Overview

The COVID-19 pandemic along with rising political and social tensions around the country has accentuated weaknesses in our systems, structures, and policies particularly on the issue of racial inequity. As a collaborative of investors, the members of the Interfaith Center on Corporate Responsibility (ICCR) have been working diligently to understand what companies are doing to address the ways these systems, structures and policies have exacerbated the adverse economic and health impacts on Black, Latinx and Indigenous communities in the U.S.

For a decade, ICCR members have encouraged food and beverage, fast food/casual restaurant and grocery retailer companies to create comprehensive nutrition policies, improve the nutritional profiles of their product portfolios, market food products responsibly, increase access to healthy choices, communicate clearly with consumers about the nutritional content of their offerings, and commit to not lobby against policies that would enhance public health measures.

Recently, the American Medical Association (AMA) and the Centers for Disease Control and Prevention (CDC) have recognized racism as a threat to public health.[1][2] It is important to note that the pledge by the AMA to combat this issue is rooted in **recognizing race as a social construct, not a biological one**. This highlights the commitment to addressing systemic racism and inequality in the health sector, and investors recognize that companies also need to consider the ways in which their policies and business models can inadvertently perpetuate racial inequities in communities of color.

Therefore, in November 2020, under the leadership of ICCR, a group of investors sent out letters to 21 companies: 11 food and beverage companies, 5 restaurant brands, and 5 retailers. The companies included: **Campbell's Soup Company, Coca-Cola, Conagra, General Mills, Kellogg's, Keurig Dr. Pepper, Kraft Heinz, Mondelēz, Nestlé, PepsiCo, Unilever, Dine Brands, McDonald's, Restaurant Brands International (RBI), Wendy's, Yum! Brands, Amazon, Costco, Dollar Tree, Kroger, and Target.** Of the 21 companies to which investors sent letters, six companies have not written back despite follow-up: **Conagra, Mondelēz, McDonald's, Yum! Brands, Costco, and Dollar Tree.**

Investors asked companies to examine how their business models, operations and value chains may directly or indirectly contribute to racial inequities, and how they are working to create more equitable and resilient systems that benefit workers, the company, shareholders, and communities at large.

While many companies made statements on their commitment to racial justice, prompted by the murder of George Floyd in May 2020, statements need to be coupled with concrete action

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[1] https://www.ama-assn.org/delivering-care/health-equity/ama-racism-threat-public-health
[2] https://www.cdc.gov/healthequity/racism-disparities/index.html

to ensure that food and beverage companies, restaurants and grocery retailers are proactively mitigating risks to companies, workers, communities and shareholders.

According to an article published in The Lancet by Kickbusch, Allen, and Franz (2016), commercial determinants of health are defined as strategies and approaches used by the private sector to promote products and choices that are detrimental to health.[3] ICCR members posed the following questions to companies to understand how commercial determinants of health through a racial equity lens are being assessed, monitored, and integrated in the corporate business model of the companies engaged.

Questions asked include:

1. **Product Development**: Fostering healthy eating among all racial and ethnic groups:

   o How far upstream does the company integrate cultural and racial equity (i.e., social and economic factors; income, food prices, individual preferences and beliefs, cultural traditions, and geographical and environmental considerations[4]) into product development? For example, how do you assess the impact of community consumption of this product? What metrics do you use to measure progress?

   o Is the right to health considered from the onset of product formulation? Who within the company is responsible for overseeing this?

● **Marketing and Distribution:** Curtailing manipulative and unfair marketing and promotion practices[5][6]:

   o What is the proportion of advertising spent on unhealthy vs. healthy products by racial group per platform (e.g. traditional vs. digital channels) and age groups, defining 'healthy' through the use of an independent nutrition profiling model? What safeguards are in place to ensure "unhealthy products" are not disproportionately promoted to different communities?

   o Does **[company]** have goals or metrics for marketing healthy products?

