

Obesity concerns in the food and beverage industry

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1. Overview

Globally, obesity is an increasingly major health problem, both in terms of patient numbers and severity. According to a report by the World Health Organisation, three million deaths annually are attributable to being overweight or obese.

Lawmakers, health groups and consumers are increasingly linking

consumption of certain food and beverage products with obesity, which has turned the issue into a serious business concern. The key potential risks identified relate to changes in the regulatory environment, litigation and consumer resistance. Food and beverage producers failing to respond to the obesity issue risk a negative impact on sales.

This briefing seeks to identify the areas of potential risks associated with obesity, and ways in which these may materialise in the short to medium term for food and beverage producers (including fast food chains). The briefing also examines the policies and strategies adopted by six of the largest food and beverage producers in order to mitigate those risks set against the indicators devised by EIRIS (see sections 6 and 9). Finally, the briefing discusses how food and beverage companies could further decrease their risk exposure to obesity. The key findings are as follows:

- Although a number of positive steps have been taken, food and beverage producers are not yet doing enough to manage their obesity risks

- Whilst not fully accepting responsibility for obesity, companies are increasingly recognising obesity as a SEE risk
- The majority of the six companies researched do not publicly acknowledge that they have a role to play in addressing childhood obesity (see section 8)
- Food and beverage producers generally fail to publish obesity-related targets and Key Performance Indicators (KPIs) making it difficult to assess their strategies and achievements

The six companies assessed in this briefing have made steps towards mitigating their risks associated with obesity through the adoption of one or more of the following strategies:

- development of healthier products to provide more choice
- reduction of single portion sizes
- provision of clearer food labelling
- review or development of policies on marketing and advertising especially in reference to children
- development of health-related targets and dialogue with other actors on strategies to address obesity

However, the effectiveness of the voluntary measures so far adopted by food and beverage manufacturers to address obesity is being disputed by health pressure groups and governments have come under increased pressure to intervene and pass legislation.

2. Background

2.1. Scale of the obesity problem

The World Health Organisation (WHO) believes obesity has reached epidemic proportions. Globally, more than one

billion adults are overweight, of whom at least 300 million are obese.

A person is generally considered obese if he or she is overweight by 20-30% of their ideal body weight or has a Body Mass Index (BMI) of 30 or above. A person is described as overweight if s/he has a BMI between 25 and 30, whereas someone with a normal weight has a BMI between 18 and 25.

Obesity is associated with an increased risk of serious illnesses, including heart disease, type two diabetes, hypertension, stroke and certain forms of cancer. Obesity-related illnesses are estimated to account for as much as seven percent of total healthcare costs in the European Union. In May 2003, the US journal *Health Affairs* reported that in the US, the obesity health bill is estimated to be nearly USD 100 billion per year.

Childhood obesity is a particular source of concern. More and more children are either overweight or obese putting children's long-term health at risk. Also, the risks of developing obesity-related diseases as an adult are increased considerably by being obese as a child.

In the US, nearly two-thirds of American adults are overweight, and nearly one third are obese. Around 30% of US children and teenagers are believed to be overweight (with 16% estimated obese), a figure that has more than doubled in the past 40 years.

The situation is almost as critical in Europe. EU figures estimate that around 14 million EU children are currently overweight or obese, of which more than three million are obese. This figure is expected to continue to rise for the foreseeable future.

In Britain the incidence of obesity has almost trebled in the last 20 years. Ten years ago, 14% of the UK population were categorised as obese. Today, that figure has increased to 22%, with over half of women and over two-thirds of men either overweight or obese. Nearly one in six British children is overweight, six percent are obese.

Although the US, Australia and Europe are still among the world's worst affected regions, obesity is also increasingly prevalent in the developing world - such as in Mexico, the Philippines and China - where the newly wealthy have increased access to imported 'junk food' which tends to be associated with status.

2.2. Causes of obesity

It is believed that a diet rich in calories, because of its high saturated fat and/or sugar content, and with poor nutritional value, contributes to obesity. The food and beverage products which make up such energy-dense diets are usually referred to as junk food or fast food.

Although health experts recognise that the causes of obesity are diverse and complex, they unanimously refer to a sharp decline in physical exercise and an increasingly sedentary lifestyle. The effects of increased car, computer and television use are believed to be compounded by a change in eating behaviour and diet, as well as by increased food availability and affordability.

Increasing numbers of people are consuming a substantial amount of energy-dense fast food, sugar-sweetened soft drinks and pre-prepared meals, which all tend to be high in fats and/or sugar. According to the British Medical Association (BMA), eating behaviours linked to obesity include

snacking, binge-eating and eating out frequently.

