



Access to Nutrition Index (ATNI)

In conjunction with MSCI

Paris

19 June 2012

ATNI Supported by:



BILL & MELINDA
GATES foundation

wellcometrust

Nutrition as a global health issue

Malnutrition has significant impact globally:

- 1 billion adults are **overweight** and more than 300 million are **obese**
 - In US, \$190B spent on obesity-related health care costs
 - Increasingly an issue in developing countries ('double burden of malnutrition')
- **Undernutrition** affects 1 billion people, primarily in developing countries
 - Leads to 3.5 million child deaths annually
 - Thought to account for up to 2-3% of lost potential GDP in developing countries

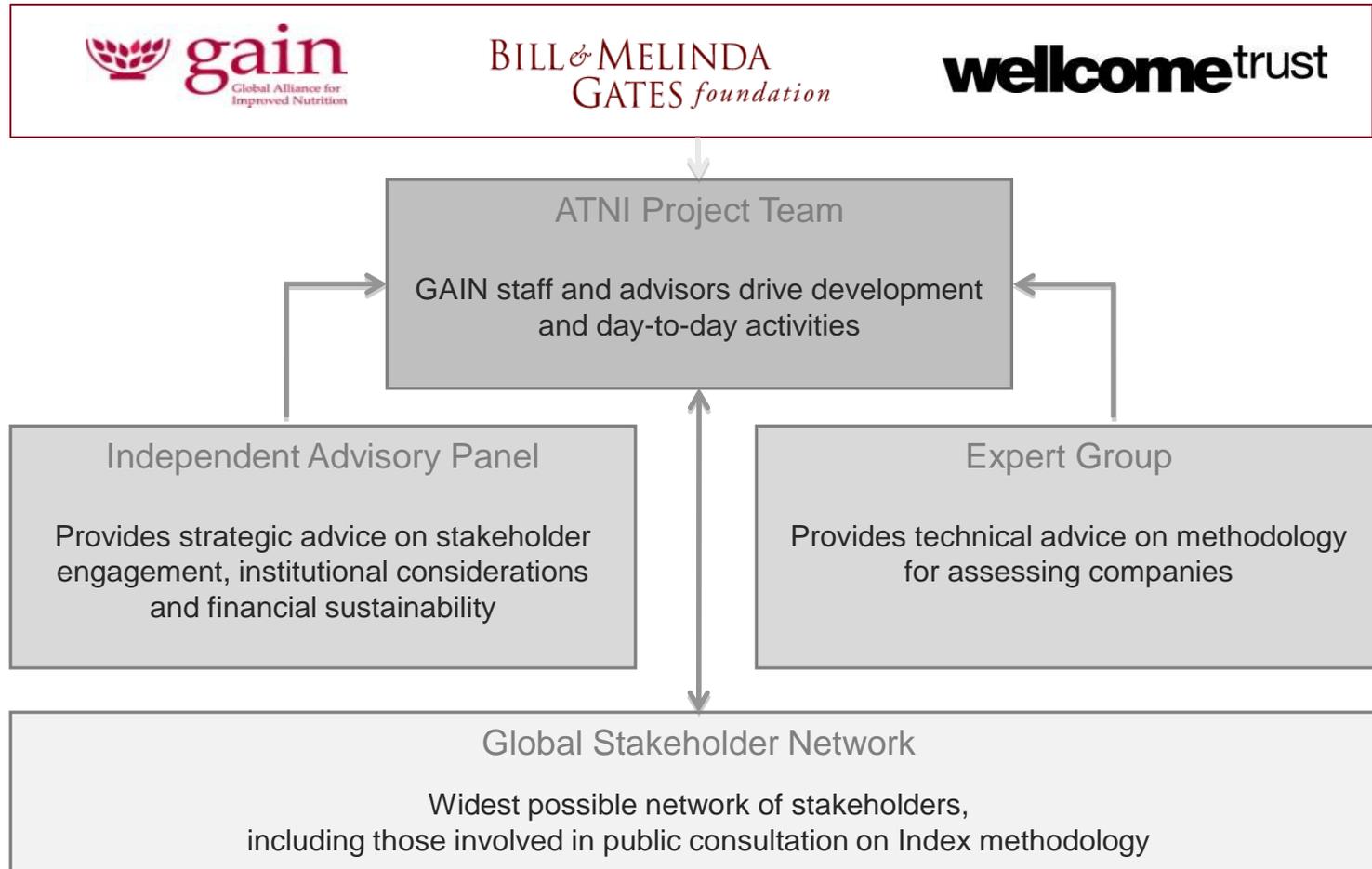
Implications for industry

Nutrition is a **major global trend** driving changes, risks and opportunities in the food & beverage (F&B) sector:

- The **future prospects** of F&B companies are closely linked to their response to reducing malnutrition (both obesity and undernutrition)
 - Consumers in developed world markets are increasingly seeking healthier foods
 - Significant opportunities exist in the developing world and are growing
- Given its size and reach, the private sector can play **an important role** in reducing malnutrition, along with other stakeholders

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- **ATNI will rate F&B manufacturers on their nutrition policies, practices, and performance** in order to:
 - Provide companies a tool for benchmarking their nutrition practices
 - Serve as an impartial source of information for investors and other stakeholders
 - **By encouraging companies to make continual and sustained improvements, ATNI ultimately seeks to help reduce malnutrition and improve health**
