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Health: An Untapped Asset

How investors can strengthen returns by improving health outcomes

ShareAction»

About ShareAction

ShareAction is a non-profit working to build a global investment sector which is responsible for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. We want a future where all finance powers social progress.

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Disclaimer

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Glossary and definitions

Asset management is a financial service offered by investment firms to manage the investment of capital on behalf of asset owners. Asset managers offer different investment products to different types of clients to meet different investment objectives.

Asset owner is used to denote institutions that own invested assets, such as pension funds, charitable foundations, insurers, sovereign wealth funds, or private individuals.[i]

An Environmental, Social and Governance (ESG) framework is a set of sustainability standards that investors use to screen potential investments, identify risks and opportunities, and topics for engagement. Environmental criteria consider how an investment can be assessed as a steward of natural capital. Social criteria examine how a company manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with leadership, executive pay, audits, internal controls, and shareholder rights.

Stewardship is the responsible allocation, management and oversight of capital. Stewardship describes the way that investors can promote sustainable practices that are consistent with long-term value creation for stakeholders.

Engagement is the process by which investors in public companies leverage their position as shareholders or providers of debt to influence corporate decision-making. It can take a variety of forms, from direct dialogue or questions at corporate meetings, to filing shareholder resolutions or taking legal action.

Population health can refer to both average levels of health and disease, as well as inequalities between groups in a population. Throughout this report, when we refer to “health” or “population health”, we’re focusing on the factors that affect health overall and that maintain health inequalities.

Health inequalities are avoidable differences in health across the population, and between different groups within society. They arise because of the conditions in which we are born, grow, live, work, and age.

Commercial determinants of health refers to the ways that commercial actors shape environments and consumption patterns that influence population health. This includes investor-relevant companies, which can have a large role in shaping health and disease.[ii,iii]

Wider determinants of health refers to social, physical, economic and commercial drivers of health, which contribute as much as 60-80 per cent toward our overall health. Other terms such as “social” or “broader” determinants of health are at times used interchangeably with “wider determinants”.[iv] Companies have a role to play, beyond their commercial activity, in shaping these wider determinants. The quality of work they provide is an obvious example.

Foreword

Jennifer Dixon, Chief Executive at The Health Foundation

Kieron Boyle, Chief Executive at Guy's & St Thomas' Foundation.

It's now almost a cliché to define prosperity as wider than economic measures such as GDP. One framework in wide circulation uses "four capitals": natural capital (the environment and biodiversity); social capital (community wellbeing and cohesion); human capital (health, well-being and productive potential of individuals); and financial/economic capital (including infrastructure). It is increasingly understood that these four types of capital are interlinked. For example, economic wealth creation is linked to the health and wellbeing of individuals and communities in a relationship that goes both ways.

On one aspect of human capital is health – the overall life expectancy in the UK is middling compared to other industrialised nations. And while it is constantly improving, the rate of improvement has abruptly slowed over the last decade, and more than in any other European country. Not only that, the gap between rich and poor has widened, and in some parts of the country, life expectancy gains have even gone into reverse. In Hartlepool, boys born today can expect to live 57 years in good health. By contrast, in Richmond-upon-Thames, the expectation is 71 years. And in the areas of England with the lowest *healthy* life expectancy, more than one-third of 25 to 64 year-olds are economically inactive due to long-term sickness or disability. Aside from the human toll, this is very costly for British society. It is also avoidable. The pandemic has activated public consciousness on the extent of inequality in health, putting the issue front of mind and giving a new opportunity to take meaningful action.

Our health is significantly influenced by the circumstances in which we live and work, and our ability to access healthy options. These, in turn, are shaped by many factors, including the actions of companies and investors.

The so-called "commercial determinants of health" are significant. For example, the rising tide of obesity since the 1950s means that now two-thirds of Brits are overweight or obese. This trend cannot be the result of a gradual loss of individual will-power to make healthy choices, as some would argue. Trends like this are the reason governments are acting on the issue. But there is much more to do.

The power of investors to shape the "four capitals" is now well accepted, not least on natural capital – the "E" of ESG. But there is equal work to be done on the "S", in particular, health. This report very clearly shows the untapped potential and the progress that needs to be made on this issue. One example is of British American Tobacco which was recently rated by one data provider as having the third highest ESG rating in the FTSE 100. This is indicative of an approach lacking in relation to health; more work is needed to connect health into sustainability rankings and investor practice at large.

Fortunately, the tide is turning. In the UK, the supermarket giant Tesco agreed to boost sales of healthier food and drinks in response to investor pressure coordinated by ShareAction's Healthy Markets campaign. The Workforce Disclosure Initiative has mobilised investors with over US$7 trillion of assets to ensure companies disclose data on their workforce practices. Legal and General – one of the world's largest asset managers – has made reducing health inequalities a strategic focus to drive long-term productivity and economic resilience.

There is an opportunity to build on that momentum. A clearer commitment to investing in a healthier society should be one of the pandemic's legacies.

