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**Author/s:**

Robinson, E;Carey, R;Parker, C;Sacks, G

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# Investing for Nutrition and Obesity Prevention: Current Practice in Australia

Findings brief | August 2021

**Ella Robinson, Rachel Carey, Christine Parker and Gary Sacks**

Based on the peer-reviewed academic publication: Robinson E, Parker C, Carey R, Sacks G. The Extent to Which Obesity and Population Nutrition Are Considered by Institutional Investors Engaged in Responsible Investment in Australia – A Review of Policies and Commitments. *Frontiers in Psychology*. 2020;11:577816.





## Summary

- Unhealthy diets, obesity and related non-communicable diseases are the leading cause of death and disability worldwide and represent a major public health challenge!
- Addressing unhealthy diets and obesity will require comprehensive societal change, including comprehensive action from governments and food companies to improve the healthiness of food systems.
- Investors can contribute to change through their investment decisions. They also stand to benefit from the positive societal and economic impacts associated with obesity prevention efforts.
- In 2019/20, we reviewed a large sample of Australian institutional investors, asset management companies and superannuation funds, to investigate how these investors were incorporating nutrition and obesity-related considerations in their decision-making.
- We found that 18 out of 35 investors included nutrition and obesity-related considerations in their investment decision-making, albeit in limited ways.
- The most common way in which nutrition and obesity were considered was through so-called 'ESG (Environmental, Social, and Governance) integration' strategies. Most often, this was through considerations related to 'health' in the general sense, e.g., broad health and wellbeing considerations in selecting investment portfolios. Some investors explicitly considered the healthiness of a food company's products in determining whether to invest or not.
- Examples of ways in which nutrition and obesity-related considerations were being applied included investors actively engaging with food companies to encourage them to improve their nutrition-related policies and practices, and screening food companies based on risks associated with the healthiness of their product portfolios.
- The findings of this research point to the need for:
  - Consistent nutrition-related sustainability reporting by food companies, guided by clear reporting frameworks;
  - The availability of comprehensive nutrition-related ESG data for investors, accompanied by agreed nutrition-related performance benchmarks;
  - More guidance on best practices for investors and the food industry.
- Further research will help to identify how the investment community can best support efforts to address obesity and improve nutrition in Australia.

## Background

Unhealthy diets, obesity and related non-communicable diseases are the leading cause of death and disability worldwide and represent a major public health challenge.<sup>1</sup>

The main drivers of unhealthy diets and obesity are unhealthy food systems, dominated by the supply and marketing of unhealthy, processed foods and beverages.<sup>2</sup> There are high individual, societal and economic costs associated with unhealthy diets and obesity. In Australia, the economic costs of obesity alone surpass \$8.4 billion per year.<sup>3</sup>

Addressing unhealthy diets and obesity will require comprehensive societal change, including comprehensive action from governments and food companies to improve the healthiness of food systems. Globally and in Australia, progress to address obesity and improve population diets has been slow. There is an urgent need to identify new strategies for encouraging a shift towards healthier food systems.

Responsible investment - in which environmental, social and governance (ESG) considerations are incorporated into investment decision-making - is a potentially powerful avenue for increasing food industry action on nutrition, obesity and health.

### Why should investors focus on nutrition and obesity?

Regulatory risks are increasing for companies in the food sector. Globally, governments are increasingly introducing taxes to reduce consumption of unhealthy foods and drinks, marketing restrictions on unhealthy products, and mandatory nutrition labelling. There is also growing community pressure on the food industry to better address nutrition concerns, including

increased public exposure of ways in which food and beverage companies undermine public health. Consumers are also becoming better informed about the negative health and planetary impacts of unhealthy, processed foods and beverages. These developments present both risks and opportunities for investors.<sup>4, 5, 6</sup>

### Investors that incorporate nutrition and obesity-related considerations into investment decision-making can manage risks and opportunities associated with food industry investments.

The purpose of this research was to understand how a key social issue, obesity and unhealthy diets, is framed and addressed by a sample of leading responsible investors in Australia.