 - **ATNI is engaging investors in F&B manufacturers to help them understand nutrition issues and encourage assessment of companies' performance on this material, long-term strategic issue**

Governance and management



MSCI : Independent Research Provider for the ATNI

Role

- Contribute to the finalization of the ATNI methodology
- Provide research and analysis of F&B companies for Core and Spotlight Indexes

Experience

MSCI has more than 20 years of experience in ESG research (first ESG Index launched by KLD in 1990) and contributed to the first 5 Carbon Disclosure Projects as well as to the Access to Medicines Indexes

Conviction

MSCI believes that “Access” indexes are innovative tools to improve practices across the board (transparency and performance among industry and stakeholders)

Team

- Project team: 6 analysts in Mumbai, US and Mexico, 1 project manager, 1 technical expert and 1 support person in Europe
- Steering committee: Head of Marketing, Research and product development for ESG custom research

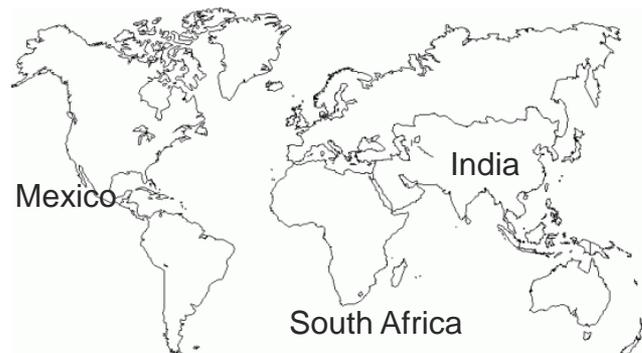
Malnutrition coverage:
Undernutrition through obesity

Stage of supply chain:
Food and beverage manufacturers only
(Upstream, retailers, and food service companies potentially included in the future)

Type of company:
Multinational corporations and regional companies

Core Index:
25 of the world's largest food and beverage companies (may include privately held companies)

3 Spotlight Indexes:
10 of the largest companies by F&B revenue in each market



Review of existing peer indexes

To build a 'best in class' index, extensive research was conducted to learn lessons from other ratings and rankings

