

# The Kraft Heinz Company



CORPORATE PROFILE



PRODUCT PROFILE

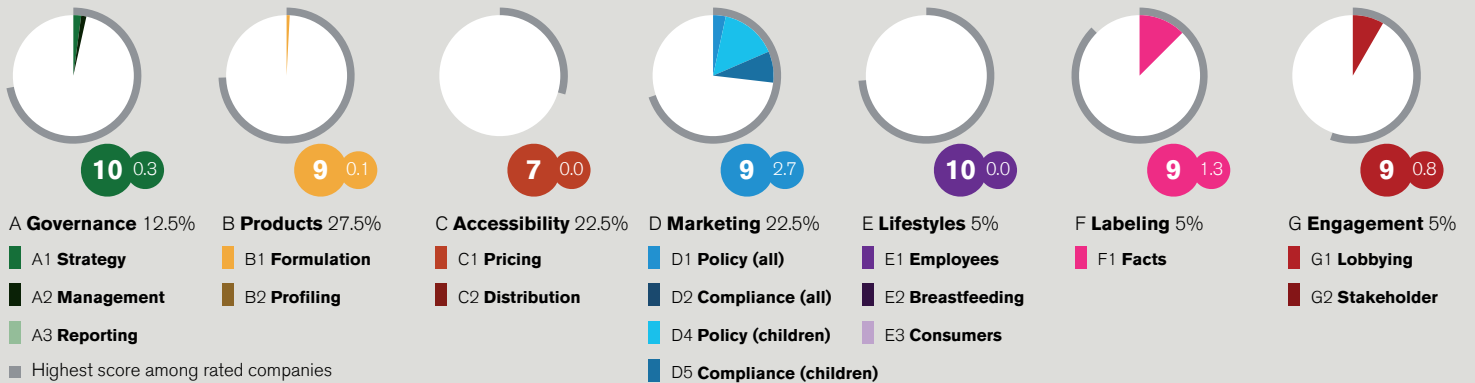
<b>Company type</b>	Publicly traded
<b>Headquarters</b>	U.S.
<b>No. of U.S. employees</b>	Not available
<b>U.S. revenue range*</b>	USD 20-25 billion

\* Source: Euromonitor International, 2017.

## Product Profile\*\*

	Revenue range	Mean HSR rating
Dairy	30-40%	2.4
Processed Meat and Seafood	20-30%	3.9
Ready Meals	10-20%	2.1
Sauces, Dressings and Condiments	10-20%	2.4
Savory Snacks	0-10%	4.0

## Corporate Profile



## Main areas of strength

- Kraft Heinz ranks second on the U.S. Index Product Profile with a score of 5.6 out of 10.
- Although the company's score on the Corporate Profile is low, it has put in place some commitments and initiatives which it reports publicly. The company did not engage with ATNF during the research process.
- The company conducts some nutrition-related risk assessments and reports this in its Form 10-K Annual Report.
- The company supports some social service programs, in collaboration with Feeding America and Boys & Girls Clubs of America.
- There is evidence that Kraft Heinz has introduced new products with an improved nutritional profile in the last three years.
- Kraft Heinz pledges to follow the two main sets of industry self-regulation commitments by being a Children's Food and Beverage Advertising Initiative (CFBAI) member and supporting the Children's Advertising Review Unit (CARU) Guidelines, administered by the U.S. Council of Better Business Bureaus (CBBB). It has adopted the best practice of not marketing in elementary or middle and high schools.

## Priority areas for improvement

- Kraft Heinz ranks ninth on the U.S. Index Corporate Profile with a score of 0.8 out of 10.
- The company was estimated in the Product Profile to generate 41% of 2016 sales from healthy products (having a Health Star Rating (HSR) of 3.5 or more) and 11% from products that meet World Health Organization (WHO) Euro criteria for marketing to children. The company should step up its product reformulation, new product development and/or make acquisitions to improve the healthiness of its U.S. product portfolio.
- In late 2017, the company published its first CSR report providing more nutrition-related information. As this report was released after the assessment deadline, the information was not taken into consideration for scoring. The company could further increase its public disclosure and is encouraged to engage with ATNF to allow for a more complete assessment of its policies and practices.
- The company should increase its focus on nutrition and health, starting by adopting a mission statement and corporate growth strategy that explicitly refer to these business-critical issues. It should publish more information about its commercial approach to improving the accessibility of healthy foods and addressing obesity and diet-related diseases, with a particular reference to priority populations, and its approach to addressing food insecurity in the United States.
- Kraft Heinz should adopt and disclose a Nutrient Profiling System (NPS) to guide its product innovation and reformulation activities, and as the basis for its definition of healthy products.
- Commitments and examples of activities related to the affordability and accessibility of healthy products, support for healthy lifestyles or stakeholder engagement, are limited or non-existent. Kraft Heinz should improve in these areas.
- Kraft Heinz should improve its commitments on responsible marketing to children and other consumers. For example, it could improve its responsible marketing to children policy by lowering its audience threshold to <25%. Further, to address concerns about 'copy-cat' products, the company should ensure that all products sold under the Smart Snacks in School regulation meet the same nutrition standards everywhere, including those products that are sold through other channels with a similar 'look and feel'.