These trends in inactivity and eating behaviour affect children in particular. In the report '*Preventing Childhood Obesity*' published in June 2005, the BMA claims that the diet and exercise regimes of children are mainly influenced by parental diet and behaviour, socio-economic status and the influence of marketing. With regard to the latter factor, the BMA argues that the modern economy encourages the consumption of foods (often processed) which are high in fat, salt and sugar.

The BMA believes that "it is difficult for parents to control their children's food choices as advertisers, fast food chains, food manufacturers and schools are explicitly encouraging the consumption of unhealthy foods¹. Parents are often overwhelmed by the demands of their children and give in to so-called 'pester power'."

Further, the BMA claims that "marketing is effective in influencing food choices made by children and parents, but unfortunately there is often a marked discrepancy between the nutritional quality of the foods marketed at children and the requirements for a healthy diet. It is likely that some children are not able to make informed judgements about the advertisements they see."

2.3. Current climate

2.3.1. Marketing

Under existing EU and US rules, as long as food safety regulations are met, food and beverage manufacturers are left fairly free to market any product they want and are mainly faced with restrictions in the way they promote it. In part to avoid any further restrictions

by regulators or legislators, most large companies have developed their own voluntary codes on marketing practices, often with reference to children.

However, many health lobbying groups claim this system of self-regulation is not working and recommend an outright ban on the marketing of unhealthy foods to children. Policy & Public Affairs Director of the International Obesity Task Force (IOTF), Neville Rigby, says in this respect: "Marketing campaigns are always short-lived. Companies often go ahead with controversial campaigns, apologise to the public when a complaint comes in and then simply go on to their next campaign. They are happy to risk fines, which are too insignificant to work as a deterrent."

The British media regulator Ofcom, on the other hand, is more cautious. Although it believes that food promotion is having an effect on children's preferences, purchase behaviour and consumption, it describes this effect as "modest". On this basis, Ofcom concludes that a total ban on junk food advertising pertaining to children would be both ineffective and disproportionate in its wider impact.

Striving for a coordinated European approach, the European Commission has recently taken a number of obesity-related initiatives. In December 2005, EU Health and Consumer Protection Commissioner Markos Kyprianou launched a public consultation round to find ways to reduce obesity in the EU, which coincided with the adoption of a Green Paper on the promotion of healthy diets and physical activity. Among other points, the paper aims to stimulate discussion on the adequacy of self-regulation in relation to the advertising and marketing of energy-dense and micronutrient-poor foods.

At the European Congress on Obesity in June 2005, Commissioner Kyprianou revealed plans for a European code of conduct to control the marketing of unhealthy foods to children and indicated that the European Commission would consider issuing regulations if voluntary measures fail to rein in obesity rates. Also the EU Platform on Diet, Physical Activity and Health, launched in March 2005 and in which the WHO participates, is looking into concrete actions to reverse the current obesity trend.

2.3.2. Labelling

Growing public interest in a healthy diet has meant manufacturers and consumers are increasingly focussing on nutrition labelling as a potential tool for identifying healthier foods. Nutrition labelling refers to any information on food labels relating to energy value (commonly measured in calories), protein, carbohydrates, fat, fibre or sodium. The provision of nutritional information is not yet compulsory in the UK or the EU, unless the manufacturer makes nutritional claims about its product.

Some UK food industry observers believe that current food labelling requirements do not go far enough. For example, there are no guidelines on the levels of nutrients which food can contain before the manufacturer can claim it as "low in". Also, nutrition labelling is often still entirely absent from some foods and where it is used, it is often complex, difficult to interpret, or in very small print.

As a result, discussion between the industry, regulators and health groups tends to centre on making nutrition labelling compulsory and simplifying the current system of nutrition labelling to enable consumers to make a quick

overall judgement about the food they are about to purchase.

Several suggestions have been made by health campaigners and regulators in this respect. These include: putting health warnings on high energy density foods; linking calorie consumption to energy output by stating how much exercise would be required to burn off the calories contained in a particular serving of the product; and on-pack nutritional signposting (see below).

Food and beverage producers tend to argue that they are not directly responsible for increasing obesity rates and point the finger at personal eating habits, overeating and lack of physical exercise. They believe there is no such thing as a healthy or unhealthy food product, only healthy and unhealthy diets. Not surprisingly then, some elements of the industry have expressed dissatisfaction with the 'nutritional traffic light system' as proposed by the UK Food Standards Agency (FSA). This system would give products a red, yellow or green on-pack label, reflecting high, medium or low sugar, salt and fat levels. In other words, the coloured labels will spell out the *value* of foods and consumers will be discouraged from consuming too many 'red products'.