Approach

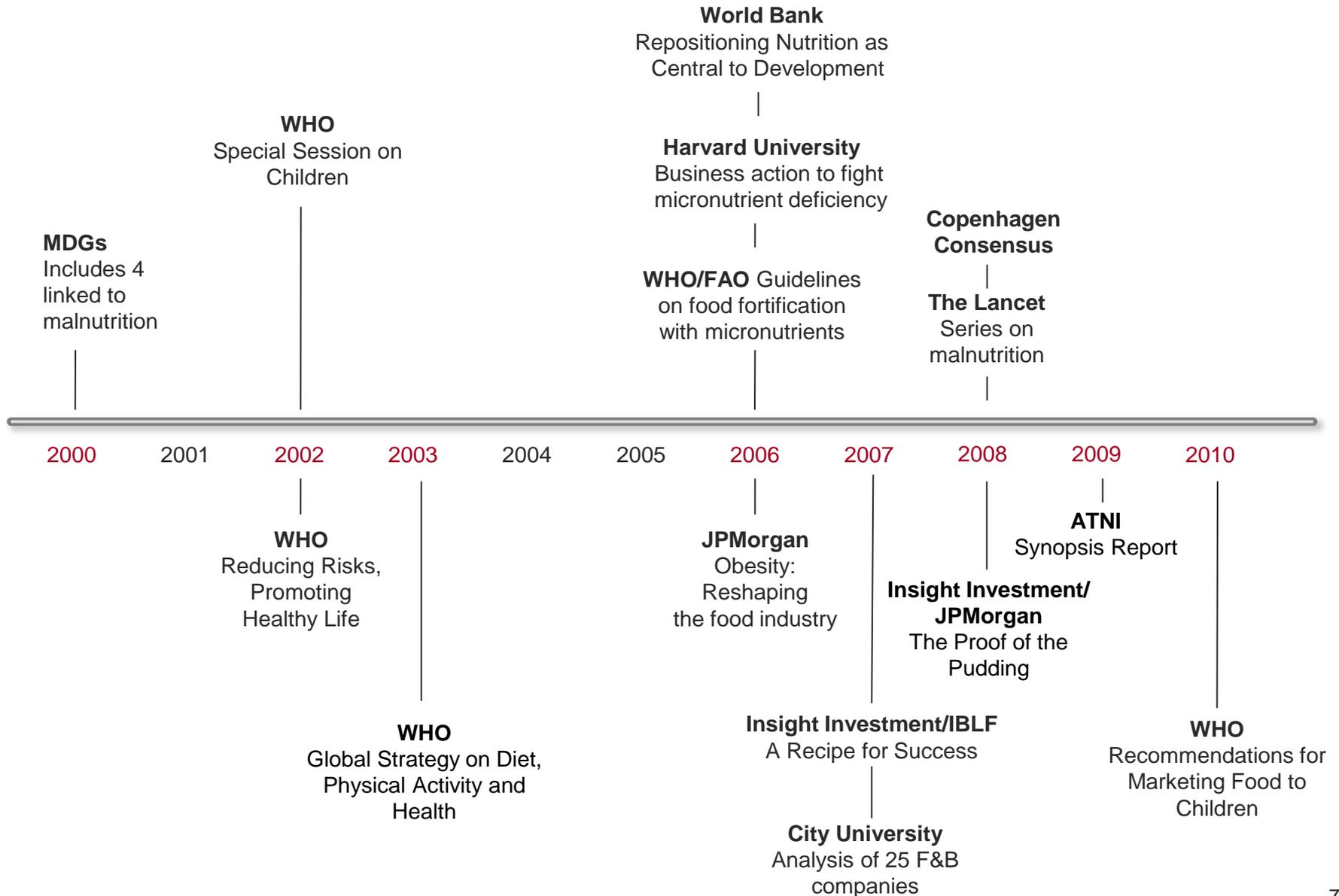
- Focused on 32 most relevant rankings, ratings and indexes
- Evaluated 60 elements
- Conducted interviews for more detailed review of 10 indexes
- Team members conducting research have significant experience in the development of indexes