The Health Foundation and Guy's & St Thomas' Foundation are proud to support ShareAction and the agenda on health set by this excellent and forward-looking report.
We hope more investors will see the path to progress and be more active as a result.

Executive summary

Health is integral to economic prosperity

Health is important to individuals, to communities, and to the economy. Good health is an asset; it is what enables us to thrive and live independent and fulfilling lives, as well as contribute productively as workers and be active participants in the economy. According to McKinsey, better health could add US$12 trillion to global GDP in 2040, representing an eight percent boost that translates into 0.4 percent faster growth every year. At a societal level, health is usually valued above all else; it is in the best interests of savers and pension holders that their money is invested in a way that supports good health and a more resilient population.

Like climate change, poor health is a systemic risk that many investors simply cannot diversify away from. In 2008, the Government-commissioned review ’Working for a Healthier Tomorrow’ suggested the cost of poor health in the UK alone – to employers and taxpayers – ran to £100bn per year. According to the CBI’s ‘Seize the Moment’ report, 63% of years lost to poor health are in the working age population, and this costs the UK around £300bn in lost economic output annually, excluding direct health costs.

As the Covid-19 pandemic has shown, we all share the cost burden of poor health – one that is becoming increasingly unsustainable. Even prior to the pandemic, health gains had slowed. In the UK, improvements in life expectancy stalled over the last decade, and declined in the poorest groups. In the US, life expectancy has seen a decline since 2014. In 2018, the WHO estimated that 15 million working age people die prematurely every year around the world as a result of preventable poor health.

The health of populations is a critical factor in defining our economic resilience and prosperity.

It is for these reasons that we at ShareAction – a responsible investment charity – have begun to engage the investment sector on the issue of health, and why asset owners and asset managers are starting to consider the importance of health in their work. With funding from The Health Foundation, and support from Guy’s & St Thomas’ Foundation, we have conducted a six-month scoping study to understand how asset owners and asset managers can contribute to a healthier society, and in doing so, improve the resilience of their investments. We interviewed and surveyed over 40 UK and international asset managers and asset owners to understand their current practices and their appetite for incorporating health into their work.

This scoping study has taken place at a pivotal time. The Covid-19 pandemic has forced individual and population health to the front of minds, and it has highlighted the link between health and economic performance. The pandemic has illuminated and exacerbated pre-existing negative health trends and widening inequalities that are capable of dampening economic growth. This has led the UK Government to renew its focus on reducing the disparities between rich and poor and to tackle preventable disease.

Companies shape the drivers of health, and this creates opportunities for investors

Companies influence the jobs we do, what we consume, and the places we live – all of which shape our health.

Escalating and preventable costs of poor health, and the impact this has on economic performance, mean there is an urgent need to increase investor stewardship on this theme. As we emerge from the pandemic, re-building our economic resilience and prosperity will necessitate enhanced action by companies to support better health.

As the investment sector and others grapple with defining the "Social" pillar of Environmental, Social and Governance (ESG) corporate sustainability frameworks; there is an important opportunity to ensure that this is done through the lens of health and that health is fully integrated.

The level of risk is growing for companies who generate negative health impacts. Consumer trends are shifting toward healthier products and consumers' expectations that companies operate responsibly are increasing. With this, and the growing costs of ill-health, government regulation of companies is increasing around the world. Companies that don't innovate and evolve are at risk of being financially penalised, which may erode shareholder value.

As owners of companies and providers of capital, investors have significant influence over companies, through a range of engagement mechanisms. They can use these mechanisms to push for a more responsible approach to the health implications of company activities.

Findings: There is a gap in investor stewardship on health

During our research, we found that investors had a limited understanding of the factors that contribute to a person's overall health, and instead of considering wider social and environmental factors, they tended to think about healthcare and pharmaceuticals. We therefore developed and tested a framework for how investors can consider companies' health impacts:

1 Through the quality of work they provide;
2 Through their products and services they produce and sell, and
3 Through their impact on communities.

Our findings showed that investors valued health being framed in this way, because they felt it brought together a set of otherwise disparate topics. They also felt that these three pillars could be presented using the concept of different “scopes”, which is familiar from the way they hold companies to account on climate change.

Through our interviews and surveys, we found that most asset managers do not currently prioritise health in their stewardship approach. This has enabled many companies to overlook their impact on health. We found that most asset managers do not exclude health-harmful sectors from the majority of their funds, including tobacco and alcohol manufacturers, companies with a heavy reliance on an insecure workforce, or those contributing most to the health effects of air pollution. Only a very small proportion of capital, in specialist “sustainability” or “ethical” funds, is subject to health-related exclusions, such as for tobacco, alcohol, or gambling companies. Moreover, our research found “ethical” funds do not tend to proactively invest in companies with a positive impact on health. “Sustainability” funds do take a more proactive approach but the likelihood of them driving real-world impact in their current form is unclear.