Organisations such as the National Heart Forum have argued that the announcement by PepsiCo, Kraft, Danone, Kellogg's and Nestle in February 2006 to provide details of nutrients' guideline daily amounts (GDAs) on the front of their packaging has undermined the recommendations made by the FSA. The National Heart Forum is critical of the companies' plan in part because the scientific basis for the use of the GDAs has yet to be substantiated. PepsiCo, on the other hand, has expressed its belief that the traffic light system is too "simplistic"

and that the GDAs will allow better informed choices to be made.

3. Scope of EIRIS Research

EIRIS analysis in this report focuses on companies for whom obesity is a serious business risk, because of a) the nature of the products they manufacture, b) the proportion of certain products in their overall product portfolio, and c) their overall size in the food and beverage sector. These companies are food producers and processors, beverage companies and fast food chains. Although sugar manufacturers and supermarkets also have obesity-related concerns, they have been excluded from the analysis. Sugar manufacturers are mainly business-to-business commodity providers. The identified risks do not impact supermarkets in the same way either, except with reference to their own-brand products.

The selected companies are Cadbury Schweppes, The Coca-Cola Company, Kraft Foods, McDonald's, PepsiCo and Unilever. All six companies derive a substantial amount of their turnover from the production and sale of products which EIRIS has categorised as 'unhealthy'.

There is no internationally agreed upon classification of unhealthy foods. Following extensive research, EIRIS has developed its own definition and classification: **unhealthy foods and drinks** are defined as products which are high in sugar and/or fat, and generally nutrient-poor. They include confectionery, chocolate, sugary cereals, sugary soft drinks, ice cream, some food served at fast food restaurants (hamburgers, chips/French fries, pizza, fried chicken), processed meat and meat products such as hot

dogs and sausages, sauces (ketchup, mayonnaise, dips and dressings) and ready-prepared meals. Raw ingredients such as sugar, butter and cream are excluded.

Products which are high in salt but low in sugar and fat have not been added to the product list because salt is not believed to cause obesity - it only exacerbates the health effects by heightening blood pressure.

4. Potential social, environmental and other ethical risks

This briefing seeks to identify areas of potential risks associated with obesity, and ways in which these may materialise in the short to medium term. The key risks identified are changes in the regulatory environment - bans or restrictions on advertising and marketing, especially to children, and tougher labelling requirements; litigation; and consumer resistance as a result of increased health concerns.

4.1. Risks from regulatory changes

4.1.1. Marketing to children

In December 2005, the Institute of Medicine (IOM), a US non-profit organisation tasked by Congress to study the health effects of food advertising on children, called on food and beverage manufacturers to shift their advertising emphasis away from calorie-dense products and asked Congress to mandate legislative changes if voluntary measures were to fail. Legislation such as that proposed by the IOM is not likely to be received well by the food industry. According to the IOM, US food manufacturers spent more than USD 10 billion on advertising in 2004, mostly for high-calorie products with little nutritional value.

Under pressure from consumer and public health groups to ban junk food advertising to children in the UK, the British government has ordered Ofcom to consult with the industry and draw up guidelines. Ofcom is expected to release its consultation paper in February 2006. The government has made clear that if by 2007 it is dissatisfied with the new (voluntary) restrictions, it will issue legislation.

Further restrictions are likely to come into place in the UK. For example, a recently released consultation paper by the Department of Trade and Industry (DTI) has proposed making the use of 'pester power' a criminal offence. This will mean that when marketing to children, companies should avoid any direct appeal to children to persuade parents or other adults to buy products for them.

The DTI consultation paper follows a Directive on Unfair Commercial Practices from the European Commission, to be implemented across all 25 member states by 2007. It includes the banning of "a direct exhortation to children to buy or to persuade their parents or other adults to buy advertised products for them".

With an estimated 400,000 children becoming overweight in Europe each year, observers, such as the International Obesity Task Force, predict that more measures will come from the European Commission in the next few years. Unless companies have already adapted to the envisaged changes voluntarily, the new European directives are likely to affect their profit margins.

In-school vending machines, usually filled with calorie-rich products, are also under heavy attack from health campaigners, and therefore at risk of being subjected to new legislation.

Although schools and companies are still allowed to operate such machines, they are under pressure to steer pupils towards healthier options.

The Governor of California, Arnold Schwarzenegger, passed legislation in September 2005 to ban the sale of all carbonated soft drinks in schools across the state. Total bans or limits on vending machine products are likely to follow in a number of other US states. In the UK, in-school vending machines selling unhealthy products and the marketing of 'junk food' and fizzy drinks to children might be outlawed by the Children's Food Bill - first introduced to Parliament in May 2004 by Labour MP Debra Shipley, presented to parliament by Mary Creagh in June 2005 and now enjoying wide cross-party support. Debate on the Private Member's Bill will resume in the House of Commons in June 2006. In addition, following wide criticism regarding the nutritional value of school lunches, Education Secretary Ruth Kelly has announced that all foods high in fat, salt or sugar will be banned from school meals in English schools from September 2006.