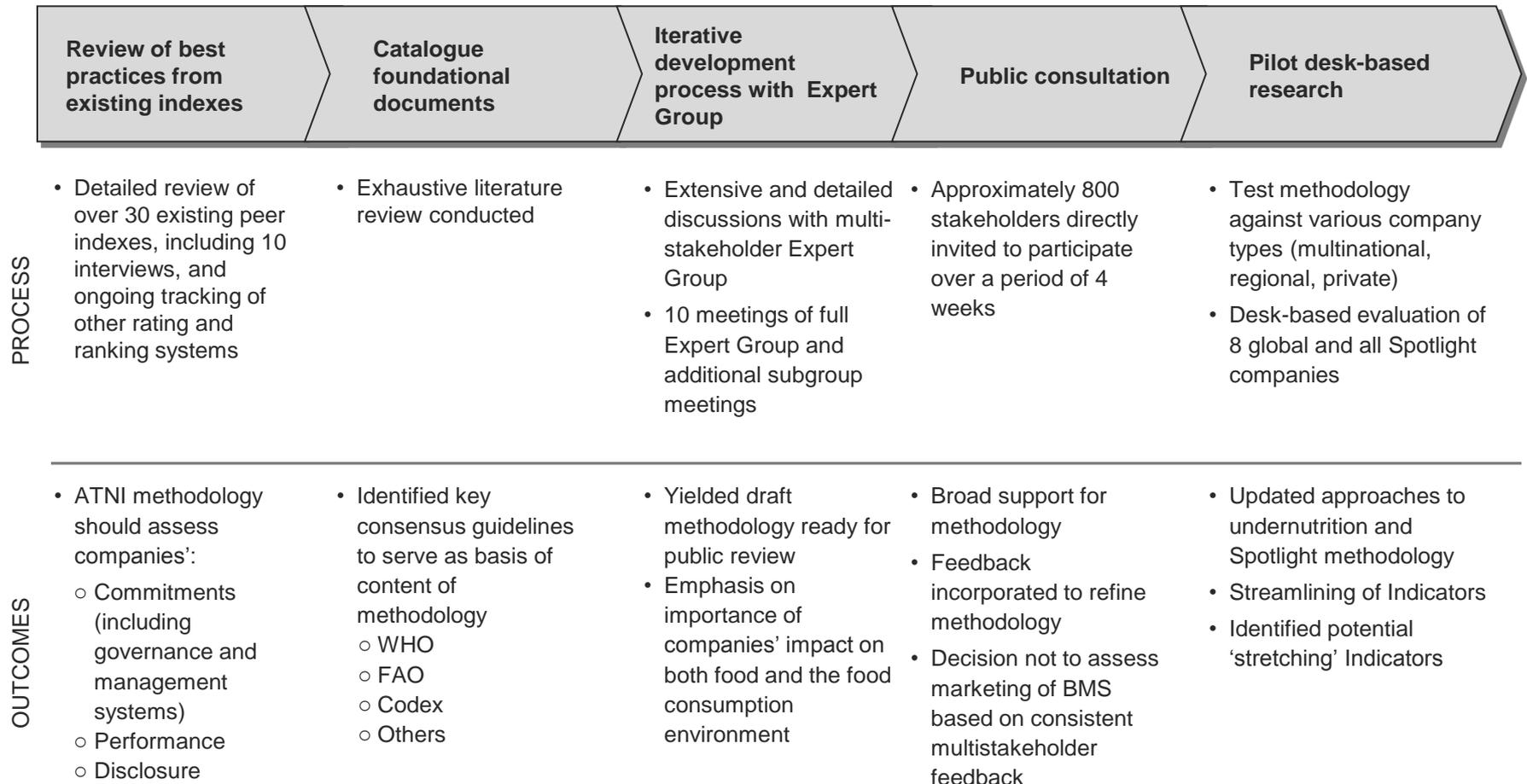
CARBON DISCLOSURE PROJECT



Foundations of methodology



Overview of methodology development



Methodology structure

CORPORATE PROFILE (Core & Spotlight Indexes)

Nutrition governance



Evaluating the level to which commitment to nutrition is embedded in core strategy and backed by financial / human resources

Formulating and delivering appropriate, affordable, accessible products



Evaluating the extent of companies' implementation of commitments relating to R&D, product formulation, pricing, and distribution