## What we did

We reviewed a sample of institutional investors operating in Australia that were engaged in responsible investment. This sample comprised 35 asset managers and superannuation funds<sup>7</sup> identified through reports published by the Responsible Investment Association of Australasia.<sup>8, 9</sup>

We searched investor websites and United Nations Principles of Responsible Investment transparency reports (up until December 2019) using key terms related to nutrition and obesity. We identified ways in which investors were incorporating nutrition and obesity-related considerations in their decision-making.

The strategies we identified were grouped according to nutrition and obesity-related 'themes' (see Table 1).

**Table 1** Nutrition and obesity-related themes and definitions

Theme	Definition
<b>General health considerations</b> (relevant to nutrition and obesity)	Broadly defined investment considerations related health, obesity and Sustainable Development Goal (SDG) 2 and SDG3
<b>Company nutrition policies and practices</b>	Considerations/engagement activities related to policies and practices of the food industry (e.g., food marketing, food reformulation and product development, disclosure around relationships with external groups)
<b>Company product portfolio</b>	Considerations related to the healthiness of company product portfolios

## What we found

Eighteen out of 35 investors incorporated investment considerations related to nutrition and obesity, albeit in limited ways.

We categorised the strategies that investors were using to incorporate nutrition and obesity-related considerations into broad categories (refer to Table 2).

The most common way in which nutrition and obesity were considered was through so-called ‘ESG integration’ strategies. Most often, this was through considerations related to ‘health’ in the general sense (e.g., broad health and wellbeing considerations in

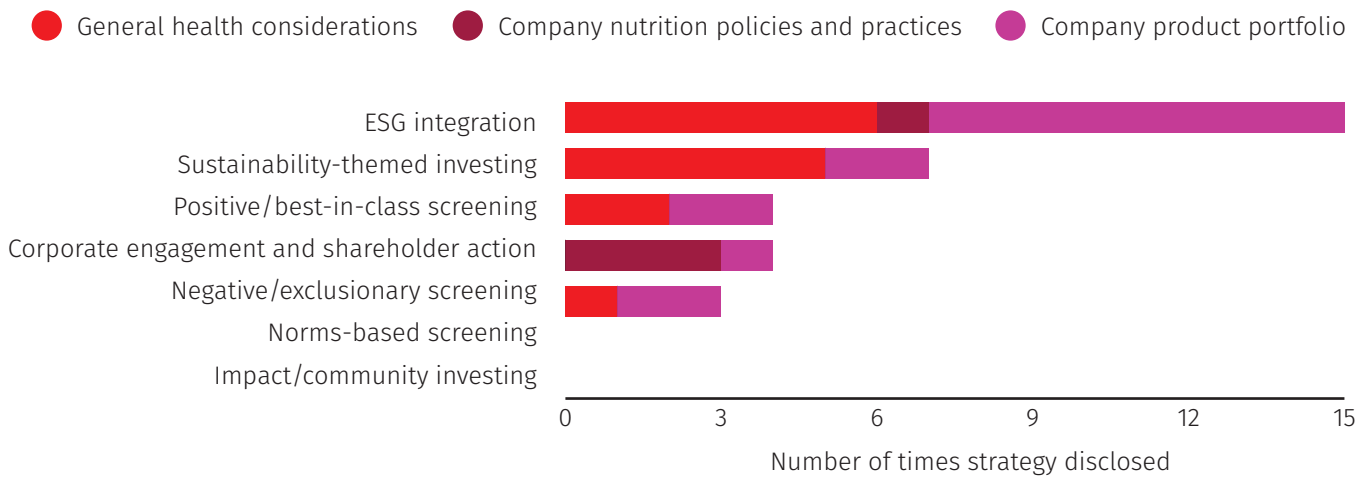
selecting investment portfolios). Some investors explicitly considered the healthiness of a food company’s products in determining whether to invest. Considerations related to ‘company nutrition policies and practices’ were less commonly disclosed.

A small number of investors reported using corporate engagement and shareholder action and negative screening, whilst no examples of impact/community investing or norms-based screening were publicly disclosed. Figure 1 outlines the investment strategies and themes identified.

