INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

July 29, 2014

Dear _______:

We are writing as a coalition of global investors representing over $61 billion in assets who hold a broad range of food, beverage, restaurant, media and retail companies and are deeply concerned about the mounting health and economic impacts of childhood obesity.

An initial yet critical step companies can take in confronting this epidemic is to join the Council of Better Business Bureaus' Children's Food and Beverage Advertising Initiative (CFBAI). The CFBAI is a voluntary self-regulation program through which many of the largest global food and beverage companies are working to shift the mix of foods advertised to children under 12 to healthier dietary choices.

To help reverse the childhood obesity epidemic, companies that benefit from the promotion of children's food and beverage products need to come together to establish a new, healthier norm in the marketing environment for children. We believe that food/beverage, restaurant, media, and retail companies that are proactive in this effort will not only fulfill their social responsibility to consider children's developmental vulnerabilities, they will manage a significant material risk more effectively and be well-poised to capitalize on current trends in consumer values and preferences.

The Context

Obesity in childhood has lasting health repercussions, and while there have been some indications of modest reductions in obesity rates for U.S. children in the last decade, the epidemic is far from over. With rates of obesity for children in the U.S. more than double (and for adolescents, quadruple) what they were in 1980, the current epidemiologic picture remains deeply troubling to all observers and has profound implications for business and society.[1]

The Business Risks of Childhood Obesity

Marketing unhealthy food and beverage products to youth exposes companies to significant and growing regulatory, reputational, and even litigation risks which may impact financial performance and shareholder returns. Beyond efforts to rein in food marketing to children, public officials worldwide have introduced a range of laws, regulations, and policies aimed at mitigating the obesity epidemic, including rules on labeling, caps on portion size, and taxes on foods lacking in nutrition. Such measures could further constrain the food industry's operations and increase its costs.

Food marketing influences children's food selections and diet and for this reason has attracted the scrutiny of government officials, regulators, and civil society institutions in the last decade. For example:

[1] Cynthia L. Ogden, Margaret D. Carroll, Brian K. Kit, Katherine M. Flegal, "Prevalence of Childhood and Adult Obesity in the United States, 2011-2012," *Journal of the American Medical Association* 311 (8) 2014: 806-814; Asheley Cockrell Skinner and Joseph Skelton, "Prevalence and Trends in Obesity and Severe Obesity Among Children in the United States, 1999-2012," *JAMA Pediatrics* 168 (4) 2014

- In 2005, a landmark Institute of Medicine (IOM) study concluded decisively that food marketing influences children's diets and health, and in 2009, the U.S. Congress and Federal Trade Commission (FTC) convened a federal Interagency Working Group on Food Marketed to Children to recommend nutritional standards for food marketed to children under 18.[2]
- In 2011, the American Academy of Pediatrics called for a total ban on child-targeted television and digital advertising for unhealthy foods.[3]
- In June 2013, the World Health Organization called for tighter controls on the marketing to children of unhealthy foods.[4]

Opportunities for Companies

The task of responding to the obesity epidemic also presents opportunities for companies. Companies that take substantive measures in response have the opportunity to be seen as worthy of consumers' trust. Sustainability analysts with JP Morgan (in 2008) and Bank of America Merrill Lynch (in 2012) have argued that food companies that actively adapt to the issue of obesity, casting themselves as part of the solution to obesity, will remain more competitive.[5] Retailers, restaurant, and media companies, too, stand to benefit from such forward-thinking business strategies.