Influencing consumer choice and behavior



Evaluating the extent of companies' implementation of commitments relating to advertising, nutrition education, promotion of physical activity and engagement with policymakers and other stakeholders

PRODUCT PROFILE (Spotlight Indexes only)



Assessment of nutritional appropriateness, affordability and accessibility of representative selection of companies' product portfolios in Spotlight countries

Composite score for each company



Scores will also be available for each company by category

Undernutrition score

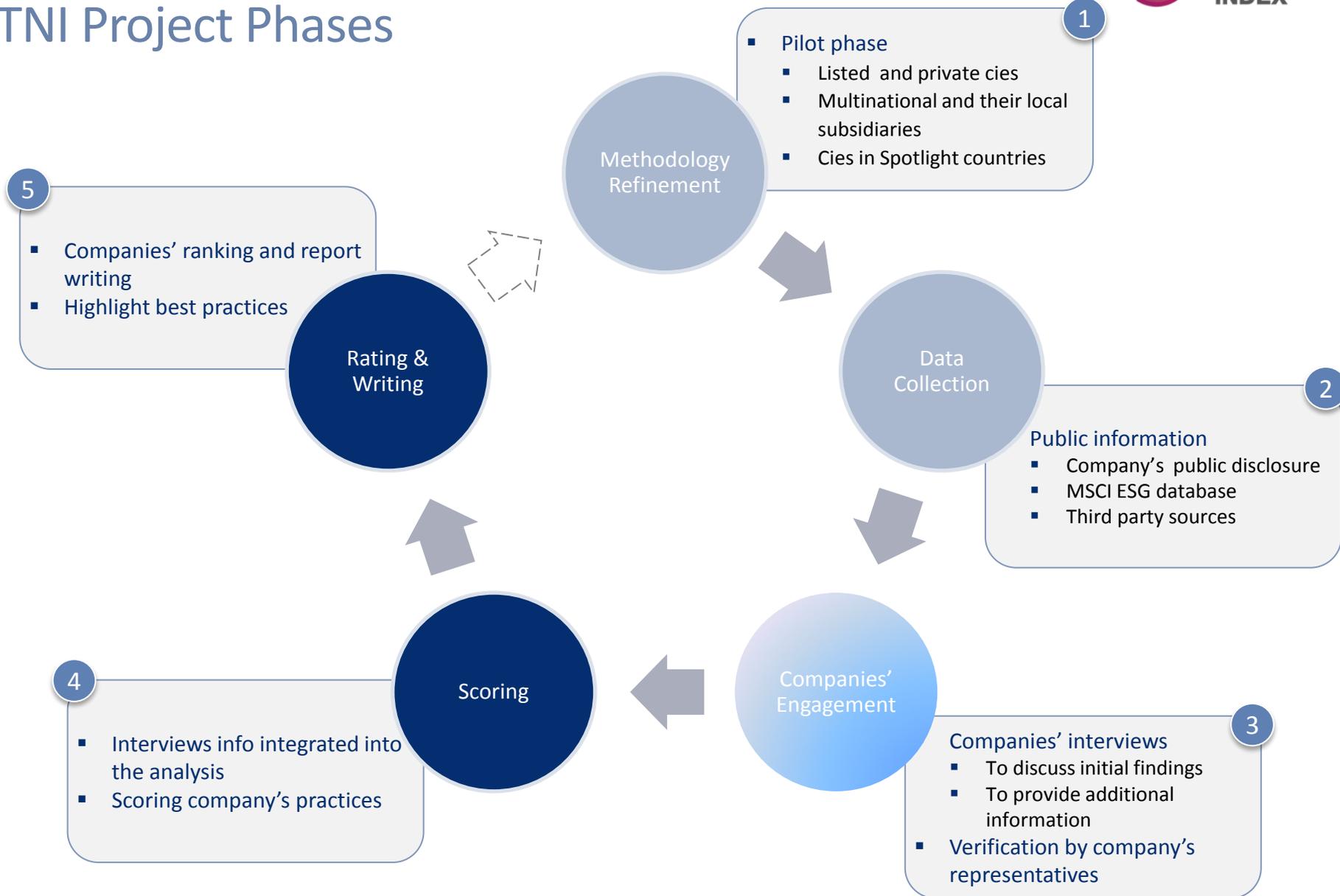
Corporate Profile structure



Criteria with additional undernutrition-specific Indicators in red

	Category	Description	Criteria
Providing access to appropriate, affordable foods	Section 1: Nutrition governance		
	A	Corporate strategy, management and governance	A1: Corporate nutrition strategy
			A2: Nutrition governance and management systems
			A3: Quality of reporting
	Section 2: Formulating and delivering appropriate, affordable, accessible products		
	B	Formulating appropriate products	B1: New product development
B2: Reformulating existing products			
B3: Nutrient profiling system			
C	Delivering affordable, accessible products	C1: Product pricing	
		C2: Product distribution	
Impact on food consumption environment	Section 3: Influencing consumer choice and behaviour		
	D	Responsible marketing policies, compliance and spending	D1: Responsible marketing policy: all consumers
			D2: Auditing and compliance with policy: all consumers
			D3: Advertising focus: all consumers
			D4: Responsible marketing policy: children
			D5: Auditing and compliance with policy: children
			D6: Advertising focus (children) and policy impact