In other countries with high or rising obesity rates such as Australia, similar measures are under discussion. In a radical attempt to discourage any type of snacking, France banned all vending machines from its schools in September 2005, thereby also outlawing those that may have provided healthier alternatives.

4.1.2. Food labelling

Despite heavy lobbying by the food producing industry, the European Parliament is likely to issue new legislation on nutrition and health claims in the very near future. In December 2005, EU health ministers unanimously adopted a common

position on the new regulation which will include the need for health claims to be backed by scientific evidence before they are given marketing authorisation.

The European Commission has also indicated that a new directive would make it compulsory to label all ingredients on products. The International Association for the Study of Obesity estimates that nutrition labelling will be made compulsory in Europe within the next five to 10 years. As mentioned, the UK Food Standards Agency is developing a 'nutritional traffic light system' to be put on food labels to provide 'at a glance' information about the nutritional content of foods. In a similar move, Sweden has developed a system that enables consumers to identify foods that are lower in fat and higher in fibre.

Nutrition labelling is a mandatory requirement for all pre-packaged food products in several countries, including Australia, Brazil, Canada, New Zealand and the United States.

4.2. Risks from litigation and damaged brand reputation

Across the USA, almost half of all public schools have exclusive contracts with beverage companies who supply them with sugary soft drinks – and a share of the profit. The US beverage industry maintains that soft drink sales in schools are not a major factor in rising childhood obesity rates. The Center for Science in the Public Interest (CSPI), a US lobbying group, strongly disagrees. It plans to file a lawsuit before the summer of 2006 seeking to ban the sale of sugary beverages in schools. It is reported that Coca-Cola and PepsiCo will be named in the lawsuit².

In January 2006, CSPI, together with the Campaign for a Commercial-Free

Childhood and two Massachusetts parents, launched a lawsuit against Kellogg's and Viacom, the owner of a children's television network, in a bid to stop them showing adverts for sugary and fatty snacks to children. They also want the companies to stop marketing junk foods on the internet and through competition giveaways.

These examples illustrate two key potential risks to the soft drink and snack food industry: massive litigation costs and a seriously damaged brand reputation. Ever since McDonald's and other fast food chains, including Burger King, Wendy's and Kentucky Fried Chicken, were accused of making consumers obese and unhealthy in 2002, food and beverage companies have feared suits similar to those that have severely damaged the tobacco industry.

Thus far, the courts have dismissed the lawsuits against the fast food restaurants, blaming personal rather than corporate responsibility for the health problems following the over-consumption of certain products. On the same grounds, the US House of Representatives passed a bill in October 2005 to block future lawsuits which fault restaurants and food companies for obesity or weight gain. The measure, nicknamed the 'Cheeseburger Bill', will be considered by the Senate in 2006. Twenty-one US states have already passed similar laws.

At the same time, the fact that the 2004 documentary film 'Super Size Me' was able to attract that much attention from McDonald's illustrates how protective companies are of their brand reputation and customer loyalty. In the documentary, Morgan Spurlock examines the nutritional value of McDonald's products by exclusively eating its food for a month. Soon after the film's release, McDonald's phased

out its 'Super Size' meal option although it has denied that this was in reaction to the film. In Australia, McDonald's placed an advertisement in the opening trailers of all viewings of 'Super Size Me' arguing that the film viewers were about to watch was full of misleading distortions. For the UK audience, the company developed a website debating the documentary in order to "separate fact from fiction".

5. Exposure factors

In identifying the companies most exposed to the risks of the obesity issue EIRIS has set two different thresholds relating to a) relative and b) absolute turnover derived from the production or sale of unhealthy food and beverage products. Global turnover information has been taken from annual reports.

EIRIS considers companies which derive one-third or more of their total turnover, or, GBP 2 billion or more, from the production of unhealthy products to have the greatest risk exposure to obesity.

Changes in the marketing and advertising regulatory environment can be expected to affect these companies more than others whose turnover from unhealthy products only constitutes a small proportion of their business. Similarly, litigation, consumer campaigns and negative news stories are likely to focus on the large and high profile corporations, again translating into a higher business risk from obesity.

Other food companies have been identified as either having a 'medium,' 'low' or 'no' risk exposure to obesity. The following table gives an overview of the thresholds between low, medium and high exposure risk companies.