**i** The company did not actively participate in the U.S. Index 2018 research process; its assessment is therefore based on publicly available information.

**\*\*** The mean HSR is calculated per category and multiplied by the percentage of 2016 sales per category. These figures are totalled and doubled to give a maximum Product Profile score of 10.



# The Kraft Heinz Company

## Category analysis - Nutrition

### A Governance

- Publicly available information about the company's nutrition governance was limited at the time of the research for the Index, leading to a low score on Category A. Kraft Heinz released its first Corporate Social Responsibility (CSR) report in December 2017, after the ATNI research process was completed. It provides information about various relevant aspects including the company's CSR governance, strategy and goals. Due to the late release, the information was not taken into consideration for the scoring but it was assessed to provide relevant recommendations.
- In March 2017, Kraft Heinz announced that it was strengthening its CSR commitments in support of its vision to 'grow a better world.' The company identified three focus areas to make the greatest impact: Global hunger and malnutrition, supply chain sustainability and the environment. This CSR strategy is accompanied by a commitment to donate nutritious meals to people in need, working in collaboration with several nonprofit organizations, but it does not appear to be a corporate growth strategy based on an increasing focus on health and nutrition. The company should increase its focus on nutrition and health, starting by adopting a mission statement and corporate growth strategy that explicitly refer to it. It should also specify how it intends to address priority populations in the United States, whose access to healthy food is constrained by low income or geographic factors, and reach them with healthy products as part of its commercial strategy.
- Within the U.S. context, a limited nutrition-related risk assessment was published in its Annual Report, in addition to a description of some non-commercial public health and nutrition programs the company and its Foundation support. It could improve by extending its nutrition-related risk assessment, for example by including litigation, brand and reputational risks.
- In its 2017 CSR Report, the company reports information about its global governance structure, with roles for the Board of Directors to oversee and the Executive Leadership team to execute the CSR objectives and framework. However, no information is included that relates to U.S.-specific arrangements, showing how the global approach is applied concretely in the United States. The company should report on its U.S. governance structure – who has formal oversight and day-to-day responsibility for the nutrition strategy in the United States, to report how its focus on nutrition is translated into its commercial growth strategy, incorporate nutrition in decision-making about its mergers and acquisitions and generate high and increasing levels of sales of healthy products. The company should also develop a clear and comprehensive report on its activities it conducts to prevent and address nutrition-related issues in the United States and publish its progress against nutrition-related objectives and targets.
- The company should provide more contextual information on its non-commercial public health and nutrition programs in the United States and publish a strategy that guides these activities.

### B Products

- At the time of the research process, information and disclosure on commitments and performance related to product formulation, nutrition targets and an NPS was limited. No evidence was found of a commitment to increase the company's R&D spending, or effort, to improve the nutritional quality of its products for the U.S. market. In its 2017 CSR report, the company discloses a focus on product innovation and renovation, guided by nutrition guidelines that vary by geography. Kraft Heinz does not disclose its U.S. nutrition guidelines but should do so.
- Kraft Heinz did provide some examples of new healthy products introduced in the United States in the last three years. These examples include new flavors of Philadelphia Cream Cheese which feature fresh fruits and vegetables and Kraft Mac & Cheese Boxed Shapes with six grams of whole grains per serving, reduced saturated fat by 25% and lowered sodium by 100 mg per serving.
- Kraft Heinz does not commit to apply a consistent set of nutrition standards to products sold under the Smart Snacks in School regulation and to equivalent

products with a similar look and feel, sold through other channels. The company should adopt and publicly disclose this commitment, to address concerns about 'copy-cat' products.