	E	Supporting healthy diets and active lifestyles	E1: Staff health & wellness
			E2: Supporting consumer-oriented healthy eating and active lifestyle programs
	F	Product labelling and use of health and nutrition claims	F1: Product labelling
			F2: Health and nutrition claims
G	Influencing governments and policymakers, and stakeholder engagement	G1: Lobbying and influencing governments and policymakers	
		G2: Stakeholder engagement	

ATNI Project Phases



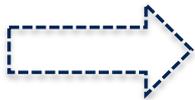
Research and Engagement phase

Desk-based Research

- Review corporate literature (websites, sustainability reports, press release, Annual reports)
- Review third party data sources
- Preliminary analysis

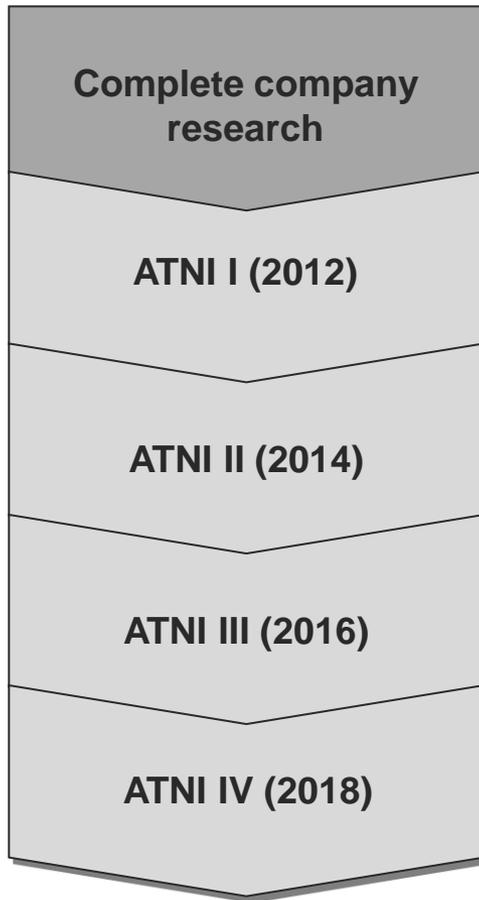
Companies' Engagement

- Interview with companies: Head of Nutrition, R&D, Sustainability, representatives from spotlight countries.
- Questionnaire: following the interview a questionnaire will be sent to collect quantitative data
- Review final profile: companies will be provided with their profiles to review for factual accuracy



ATNI is expected to be launched end of 2012/early 2013

Next-steps and long-term proposition

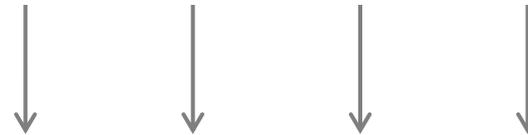


- Desk-based research on publicly available materials complete
- Engagement with companies underway

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- First Index scheduled for launch in late 2012 / early 2013
 - Institutional home established (outside of GAIN)

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- ATNI II published in 2014 and on a regular basis thereafter
 - Impact regularly monitored against metrics

- Methodology evolves over time to incorporate advances in practice, new evidence, policies, guidelines, standards, etc.