Exposure category	Thresholds
High	>33% turnover related to unhealthy foods OR GBP 2 billion turnover from unhealthy foods
Medium	15% to 33% turnover related to unhealthy foods OR GBP 1 billion turnover from unhealthy foods
Low	between 5% and 15% turnover related to unhealthy foods OR GBP 0.5 billion turnover from unhealthy foods
No	<5% turnover related to unhealthy foods AND < GBP 0.5 billion turnover from unhealthy foods

A definition of unhealthy foods can be found in section 3 of this paper. Although nearly 60 food and beverage companies in the FTSE All World Developed Index have been identified as 'high exposure' companies, for the purposes of this paper, the following six have been selected for assessment. These six companies are largest both in terms of percentage and absolute turnover derived from the production and sale of unhealthy products.

Company	Total turnover (GBP bn)	Estimated turnover from unhealthy products (GBP bn)
Unilever	28.6	11.4
Kraft Foods	16.7	10.9
PepsiCo	15.2	12.2
Coca-Cola Company	11.4	10.3
McDonald's	11.0	10.5
Cadbury Schweppes	6.7	6.0

Source date: Financial year end 2004

In November 2005, Cadbury Schweppes sold off its European beverage subsidiary, which represented 10% of the Company's turnover in 2004. Given this relatively small percentage, and Cadbury Schweppes' recent announcements that it plans to invest more money in sugar confectionery, total turnover from unhealthy products is not expected to change radically in the coming year. As a result, the Company's risk associated with obesity is believed to remain high.

All companies in the FTSE All World Developed Index have been classified as high, medium or low exposure and their management response will be assessed over the year³.

6. Managing the risk

Although most food and beverage companies are firm in their belief that they are not to blame for their customers' weight problems, they have also realised that 'damage' can be done to their business if they do not respond to the obesity problem in society. They are therefore keen to play a role in addressing the issue.

To analyse the ways in which the industry can manage the risks identified by this study EIRIS has assessed the selected companies' policy statements, strategies and reporting mechanisms that specifically address obesity.

EIRIS has identified 18 key indicators for assessing companies' management of obesity concerns. Detailed definitions of indicators are provided in Annex 9.1.1. The indicators fall into four categories:

Responsibility

- Recognises its position of responsibility for obesity/ identification as SEE risk

- Acknowledges its role in addressing obesity in children
- Publicly discloses healthy products value/targets

Product strategy

- Development of healthier products
- Decreases/restricts portion sizes

Consumer information

- Nutrition labelling:
 - a) nutrient content
 - b) Guideline Daily Allowance/ other extra nutritional info
- Responsible advertising/marketing to children:
 - a) restricts use of live/cartoon personalities
 - b) prohibits embedded toys
 - c) prohibits the use of pester power for the marketing of unhealthy products
 - d) prohibits in-school marketing
 - e) restricts in-school vending of unhealthy products
 - f) sets a targeted minimum age of eight
 - g) other element
- Responsible advertising/marketing to all consumers:
 - a) encourages consumption of more nutritious products
 - b) policy on health benefits/ nutritional claims

Reporting and dialogue

- Reports annually on its:
 - a) obesity strategy
 - b) performance (KPIs)
- Dialogue with organisations, companies or governments on strategies to tackle obesity

6.1. Snapshot of EIRIS findings

Set against the indicators described above, the management response to obesity by four of the six selected companies has been assessed as intermediate. As shown in the table in section 8, they are Cadbury

Schweppes, The Coca-Cola Company, Kraft Foods and PepsiCo. Unilever and McDonald's are assessed as mitigating the business risks associated with obesity in a limited way. Cadbury Schweppes is closest to achieving a good assessment. Unilever is close to achieving an intermediate assessment.

EIRIS research, based on the six high exposure companies, has found that in order to provide consumers with healthier options and more choice, most food manufacturers are developing new, calorie-reduced products or are improving existing ones by lowering fat and sugar levels. Reducing the size of single portion products also appears to be a standard way of meeting health concerns.

In addition, food and beverage manufacturers have, to a varying degree, developed marketing and advertising codes of practice which reference children, or reviewed existing ones. Some companies have reviewed the content of the messages they send out to children. For example, they pledge to focus on 'healthier' products in at least 50% of their advertisements aimed at children, or not to appeal to children's 'pester power'. Companies have also started to place some restrictions on their business activities in schools, for example, by only selling water and juices in primary schools.

Manufacturers are also responding to public health concerns by improving food labelling. Most companies list the nutrient content (including fat and sugar levels) of their products, or have promised to do so in the near future. However, they are only beginning to add clear guidance on the daily intake of key nutrients. With respect to another thus far largely unregulated area, the use of nutrition and health-benefit claims, some companies have started to publish statements

committing themselves to responsible behaviour.

Also, a number of companies are teaming up with local communities, universities or health organisations to develop strategies addressing obesity. Sector-wide dialogue tends to be channelled through national industry bodies, such as the Food and Drink Federation in the UK and the American Beverage Association in the US. In Europe, the Union of European Beverages Associations (UNESDA) and the Confederation of the Food and Drink Industries of the EU (CIAA) participate in the EU Platform for Action on Diet, Physical Activity and Health, representing their corporate members in European negotiations.