- Kraft Heinz does not disclose the percentage of products that meet its definition of healthy or sales generated from healthy products. In the Product Profile, 40% of 2016 U.S. sales were estimated to be derived from healthy products (which comprise 41% of the product portfolio), based on an HSR of 3.5 or more. Although Kraft Heinz scores and ranks well in the Product Profile, this should not be a basis for complacency. Kraft Heinz needs to step up its efforts to improve the nutritional quality of its products in the United States.
- The company should strengthen its approach to product reformulation in several areas. The company disclosed in its 2017 CSR report that it focuses on reducing 'negative' nutrients such as calories, saturated fat, sugar and sodium and on increasing 'positive' nutrients including whole grains, fruits and vegetables. However, no concrete reformulation targets or nutrition criteria were published. Kraft Heinz should publish specific, measurable, achievable, relevant and time-bound product reformulation targets that cover all products and relevant nutrients, and report annually on the progress in achieving these targets in the United States. The company should commit and publicly disclose to align its approach to reformulation to the Dietary Guidelines for Americans.
- No evidence was found of Kraft Heinz having adopted an NPS to guide its product innovation and reformulation activities. It should adopt a well-verified NPS, which covers all products and encompasses both 'positive' and 'negative' nutrients. This NPS should be based on and align with internationally recognized systems such as the HSR. Furthermore, the company should link its definition of healthy products to the nutritional criteria within its NPS.

### C Accessibility

- No evidence was found of a Kraft Heinz commitment to improve the accessibility and affordability of its healthy products in the United States, with specific consideration for priority populations whose access to healthy food is constrained by low income or geographic factors. In 2017, the company established a joint venture, 'Mealtime Stories' with Oprah Winfrey, which aims to make affordable and nutritious meals accessible to all consumers in the United States, but it is unclear whether these products are truly healthy and affordable for low income, underserved populations. It is also unclear whether and how this activity relates to any affordability and accessibility strategy it may have for healthy products.
- Kraft Heinz' approach could be strengthened by defining targets such as narrowing down the price differential on healthy versus less healthy products, achieving a particular price point for healthy products, defining the number of priority populations to reach with healthy products through improved distribution in urban low-income areas. These targets should be based on analysis on appropriate pricing and distribution methods of healthy products for priority populations in the United States.
- Although the company supports several programs that address food insecurity through organizations such as Feeding America, Boys & Girls Clubs of America and food banks in the United States, no commitment was found that a high percentage of the products it donates are healthy. The company should make this commitment and to provide a public commentary on its donations of healthy products, aimed to address food insecurity.

### D Marketing

- Kraft Heinz' Code of Conduct includes a commitment to responsible marketing to all consumers in all markets. However, it does not fully encompass the International Chamber of Commerce (ICC) Code of Advertising and Marketing commitments, and it does not specify which media is covered. The company also does not seem to audit (or commission audits) of its compliance with these standards. More transparency about its advertising pledges and practices would allow a more complete assessment of Kraft Heinz's performance.

- Kraft Heinz did not provide evidence of an explicit commitment to developing and delivering marketing strategies for healthy products tailored to reaching priority populations in the United States. The company should make this commitment and take steps to understand and reach priority populations through targeted marketing of healthy products, e.g. by generating consumer and marketing insights related to priority populations.
- Kraft Heinz pledges to follow the two main sets of industry self-regulation commitments by being a CFBAI member and supporting the CARU Guidelines, administered by the CBBB. Kraft Heinz should update its CFBAI pledge to avoid any confusion that the pledge applies to the current Kraft Heinz entity. The most recent pledge published on the CFBAI website still refers to Kraft Foods Group, one of the business entities from before the merger.
- Kraft Heinz does not advertise to children under 12 on the media covered by its commitment when they represent 35% or more of an audience and clearly prohibits advertising in media primarily directed to children under six. Kraft Heinz is one of only a few companies that has adopted the best practice of not marketing in elementary, middle or high schools. However, it does not specify which types of marketing are covered under this commitment. It should state specifically that its commitments cover marketing such as through educational materials, vending machines, school equipment, signs, scoreboards or posters, fundraisers, corporate incentive programs and school buses.
- Kraft Heinz should expand the scope of covered media and apply the policy when children make up more than 25% of a general audience. It should also set out how various marketing techniques will be used and expand commitments to prohibit marketing near primary or secondary schools or other places popular with children.
- The CBBB conducts periodic CFBAI-member audits to monitor compliance with the pledge. However, Kraft Heinz does not report its individual compliance level. The company should commit to doing so, as well as commit publicly to taking corrective actions when non-compliance is identified, and to report on this.