**Table 2** Categorisation of responsible investment strategies

<b>Responsible investment strategy</b>	<b>Definition</b> <sup>(adapted from 9)</sup>
<b>Negative/exclusionary screening</b>	Screening that systematically excludes specific sectors, companies or practices based on ESG criteria.
<b>Positive/best-in-class screening</b>	Screening that includes sectors, companies or projects based on positive ESG or sustainability performance relative to industry peers.
<b>Norms-based screening</b>	Screening of investments that do not meet minimum standards of business practice, based on international norms and conventions (e.g., those from the United Nations).
<b>Corporate engagement and shareholder action</b>	The employment of shareholder power to influence corporate behaviour in relation to ESG issues (e.g. corporate engagement, filing or co-filing shareholder proposals and proxy voting).
<b>ESG integration</b>	The systematic and explicit inclusion of ESG factors into traditional financial analysis and investment decision-making.
<b>Sustainability-themed investing</b>	Investment in themes or assets that specifically relate to improving social and environmental sustainability.
<b>Impact/community investing</b>	Impact investing includes targeted investments aimed at addressing social or environmental issues whilst also creating positive financial returns. Community investing includes investment in underserved individuals or communities, as well as businesses with a social and environmental purpose.

**Figure 1** Investment strategies and corresponding nutrition and obesity-related themes observed among 35 institutional investors in Australia, 2019/20



### Illustrative examples of ways in which nutrition and obesity-related considerations are being applied



Actively engaging with food companies to improve their nutrition-related policies and practices (such as sugar reformulation or marketing to children policies):

*“AMP Capital fund managers have been meeting with the boards and management of Australia’s largest food and beverage manufacturers asking for reductions in sugar usage and changes to the way the companies advertise to children. AMP capital has been asking food and beverage companies to report on their progress meeting sugar reduction targets as well as for details of advertising policies and information about how they fund scientific research.”<sup>10</sup>*



Assessing food companies on their commitment to nutrition and health and excluding underperformers:

*“Christian Super will review major food (including fast food) producers to assess their overall commitment to nutrition and health through their product range, marketing practices and promotion of active lifestyle, with a view of excluding those companies that consistently perform below industry standards.”<sup>12</sup>*



Screening food companies based on the healthiness of their product portfolio (as determined by World Health Organization guidelines):

*“Food must be nutritious before we can invest in its production. In assessing whether a food can form part of a balanced and healthy diet we take into account credible sources like the World Health Organization’s (WHO) healthy diet guidelines. In practice, this means we are unlikely to invest in producers of food that is overconsumed (e.g., sugar) and look more favorably on producers of fruits, vegetables, legumes, nuts and whole grains.”<sup>11</sup>*



Divesting from food companies with high-risk exposure to unhealthy foods:

*“Over the quarter, we sold out of CT Holdings as we believe many of its underlying businesses will face sustainability headwinds longer term due to a rising share of unhealthy foods through some of their own brands and franchise partnerships with KFC (Kentucky Fried Chicken) and TGIF (TGI Fridays).”<sup>13</sup>*

The findings indicate that nutrition and obesity are emerging issues within the institutional investment sector in Australia. While some investors are reportedly taking steps to incorporate nutrition and obesity-related concerns as part of their investment decisions, nutrition and obesity do not appear to be considered in a comprehensive, consistent way.

### What could support investors to make evidence-based decisions concerning nutrition and obesity?

- Consistent nutrition-related sustainability reporting by food companies, guided by clear reporting frameworks;
- The availability of comprehensive nutrition-related ESG data for investors, accompanied by agreed nutrition-related performance benchmarks;
- More guidance on best practices for investors and the food industry.

**Our future research will focus on engaging directly with investors to identify opportunities for progressing an investment agenda that contributes to efforts to address obesity and improve population nutrition in Australia. We welcome feedback from stakeholders on how best to progress this work.**

#### More information

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For more information on this project, please refer to our open access publication here:  
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For more information about current practice in Australia in relation to investing for sustainable food systems, please refer to the companion findings brief *Investing for Sustainable Food Systems: Current Practice in Australia*.

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**For more information, contact:**

**Ella Robinson**  
[ella.robinson@deakin.edu.au](mailto:ella.robinson@deakin.edu.au)

**A/Prof Gary Sacks**  
[gary.sacks@deakin.edu.au](mailto:gary.sacks@deakin.edu.au)