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[3] https://www.thelancet.com/journals/langlo/article/PIIS2214-109X%2816%2930217-0/fulltext
[4] https://www.who.int/publications/m/item/healthy-diet-factsheet394
[5] https://ncdalliance.org/resources/signalling-virtue-promoting-harm
[6] http://www.bmsg.org/resources/publications/the-4-ps-of-marketing-selling-junk-food-to-communities-of-color/

- o Does **[company]** conduct an impact assessment of digital data practices with regard to the marketing of unhealthy products and assess the disparate health and economic outcomes on Black, Latinx and Indigenous communities as well as on children under the age of 14?

- o In the digital era, how does **[company]** ensure fair and transparent data use and consumer privacy? Are privacy policies publicly available and written in clear, easy to understand language?

- ● **Influence/Engagement on Public Policy**: Eliminating undue influence that promulgates racial inequities that lead to adverse health outcomes and run counter to public health priorities:

  - o How does **[company]** assess whether its public policy engagement practices exacerbate adverse health impacts on Black, Latinx and Indigenous communities in the U.S. and in low- and middle-income markets outside the U.S.? Who within the company oversees this?

  - o As we shift from compliance to a shared societal expectation, how is the company re-examining its tax strategy and disclosure to align with responsible tax practices using guidance such as GRI 207: 2019 Tax Guidance and the B Team Responsible Tax Principles especially in the U.S.?

Summary of Key Learnings from the Corporate Engagements

Two-thirds of the companies that were originally sent letters responded, and while some provided insights not previously known to investors, most of the responses failed to adequately address the letter's key questions concerning how a company's business model and practices address food insecurity and racial inequity. There were few concrete examples of how far upstream the participating companies consider racial and cultural equity and several companies disclosed that they do not specifically consider race or culture in product development or marketing strategies. Additionally, the companies provided little to no information on if and how they evaluate the potential and actual impact of their public policy engagements on communities of color.

The intersectional lens of culture, race, and socioeconomic background seems to be a lacking theme across all companies, except for their charity and philanthropic initiatives. While philanthropy is an important way to engage communities, a racial and cultural equity lens deserves to be exercised across the value chain from supply chain to marketing, underscoring its importance as an integral business practice. Similarly, corporate efforts on Diversity Equity and Inclusion (DEI), an important human capital management issue, will not mitigate food insecurity and racial inequities as a result of product development/offerings, or discriminatory marketing and pricing strategies etc.

Furthermore, companies conflated low-income communities with communities of color, and while communities of color are disproportionately affected by many of the outlined disparities, they are by no means monolithic. Language and vocabulary are so important while navigating this space, as incorrect assumptions can reveal more about the culture and thought process of decision-makers. These misconceptions only serve to undermine the arguments of decision-makers with the power to effect change in their organizations.

I.   *Food and Beverage*

The food and beverage manufacturing industry is primarily focused on consumer behavior and trends when developing and strategizing product lines. **Campbell's Soup** and **Kraft Heinz** shared how their food products are made for consumer groups based on preferences, behaviors, and price point rather than consideration of race or ethnic background, which also follows through to their marketing practices. **General Mills** shared how the murder of George Floyd in its headquarter community of Minneapolis prompted it to strengthen efforts in community engagement and commitments to racial and social justice in the Twin Cities, which was one of the only companies to speak on the engagements within its own headquarter cities.

In terms of community engagement, **Kellogg's** has made a global commitment through its Better Days campaign, which aims to nourish 1 billion people by addressing hidden hunger and malnutrition due to a lack of essential vitamins and minerals. On the same note, **Coca-Cola**, **PepsiCo** and **Keurig Dr. Pepper** engage in the Healthier Generation Intervention which targets seven cities across the United States to reduce adverse health outcomes such as diabetes and obesity in low-income and predominantly Black and Latinx communities. Notably, **Unilever** has advocated for communities of color through its food channels of **Ben and Jerry's** and **Knorr** to address social justice issues and food insecurities in these communities across the United States.