## E Lifestyles

- At the time of the research process, Kraft Heinz did not disclose any information on how it supports its employees' health and wellness. Kraft Heinz could improve by having a more robust, well-designed health and wellness program in place that incorporates nutrition, physical activity and healthy behaviors, and make it available to all employees and their family members. In addition, Kraft Heinz should define expected health and business outcomes, commission independent evaluations of the effectiveness of its staff health and wellness programs, and report on the results.
- A commitment to providing breastfeeding mothers with appropriate working conditions and facilities at work, beyond U.S. legal requirements, was not published or shared with ATNF. The company should improve by publicly disclosing its policy, which should at least meet the recommended minimum of 14-weeks of paid leave by the International Labour Organization (ILO), and offering suitable and well-equipped facilities to express and store breastmilk in all locations.
- While Kraft Heinz publishes a brief commentary on the types of programs it will sponsor through its philanthropic giving, a policy guiding its funding of healthy eating and nutrition education, physical activity or food access and food insecurity programs is not evident. The company should commit to align its healthy eating programs to the 2015-2020 Dietary Guidelines for Americans (DGA) and exclude brand-level sponsorship for all of its public programs. Further, these programs should be underpinned by a sound evidence base, be designed with expert advice and draw on stakeholder inputs. The company could also set out specific outcomes participants in the program should benefit from for all its programs and commission independent evaluations in all cases. The company should publicly disclose information about the setup, design and evaluations of the programs it supports.

## F Labeling

- In the United States, the company commits to apply the Grocery Manufacturers Associations (GMA) Facts Up Front labeling system. The

company does not publish the percentage of products that carry a front-of-pack (FOP) label. Kraft Heinz could improve by communicating the nutritional value of its products by using interpretive FOP labels that are easy to understand for all consumers by using graphics, symbols or colors.

- The company provides nutrition information through the GMA SmartLabel system. It is unclear for what percentage of products nutrition information is available overall online. The should disclose nutrition information for all its products online.
- Regarding the upcoming U.S. Food and Drug Administration (FDA) update of the Nutrition Facts Panel, which includes a requirement for labeling of added sugars and will go into effect on January 1, 2020, no information was found on Kraft Heinz' implementation plan in relation to the deadline. Although this aspect of the assessment is not scored and is provided for information purposes only, all companies are recommended to implement the update to the Nutrition Facts Panel as soon as possible for all relevant products.

## G Engagement

- Kraft Heinz discloses limited information about its lobbying and influencing governments and policymakers on nutrition issues activities, beyond legal requirements. The company does not make an explicit commitment not to lobby against public health topics. To strengthen its approach, the company could commit, in relation to nutrition issues, to lobby only in support of public health initiatives in the United States.
- Beyond required disclosure of financial contributions to associations or other organizations that lobby on its behalf, Kraft Heinz does not disclose potential governance conflicts of interest and board seats at influential organizations. The company should disclose this information and, in addition to disclosures on lobbying expenditure and topic areas under the Lobbying Disclosure Act, it should disclose its positions used in lobbying, as these relate to nutrition. It could provide this in a commentary on its lobbying activities in the United States, disclosing publicly how it supports preventing and addressing obesity and diet-related chronic diseases.
- There is no publicly available evidence that Kraft Heinz makes a commitment to engage with stakeholders to improve its nutrition-related policies and practices in the United States, or about its performance and activities in this area. In the new CSR report, the company provides some commentary on stakeholder engagement especially for the purpose of its materiality assessment. The company could improve its performance by committing to undertake more structured and comprehensive engagement with key nutrition stakeholders in the United States. In addition, it should publish information about how that engagement shapes its commercial and non-commercial nutrition-related policies and practices.

# The Kraft Heinz Company<sup>o</sup>

## Product Profile\*

### Portfolio-level results

Average HSR score (sales-weighted; out of 5 maximum)	Healthy products (HSR)				Products suitable to market to children (WHO Euro)				% total U.S. F&B sales included
	No. assessed	% sales generated from healthy	No. healthy	% of healthy products	No. assessed	% sales generated from suitable	No. suitable	% of suitable products	
2.8	732	40%	300	41%	1210	11%	129	11%	84%

• Kraft Heinz’s average sales-weighted HSR is 2.8, and 3.0 when not weighted by sales, generating a Product Profile score of 5.6 out of 10, and a rank of second. The results are based on analysis of 84% of its 2016 sales from categories eligible for inclusion.

• 41% of the products assessed (300) were found to meet the healthy threshold and were estimated to generate 40% of 2016 sales.  
 • 11% of the products assessed (129) were found to be suitable for marketing to children and were estimated to generate 11% of 2016 sales.

### Category results

Category	Dairy	Processed Meat and Seafood	Ready Meals	Sauces, Dressings and Condiments	Savory Snacks
Mean HSR	2.4	3.9	2.1	2.4	4.0
% products healthy	41%	88%	12%	20%	88%
% products suitable to market to children	20%	14%	9%	2%	0%


Kraft Heinz achieved a mean HSR of more than 3.5 for two out of its five categories: Savory snacks (4) and processed meat and seafood (3.9). The other three categories scored more poorly: Dairy and sauces, dressings and condiments achieved a mean HSR of 2.4 and ready meals, 2.1.

met the healthy threshold, none of the products in that category are suitable to market to children. About 12% of ready meals were rated healthy and 9% suitable to be marketed to children.