Opportunities for companies are not limited to reputational benefits. Consumers, concerned about overweight and diet-related diseases, have started to change their purchasing habits, switching spending away from products perceived as unhealthy and moving towards healthier options. Between 2002–2008, healthier packaged foods grew by 6% a year, compared to 3% a year for overall packaged food growth.[6] The Hudson Institute's Hank Cardello found that foods categorized as "better-for-you" (BFY) in their analysis drove a disproportionate share of sales growth between 2007 and 2011, making up 40% of sales but generating more than 70% of growth in sales – more than "traditional" products. Companies that have been growing their sales of BFY products faster than sales of traditional items are delivering overall sales growth at over two times the rate of those emphasizing traditional items, and companies with a higher percentage of sales of BFY foods are: 1) delivering superior operating profits and operating profit growth; 2) outperforming the S&P 500 Index by a wider margin; and 3) delivering superior total returns to shareholders.[7]

The Importance of the CFBAI

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[2] William H. Dietz, "New Strategies to Improve Food Marketing to Children," *Health Affairs* 32 (9) September 2013: 1652-58; National Research Council, *Food Marketing to Children and Youth: Threat or Opportunity?* (Washington, DC: The National Academies Press, 2006)

[3] Council on Communications and Media, American Academy of Pediatrics, "Children, Adolescents, Obesity, and the Media," Pediatrics 128 (2011): 201-208, http://pediatrics.aappublications.org/content/128/1/201.full.pdf

[4] World Health Organization, Regional Office for Europe, "Lax Marketing Regulations Contribute to Obesity Crisis in Children," June 18, 2013 http://www.euro.who.int/en/media-centre/sections/press-releases/2013/06/lax-marketing-regulations-contribute-to-obesity-crisis-in-children

[5] Arnaud Langlois and Rachel Crossley, *Proof of the Pudding: Benchmarking Ten of the World's Largest Food Companies' Response to Obesity and Related Health Concerns*, April 2008: http://www.pacifichealthsummit.org/downloads/Nutrition/JPMorgan%20-%20Proof%20of%20the%20Pudding.pdf (Accessed June 20, 2014); Bank of America/Merrill Lynch, *Globesity: The Global Fight Against Obesity*, June 21, 2012: http://www.foodpolitics.com/wp-content/uploads/Globesity-Report_12.pdf

[6] Bank of America/Merrill Lynch, *Globesity: The Global Fight Against Obesity*, June 21, 2012: http://www.foodpolitics.com/wp-content/uploads/Globesity-Report_12.pdf

[7] Hudson Institute, "Better-For-You Foods: It's Just Good Business," October 2011: http://www.hudson.org/files/documents/BFY%20Foods%20Executive%20Summary.pdf

The CFBAI, established in 2006, enhances participating companies' capacity to manage the risks associated with marketing to children by providing uniform nutritional standards for child-oriented food/beverage marketing. It also serves as a platform for industry collaboration, enabling companies to keep voluntary measures strong, current, and respected in a continuously shifting environment. CFBAI offers monitoring/verification of commitments, ongoing analysis of relevant news and research, public relations work to highlight accomplishments, and advocacy for self-regulation.

While we applaud all the actions companies have taken to date to fight the childhood obesity epidemic, we count the commitments that CFBAI member companies have made regarding the products they market to children under 12 among the most substantive contributions. The Institute of Medicine, the First Lady, the Federal Trade Commission, and many others have publicly commended CFBAI companies for the steps they have taken.

However, there is still much work to be done if we are to continue to make progress and to ensure that childhood obesity rates fall in all communities. The CFBAI's impact would be significantly strengthened if a broader cross-section of companies from related sectors agreed to join the 17 companies already participating in the initiative.

In summary, we recognize that a cultural transition is occurring that is improving the nutritional environment for children. Changes like new USDA-imposed nutrition standards for school foods and the CFBAI's voluntary commitments are beginning to establish new norms. This new environment will create significant business opportunities for companies that adapt capably, while increasing the risks for those companies that resist change. We are asking all companies that are involved in advertising food/beverages to children to take responsibility for our children's health and demonstrate their leadership by joining the CFBAI. As investors who believe responsible companies are the best long-term investments, we will be pressing the companies we hold to make the right decision.

We invite _______ to discuss our request with representatives of signatory investor institutions at your earliest convenience. Please respond to: __________. Thank you.