To better understand how the obesity issue relates to a company's business model, the following additional questions may be considered.

Questions for analysts

Has the Company quantified the business impact of the rise in obesity?

How is the Company assessing the regulatory landscape and how is it addressing this?

How does the Company evaluate customer (and wider stakeholder) perception of its role and performance with regard to the issue of obesity?

7. Good practice examples

Companies are addressing this issue by applying some of the approaches identified in the EIRIS indicators.

Cadbury Schweppes, The Coca-Cola Company, Kraft Foods and PepsiCo have all developed marketing and advertising policies which make specific reference to children. Cadbury Schweppes' code of marketing practice includes a promise not to make products which contain embedded toys, not to advertise to children under eight where they are the majority of the audience, and not to sell its confectionery or carbonated soft drink products in primary schools through vending machines.

Also in the US, major players in the soft drink industry, including Coca-Cola and PepsiCo, recently pledged to keep all carbonated and juice drinks out of US primary schools while curtailing the sale of certain beverages in middle and high schools. The measures followed a similar voluntary agreement last year in Canada where fizzy drinks were replaced with water and juices in elementary and middle schools. In the UK, Coca-Cola has already refrained from placing its vending machines in primary schools for a number of years.

Both Coca-Cola and PepsiCo also prohibit the advertising of their soft drinks to children under the age of 12. PepsiCo executives rejected calls for a blanket ban on advertising to children, arguing it would reduce the industry's ability to help tackle obesity by promoting healthy products and lifestyles.

To establish a standardised approach for the use of health-related claims, Kraft Foods has committed to working with a global advisory council which it set up in July 2003, and which includes experts in obesity, nutrition and physical activity. The Company has also declared that its advertisements will not promote 'over-consumption' and through its 'Sensible Solution' labelling

programme it encourages consumption of its more nutritious product range.

Kraft's 'Sensible Solution' flag, introduced in January 2005, identifies foods and beverages that offer better nutritional choices in their respective product categories because they either contain beneficial nutrients such as calcium or fibre, or meet certain specifications for 'reduced', 'free from' or 'low in' calories, fat, saturated fat, sugar or sodium.

Similar eye-catching logos have been developed by PepsiCo and Cadbury Schweppes. In July 2004, PepsiCo launched a 'Smart Spot' marketing campaign in the USA and Canada, "to help consumers make healthy choices". The 'Smart Spot' designation identifies products which meet certain nutritional criteria, which include limits on the amount of fat and added sugar.

In February 2006, Cadbury Trebor Bassett (part of Cadbury Schweppes), producer of the Dairy Milk chocolate bars, and Masterfoods, owner of the Mars brand, announced they would both put a 'Be treatwise' logo on the front of their products sold in the UK and Ireland. Underneath the logo they will make a reference to 'guideline daily amount' information which will be printed on the back of the packaging.

Of the six Companies researched, only Cadbury Schweppes currently provides guideline daily amounts (GDAs) on all products.

In October 2005, McDonald's announced that it would provide on-pack nutritional information in all markets by the end of 2006. Its redesigned packaging is also said to include a bar chart, listing the key nutritional elements of each product and illustrating how the food compares with the recommended daily intake of

nutrients. In Europe, the recommendations will be based on GDAs.

In February 2006, Walkers Crisps, owned by PepsiCo, pledged to use a new type of oil which would reduce the crisps' level of saturated fats by 70%. More importantly, PepsiCo has stated that it is committed to generating 50% of its new product revenues from its Smart Spot products, which, it says, "are comprised of essentially healthy ingredients or offer improved health benefits."

As part of a 'Nutrition Enhancement Programme' Unilever has set out to eliminate 15,000 tons of trans-fats, 10,000 tons of saturated fats, 2,000 tons of sodium and 10,000 tons of sugars from its global food and drink portfolio in 2005 and 2006.

Future trends

EIRIS' research has identified initial steps forward in the industry's attitude and response to the obesity problem. The selected Companies appear to want to play a role in addressing obesity. They are offering more product choice including healthier options, providing more on-pack nutritional information, reducing portion sizes, reviewing their policies on responsible marketing to children, engaging in dialogue with other actors, and increasingly reporting on their obesity strategy. However, despite a number of positive steps, food and beverage producers are not yet doing enough to manage their obesity risks.

Looking beyond the six Companies analysed for this briefing, there are a number of growing trends. A January 2006 report by the UK consumer group *Which?* concluded that even though food companies are under pressure to restrict advertising to children, some

are expanding the range of advertising techniques used to reach children. These techniques, which include text messaging and internet marketing, cannot be monitored as easily as the traditional media and may raise further questions about the effectiveness of self-regulation. A majority of the researched companies also do not explicitly acknowledge that they have a role to play in addressing childhood obesity.