While 88% of the company’s processed meat and seafood category was rated healthy, only 14% of those products were found to be suitable to market to children. Similarly, while the same proportion of savory snacks

In the dairy category, 41% of products were found to be healthy and 20% were suitable for marketing to children. Meanwhile 20% of sauces, dressings and condiments were rated healthy and 2% were suitable for marketing to children.

\* The mean HSR is calculated per category and multiplied by the percentage of 2016 sales per category. These figures are totalled and doubled to give a maximum Product Profile score of 10.

 Did not provide information to ATNF.

# The Kraft Heinz Company<sup>o</sup>

## Relative nutritional quality of Kraft Heinz's products by category

Mean HSR	Dairy	Processed Meat and Seafood	Ready Meals	Sauces, Dressings and Condiments	Savory Snacks
<b>Kraft Heinz</b>	<b>2.4</b>	<b>3.9</b>	<b>2.1</b>	<b>2.4</b>	<b>4</b>
ConAgra	2.1	2.4	3.3		2.1
General Mills	3.4		2.4		
Nestlé	1.2		3.1		
Unilever	2.8		2.1	0.8	
Kellogg		3.9			2
Mars					0.5
PepsiCo					2.7

Kraft Heinz has a diverse portfolio and competes with several other companies in each one. In the dairy category, its products fall in the mid-range of nutritional quality with a mean category HSR of 2.4, versus the highest rating of 3.4 achieved by General Mills and the lowest of 1.2 by Nestlé. Its processed meats and seafood match those of Kellogg in terms of nutritional quality, being rated as healthy with a mean HSR of 3.9. Its savory

snacks are also the healthiest in the category, with a mean HSR of 4, as are its sauces, dressings and condiments, though with a lower mean HSR of 2.4. Its ready meals have the lowest nutritional quality in the category, together with Unilever's, with a mean category HSR of 2.1. ConAgra has the highest mean HSR in the category of 3.3.

### Conclusion

As Kraft Heinz does not disclose the percentage of its U.S. portfolio comprised by healthy products, or the sales derived from them, it is not possible to compare those figures with the results of the Product Profile. By not reporting this information, the company appears to be missing a substantial opportunity to inform its investors, consumers and other stakeholders about its relatively healthy portfolio. Kraft Heinz could benefit from improving its transparency in this area.

For the five product categories assessed, it has category-leading mean HSRs in two but low mean HSRs for the others. The company should focus its product reformulation on its dairy, ready meals and sauces, dressings and condiments categories to improve their overall nutritional quality, by increasing its investment in new healthy product development and reformulation. It should set targets for the percentage of healthy products it intends to offer in each, by set dates, and report on its progress in achieving those targets.

# The Kraft Heinz Company<sup>®</sup>

## General disclaimer

The findings, interpretations, and conclusions expressed in the report are those of ATNF only, and should not be attributed to any other entity. This report is intended to be for informational purposes only and is not intended as promotional material in any respect. This report is not intended to provide accounting, legal or tax advice or investment recommendations. Whilst based on information believed to be reliable, no guarantee can be given that it is accurate or complete.

## Note

**The George Institute for Global Health (TGI)** is responsible for the data collection for the Product Profile assessment, using data from available databases that was supplemented with data provided by companies to ATNF. TGI is also responsible for the analysis of the data related to the Product Profile and the TGI Product Profile final report, the results of which have been incorporated by ATNF into the Global Access to Nutrition 2018 report and the U.S. Spotlight Index report.

**Euromonitor International Disclaimer** Although Euromonitor International makes every effort to ensure that it corrects faults in the Intelligence of which it is aware, it does not warrant that the Intelligence will be accurate, up-to-date or complete as the accuracy and completeness of the data and other content available in respect of different parts of the Intelligence will vary depending on the availability and quality of sources on which each part is based. Euromonitor International does not take any responsibility nor is liable for any damage caused through the use of our data and holds no accountability of how it is interpreted or used by any third-party.

The user of the report and the information in it assumes the entire risk of any use it may make or permit to be made of the information. NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS ARE MADE WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION ARE EXPRESSLY EXCLUDED AND DISCLAIMED.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall Access to Nutrition Foundation, nor any of its respective affiliates, The George Institute, Euromonitor International, or contributors to or collaborators on the Index, have any liability regarding any of the Information contained in this report for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.