Global partnerships are important to uphold promises of equity and **Keurig Dr. Pepper** has employed this approach by joining the OECD's Business for Inclusive Growth which aims to accelerate concrete projects to fight inequalities in companies and global supply chains. Similarly, **Nestlé** has shared that its national nutritional surveys are developed in collaboration with the Institute of Medicine, USAID, and the Multiple Indicator Cluster Surveys from UNICEF.

II.   *Fast Food and Casual Restaurants*

The overarching focus of the participating restaurant brands was developing products to provide healthier options for their customer base. **Dine Brands** shared its recent increase in gluten-free and 600 calorie menu options. **Restaurant Brands International (RBI)** recently made progress in reducing fat, sodium and sugar across its 3 brands.

Wendy's made a commitment in 2020 to donate at least $500,000 to support social justice, youth and education in the Black community in the United States.

In addition to advocacy and a focus on healthier food options, philanthropic action in communities where these brands are located is an important avenue for strengthening structures and systems for those most affected by racial inequity.

III. Retailers

In light of recent issues surrounding racial inequity, retailers have underscored their commitment to access and affordability in affected communities. Both **Amazon** and **Kroger** shared their approach to Supplemental Nutritional Access Program (SNAP), and Special Nutrition Program for Women, Infants & Children (WIC), assessing the intersections of race and social determinants of health. **Target** shared its new commitment to advance social and racial equity initiatives through its internal Racial Equity Action and Change (REACH) committee.

Reflections and Steps Forward

The purpose of this engagement initiative was to understand how companies consider race and racial equity in the development of their services and products as well as through their engagement with policy makers. Company self-reflection was required to answer the questions posed by investors, and yet many companies did not directly address how their existing business models might perpetuate and exacerbate racial disparities. Instead they seemed to fall back on philanthropic and diversity initiatives that did not address the underlying systemic issues.

Company responses highlight a significant opportunity for investors to invite the food and beverage, restaurant and grocery retail industries in their portfolios to a deeper interrogation of how their business models may inadvertently be fueling racial inequities that lead to adverse health outcomes in communities of color. As investors, we tie this to a company's social license to operate, which includes maintaining legitimacy, credibility and the trust of all of its stakeholders. It is imperative that companies recognize that their products and services may have a disproportionate and biased impact on certain stakeholders and, for that reason, they should be actively engaged in the decision-making process. Companies can reduce the harm of commercial influencers of health through ongoing engagement with the communities they serve and support. [7]

Relatedly, many companies have integrated how they contribute to the United Nations Sustainable Development Goals (SDGs) through their sustainability reports[8]. The third SDG calls for ensuring healthy lives and well-being. Championing racial equity across business work streams adds to how they might contribute towards this goal. According to a 2020 report from MSCI, there is growing concern among investors that companies are engaging in a practice

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[7] https://www.thelancet.com/journals/langlo/article/PIIS2214-109X%2816%2930217-0/fulltext

[8] https://www.msci.com/www/blog-posts/assessing-company-alignment/02085389620#:~:text=At%20the%20extremes%2C%208%25%20of,both%20developed%20and%20emerging%20markets

deemed "impact washing" which presents itself as support for an SDG while actively being complicit in conduct that directly contradicts that support.[9] Many of the promises that companies made in June 2020 at the height of the Black Lives Matter protests have not been realized or spoken about again:[10] To remain credible, companies must act on their commitments to support communities of color and ensure their efforts are enduring.

As previously stated, the AMA and the CDC have recognized racism as a threat to public health, and if these issues go unaddressed, companies will have an increasingly tough time maintaining their efforts towards equity on their path towards achieving SDG #3.

ICCR members hope companies in the food and beverage, restaurant, and grocery retail industries will use this summary to study how they are addressing systemic racism, particularly as it relates to nutrition and ensuring food security, with the goal of contributing to more equitable and resilient food systems that support all stakeholders.

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[9] Ibid
[10] https://www.marketwatch.com/story/companies-declared-black-lives-matter-last-year-and-now-theyre-being-asked-to-prove-it-11614972986