Although no evidence was found in the six Companies assessed, some companies' claims about making improvements to the nutritional content of their product portfolio should be put in perspective. In order to create a 'lower in fat' product, companies sometimes simply add more sugar. As a result, absolute fat levels remain the same and because of the extra sugar, the product is even more calorie-rich than before. Similarly, companies often claim they have reduced portion sizes even though in reality they have left the size unaltered and put a 'to share' label on the packaging. Studies have shown that this is less effective in making people eat less than actually reducing the size of a single portion.

In addition, EIRIS research has confirmed the claim made by other groups that there are geographical discrepancies in companies' product development and labelling. Most companies seem to be acting only in response to national or regional pressures, whether they be mandatory regulations or changes in consumer demand.

Most importantly, however, EIRIS research has revealed a general lack of publication of obesity-related improvement targets and Key Performance Indicators (KPIs). In general, food and beverage manufacturers do not report on how

they monitor the implementation of their obesity-related policies and marketing codes, and seem very hesitant to disclose clear quantitative targets, such as the projected value of calorie-reduced products as a proportion of their overall product portfolio. This failure to disclose both qualitative and quantitative data on improvements against set indicators makes it difficult to assess companies' overall strategies and practical achievements to date. Cadbury Schweppes, for example, mainly fails to be assessed as 'good' according to the EIRIS criteria because it does not disclose improvement data or targets.

However, a first indication has been given that European food and beverage manufacturers may well soon begin to report on obesity-related KPIs and performance figures. In January 2006, the Union of European Beverages Associations, which represents a substantial part of the European non-alcoholic beverages industry, published the actions its corporate members have committed to in the context of the EU talks on diet and health. The document proposes KPIs for each commitment. For example, companies will provide a compliance rate, on the basis of a statistically relevant sample, of the implementation of their policies on marketing to children, and assess their commitment to respect schools as commercial-free zones on the basis of "independent inquiries."

Notes

¹ Although the BMA has not published a definition of unhealthy foods, EIRIS has formulated one for the purposes of this briefing (see p5).

² The New York Times, *Lines are drawn for big suit over sodas*, 7 Dec 2005

³ Please contact EIRIS at clients@eiris.org for further details.

8. Company assessments

	Cadbury Schweppes	Coca-Cola Company	Kraft Foods	McDonald's	PepsiCo	Unilever
Responsibility						
Recognises its position of responsibility for obesity/identification as SEE risk	•	•	• not explicit	• not explicit	•	•
Acknowledges role in addressing childhood obesity	• not explicit	• not explicit	• not explicit	•	• not explicit	•
Discloses healthy products value/targets					•	•
Product strategy						
Development of healthier products	•	•	•	•	•	•
Decreases/restricts portion sizes	•	•	•	•	•	
Consumer information						
Nutrition labelling: a. nutrient content b. GDAs/other extra nutritional info	•	• a only	• a only	•	• a only	
Responsible advertising/marketing to children: a. restricts use of live/cartoon personalities b. prohibits embedded toys c. prohibits pester power for marketing of unhealthy products d. prohibits in-school marketing e. restricts in-school vending f. sets targeted minimum age of 8 g. other element	• 5/7 ✓ ✓ ✓ ✓ ✓ ✓	• 4/7 ✓ ✓ ✓ ✓ ✓ ✓	• 2/7 ✓ ✓ ✓ ✓ ✓ ✓	• 1/7 ✓ ✓ ✓ ✓ ✓ ✓	• 2/7 ✓ ✓ ✓ ✓ ✓ ✓	• 3/7 ✓ ✓ ✓ ✓ ✓ ✓
Responsible advertising/marketing to all consumers: a. encourages consumption of more nutritious products b. policy on health or nutritional claims	• b only		•		• a only	• b only
Reporting and dialogue						
Reports annually on its a. obesity strategy b. performance (KPIs)	• a only					
Dialogue with other organisations, companies, or governments on obesity-related strategies	•	•	•	•	•	•
Assessment	I	I	I	L	I	L

NE – no evidence; L – limited; I – intermediate; G – good; A – advanced

Detailed grading methodology is provided in Annex 9.1 and definitions in Annex 9.1.1.

NB Assessments apply to companies and any subsidiaries and associates over 20% owned.