For more information, please visit www.accesstonutrition.org

Nutrition-related risks to companies are increasing in developed and emerging economies

Regulatory risk

Stimulated by concerns over obesity, many countries, states and cities worldwide are considering, or have already introduced:

- Regulations controlling F&B manufacturers' activities (e.g. trans-fat bans)
- Fiscal measures (e.g. 'fat' or soda taxes) which increase companies' costs and restrict their reach.

Corporate reputation/brand risk

- As media coverage of diet-related diseases increases, F&B companies are often portrayed in a poor light and as 'part of the problem'.
- F&B companies that do not take action to reduce trans-fats, fat, salt and sugar and introduce healthier products risk their brand values and corporate reputations

Market /revenues/share price risk

Concerned about their weight and diet-related diseases, consumers in developed markets are switching spending away from perceived unhealthy products and moving towards healthier options.

- Healthier packaged foods grew by 6% a year from 2002-08, compared to 3% a year for overall packaged food growth (Bernstein Research, 2011)
- Companies are acquiring and divesting businesses in order to produce 'healthier' products and/or expand into healthier product categories

Litigation risk

- Some companies have already faced litigation for the foods they sell, and how (e.g., McDonald's and Kellogg's). No lawsuit has yet succeeded, but the risk remains. (Stern, 2010, CBS MoneyWatch.com)
- Commentators as far back as 2002 have referred to unhealthy food as 'the next tobacco' – inferring that governments may sue companies to recover some of the public costs of treating obesity and related diseases stemming from food choices and lifestyles. (Brownell & Warner, 2009)

Investment case for nutrition: opportunities



Nutrition-related opportunities for companies are also increasing in developed and emerging economies

Large, untapped market

- Globally, 3.7 billion have incomes of less than \$8 per day and spend about 50% of their income on food (est. USD1.3 trillion) (Global Agenda Council for Food Security).
- As their income grows, they are likely to increasingly buy packaged foods, representing a large, untapped market opportunity for companies.
- Major investors are looking for product innovation and market penetration from leading food companies.

First mover opportunities

- Companies that are on the front-foot on this agenda are able to capitalise on positioning themselves as 'nutrition' companies and win brand loyalty, market penetration, and future growth
- By participating in public-private partnerships to address nutritional deficiencies in-country, companies can build good relationships and reputations with governments that may pay dividends in future, in terms of access to markets and preferential treatment.

Fast-growing segment

- 8 out of 10 of the fastest growing F&B categories are linked to health (e.g. probiotic drinks: 13%; frozen fruit: 12%; dairy/dairy sub-drinks: 11%). (Dexia Asset Management, March 2009)
- Top 10 new F&B products launched in the US in 2006-7 were health-oriented without sacrificing taste: Campbell's Reduced Sodium Soup (\$101 million); Bird's Eye Steam Fresh Frozen Vegetables (\$87 million); Vault/Vault Zero Regular and Diet Drinks (\$70 million). (Dexia, ibid)

Improved margins

- Healthier foods provide F&B manufacturers with the opportunity to improve gross margins through:
 - Premium pricing
 - Lower COGS through reformulation and reducing packaging size while maintaining a similar retail price (Dexia, ibid)

Investors are a critical stakeholder

- Major ESG investor brands and regional investors in US, Europe, Asia, Africa, Latin America have been consulted throughout the development process
- Investors are represented on advisory groups (GEPF, SAM, F&C, BCAM)
- ATNI outputs intended to be of value to both mainstream and sustainable/responsible investors



What investors can do in 2012

1. Sign investor statement
2. Facilitate engagement with companies
3. Provide feedback