Sincerely,

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Interfaith Center on Corporate Responsibility

LIST OF ALL SIGNATORIES – See Next Page

1. **Adrian Dominican Sisters**
   Lura Mack, Director of the Portfolio Advisory Board
2. **Bon Secours Health System**
   Edward Gerardo, Director, Community Commitment and Social Investments
3. **Boston Common Asset Management, LLC**
   Lauren Compere, Managing Director/Director of Shareholder Engagement
4. **CA Catholic Congregations for Responsible Investing**
   Marie Gaillac, Director
5. **Calvert Investments, Inc.**
   Ellen Kennedy, Manager, Environment and Climate Change
6. **Catholic Health Partners**
   Molly Murphy, Chief Investment Officer
7. **Central Finance Board of the Methodist Church**
   Bill Seddon, Chief Executive
8. **CHE Trinity Health**
   Cathy Rowan, Director, Socially Responsible Investments
9. **Congregation of Sisters of St. Agnes**
   Sally Ann Brickner, Coordinator of Justice, Peace and Ecology
10. **Congregation of St. Basil**
    Margaret Weber, Corporate Responsibility Director
11. **Dignity Health**
    Susan Vickers, VP Community Health
12. **Diocese of Springfield**
    Steve Zielinski, SRI Consultant
13. **Dominican Sisters of Hope and Ursuline Sisters of Tildonk - U.S. Province**
    Valerie Heinonen, Director, Shareholder Advocacy
14. **Dominican Sisters of Springfield, Illinois**
    Steve Zielinski, SRI Consultant
15. **Etica SGR**
    Alessandra Viscovi, CEO
16. **Everence and the Praxis Mutual Funds**
    Mark Regier, Vice President of Stewardship Investing
17. **Friends Fiduciary Corporation**
    Jeffery W. Perkins, Executive Director
18. **Investor Voice, SPC**
    Bruce Herbert, AIF, Chief Executive
19. **Krull & Company**
    Peter Krull, President
20. **Lighthouse Hospice, Inc.**
    Father Tom Johnson-Medland, CSJ, OSL, CEO
21. **LPL Financial**
    Deirdre Mary McElroy, Financial Planner & SRI Advocate
22. **Mercy Investment Services, Inc.**
    Donna Meyer, Ph.D., Director, Shareholder Advocacy
23. **Midwest Capuchin Franciscans**
    Michael H. Crosby, OFM Cap.
24. **Midwest Coalition for Responsible Investment**
    Barbara Jennings, Director
25. **NEI Investments**
    Michelle de Cordova, Director, Corporate Engagement & Public Policy, ESG Services & NEI Ethical Funds
26. **Northwest Coalition for Responsible Investment**
    Judy Byron, OP, Director
27. **Progressive Asset Management**
    Catherine Cartier, President
28. **Region VI Coalition for Responsible Investment**
    Josie Chrosniak, HM, Coordinator
29. **Servants of the Paraclete**
    Steve Zielinski, SRI Consultant
30. **Sisters of Charity of the Blessed Virgin Mary**
    Gwen Farry, Coordinator of Shareholder Activity
31. **Sisters of St. Francis of Philadelphia**
    Tom McCaney, Associate Director, Corporate Social Responsibility
32. **Sisters of St. Joseph of Springfield**
    Denise Granger, SSJ, Coordinator, Office of Justice and Peace
33. **Sisters of the Presentation**
    Steve Zielinski, SRI Consultant
34. **St. Joseph Health**
    Lisa Laird, VP, Investments and Cash Management
35. **Trillium Asset Management LLC**
    Susan Baker, Vice President
36. **Tri-State Coalition for Responsible Investment**
    Patricia A. Daly, Executive Director
37. **Walden Asset Management, a division of Boston Trust & Investment Management Company**
    Heidi Soumerai, Managing Director, Director of ESG Research
38. **Wealth Management Advisers LLC**
    Bill Donaldson
39. **Wisconsin, Iowa, and Minnesota Coalition for Responsible Investment**
    Francis Sherman, Associate Director
40. **Zevin Asset Management, LLC**
    Sonia Kowal, Director of Socially Responsible Investing