Data analysis February 2006

9. Annex

9.1. Grading methodology

	No evidence	Limited	Intermediate	Good	Advanced
Requirements	No indicators	Any 1 indicator	Marked indicators plus 4 from product strategy or consumer info	All marked indicators	All marked indicators
Responsibility					
Recognises position of responsibility for obesity/ identification as SEE risk*			● One element required	●	●
Acknowledges role in addressing childhood obesity**				●	●
Publicly discloses healthy products value/targets				●	●
Product strategy					
Development of healthier products				● One element required	●
Decreases/restricts portion sizes					●
Consumer information					
Nutrition labelling a. nutrient content b. GDAs/other nutr. info		a or b	a or b	● a and b	●
Responsible advertising/marketing to children a) restricts use of live/cartoon personalities b) prohibits embedded toys c) prohibits pester power for unhealthy prods d) prohibits in-school marketing e) restricts in-school vending f) sets a targeted minimum age of 8 g) other element		any 1 of these	at least 2 elements to count as one element	at least 4 elements	at least 6 elements
Responsible advertising/marketing to all: a. encourage consumption of nutritious products b. policy on health benefit/ nutritional claims			a or b	● at least b	● a and b
Reporting and dialogue					
Reports annually on its a. obesity strategy b. performance (KPIs)			● One element required	● at least a	● a and b
Dialogue on obesity-related strategies				●	●

Notes

*In order to achieve a good or advanced grade, a company needs to explicitly state that it recognises responsibility for obesity or that obesity is a Social, Ethical & Environmental (SEE) risk issue for the company.

**This can be implied if the company has a policy on responsible advertising/marketing to children. However, in order to achieve a good or advanced grade, a company needs to publicly and *explicitly* state that children are particularly at risk of obesity and that it wants to help address the problem of childhood obesity.

Please see definitions below.

9.1.1. Indicator definitions

- **Recognises responsibility/ identification as SEE risk:** Company publicly acknowledges that obesity is a problem in society and that it makes business sense to react to it or engage with it (or can clearly be inferred by strategies in place).
- **Acknowledges obesity problem in children and its role in addressing it:** Company makes clear that it acknowledges that children are particularly at risk of obesity and that it has a role to play in addressing childhood obesity.
- **Publicly discloses healthy products value/targets:** Company provides quantitative data on the reduction of fat and sugar levels in its products. This could include a statement by the company that it aims to generate 50% of next year's revenues from 'healthier' products. When details are given on future commitments, they should relate to the next two years.
- **Development of healthier products:** Company has improved its existing products by making them healthier or has introduced new, healthy/healthier products. 'Healthy/healthier' means: fat/sugar-free or with reduced fat/sugar/calorie levels.
- **Decreases or restricts portion sizes:** This indicator refers to the reduction of the size of individual portions.
- **Nutrition labelling:** Company provides nutritional information on all products in all markets. If a certain number of products do not currently contain nutritional information, the company needs to have a statement committing itself to change this within the next two years.
- **Responsible advertising/marketing to children:** For the purposes of this indicator, 'children' means people up to the age of 16.
- **Restricts use of live/cartoon personalities:** Company commitment not to use licensed cartoon-characters or famous personalities in its advertising to children, so as not to obscure the distinction between programme or editorial content and commercial promotion. In addition, the company states it is careful not to exploit a child's imagination when using cartoon characters it has created itself.
- **Prohibits embedded toys:** Company states that it refrains from applying this marketing technique which involves putting toys in food or drink products/packages.
- **Prohibits the use of pester power for the marketing of unhealthy products:** Company avoids any direct appeal to children to persuade parents or other adults to buy products for them or to do anything else that goes expressly against the wishes or authority of a parent, guardian or educator. (Source: Union of European Beverages Associations)
- **Prohibits in-school marketing:** Company forbids any type of corporate marketing in schools.
- **Restricts in-school vending:** Company does not allow any type of

vending in primary schools and where it sells products in secondary schools it provides a range of products which include healthy alternatives.

- **Sets targeted minimum age of 8:** Company states that in its advertising it will not target children under eight.
- **Other element:** Other approaches may be considered, such as a commitment not to encourage children to eat just before going to bed, or a commitment to show a variety of products to children including more nutritious ones.
- **Encourages consumption of more nutritious products:** Company has (or is developing) a healthy product range and promotes it clearly and prominently by increasing its visibility to consumers at point of purchase, such as through easily recognisable packaging or logo. This does not include a one-off marketing campaign coinciding with the launch of new, healthier products.
- **Policy on health benefit or nutritional claims:** Company publicly states that it will not misrepresent the potential benefits from the consumption of a product.
- **Reports annually on its obesity strategy and performance (KPIs):** Company provides annually updated details on its obesity strategy in publicly available documents or on its website. This includes quantitative data on improvements against set indicators.
- **Dialogue with organisations, companies, or governments on strategies to tackle obesity:** Company discloses that it works together with others on the development of strategies to prevent and reduce obesity levels. This includes the funding of research into health/obesity, but not the sponsoring of sports/ physical activity programmes.

SEE risk briefing series

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