positions in many of the world's largest pharmaceutical and med-tech companies. Since 2017 this approach has been complemented via the inclusion of diet, nutrition and sport, providing holistic support for prevention as well as diagnosis and cure.

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Where we invest in global food and beverage companies, we use the ATNI as an engagement tool to press for improved product governance; in emerging markets we engage to tackle malnutrition, stunted growth and premature death. Our positive screen can also act as a brake; companies that fail adequately to refresh their products or provide insufficiently nutritious options, high in fat, salt and sugar, may fail our positive screen and be avoided.

A vertical purple rectangular infographic. At the top left is a white plus sign. Below it, the text "Health & Wellbeing" is written in white. Underneath, the phrase "Businesses focused on" is followed by a list of six items: "Affordable Healthcare", "Access to Medicine", "Pharmaceuticals R&D", "Biotechnology", "Clinical Care", and "Nutrition & Wellbeing".

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Health & Wellbeing

Businesses focused on

- Affordable Healthcare
- Access to Medicine
- Pharmaceuticals R&D
- Biotechnology
- Clinical Care
- Nutrition & Wellbeing

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THE EDENTREE RI TEAM



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We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock-specific research to identify ethically responsible investment ideas for our range of Amity funds. Headed up by Neville White, Head of RI Policy & Research, and supported by Responsible Investment Analysts Esmé van Herwijnen and Jon Mowll, the team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of ethical and socially responsible investment concerns. Our ethical and responsible investment process is overseen by an independent Amity Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.

We hope you enjoy this RI Expert Briefing and find it useful and informative. For any further information please contact us on 0800 011 3821 or at ifa@edentreeim.com