We found that investor engagement on health-related topics is gaining momentum but there are still significant gaps. We were encouraged that out of the investors we interviewed some were integrating health-related topics into their engagement approach, including workers’ rights, nutrition, and antimicrobial resistance; however, this kind of practice isn’t standard across the industry and significant gaps remain.

Our research shows that currently approaches to health stewardship are under-developed. This represents a significant blind spot for investors and leaves investment portfolios overly exposed to health-related risks.

Investors have a financial interest in helping create healthy societies over the long-term. Yet the current status quo on population health means their investments may be undermining this outcome.

Barriers exist to integrating health into stewardship practices

Our study identified barriers faced by asset owners and asset managers in integrating health into their stewardship practices. We found that investors would benefit from a clearly articulated business case for prioritising health, and evidence-informed guidance on what health-related topics to focus engagement on, as well as which the key companies and sectors in focus should be.

We heard that high-quality, comparable data to aid assessments of company performance, or sectoral-level risk, is lacking. In the absence of legislation, company disclosures are particularly poor in relation to health and data providers often omit health data from their indexes as a result. Moreover, we understand that narrow and short-term approaches by asset managers to assessing risk mean that many health-related risks are not captured in such assessments. Where they are captured, risk is assessed only at a company- rather than a portfolio-level, meaning macro-economic and cumulative risk may not be factored in.

Though these are important barriers to be aware of, none of them prevent investors making progress, and many can be overcome with concerted effort from a range of stakeholders. Investors will be more likely to prioritise health as a stewardship theme and incorporate health-related factors in their risk assessments if they are equipped with quality information and data. In turn, this would make them more likely to include companies' health impacts in their capital allocation decisions, and in their company engagements.

There's momentum and an opportunity to transform the investment sector for better health outcomes

While our study found that investors lacked data and information to help them be effective stewards from a health perspective, it also found that they are interested in improving this and enhancing their health impact.

Many asset owners told us they are seeking options from asset managers to align their investments with better health outcomes, and for enhanced company reporting on this theme. Generally, they feel health-linked funds are not currently available and that reporting and stewardship on health by their asset managers is inadequate. There is a market opportunity for any asset managers able to offer funds that deliver real-world improvements in health and enhanced reporting on that theme.

More collaborative engagement opportunities such as through investor-led coalitions could empower investors to integrate health into their stewardship.

Our research shows that where collaborative engagement exists, investors are more likely to prioritise those topics. We have identified food environments and workplace health as topics where existing collaboration forums could be expanded beneficially. We have also identified an opportunity for new collaboration forums on topics such as air quality and alcohol.

There's also an opportunity to clarify the duties of asset managers to assess the health impacts of investments. This can be done by clarifying fiduciary duty. This will help overcome resistance among some investors who may think they are required to prioritise short-term financial returns and are prohibited from considering wider impacts.

Focussed action could kick-start an investment sector movement for better health

Transforming the investment sector for better stewardship on health issues will not happen overnight. However, there are things that investors, policymakers, and civil society can do to start building on existing momentum in this area. Here, we present suggested next steps for different stakeholders.

Investment sector (asset owners and managers, data providers)

Give greater priority and consideration to health and enhance stewardship in relation to it.

Asset managers and owners should use the framework described in this report (section 3) to consider the overall and systematic health impacts of their investments. This includes assessing risk at both a company- and portfolio-level.

- Investors should assess company-level risk related to health. Risk may increase due to changing public policy, consumer trends, and workforce inefficiency which reduces productivity.
- Investors should assess portfolio-level health-related risk. Risk may increase due to poor health creating costs to society and dampening economic growth. This is particularly important for highly diversified, long-term investors.
- Investors should support the development of disclosure frameworks, data sets and benchmarks that help investors assess companies' health impacts, including where efforts are absent or lacking.
- Investors should increase their corporate engagement on health-related topics and support and participate in new and existing collaborative initiatives to address companies' health impacts. They could do this by:
    - Strengthening engagement on topics where investor stewardship is already emerging, such as food and nutrition and good work.[1]
    - Conducting engagement on other health-related topics that haven't previously been well covered. These include ambient air pollution, alcohol harm, and health-related lobbying.

1 Good Work is shaped by working practices that benefit employees through good reward schemes and terms and conditions, having a secure position, better training and development, good communication and ways of working that support task discretion and involve employees in securing business improvements.

- Taking part in existing and new collaborative engagement initiatives on health topics.

ESG data providers should develop and incorporate health indicators into their existing ESG assessments. This would provide a more rounded and holistic view of company and sectoral risk that would allow better evidence-based corporate governance.

Policy makers

Clarify that investors' fiduciary duty – as it currently stands – not only permits investors, but requires them, to consider the environmental and social impacts of companies, including their impacts on health. Whilst we believe that fiduciary duty currently requires investors to consider health-related risk, further clarification and explicit reference to health would be beneficial to avoid any doubt. The effects of this would be to:

- Better empower investors to integrate an assessment of long-term systemic risks from poor health into their stewardship practices

Better enable pension funds to take a broader view of what is in their beneficiaries' best interests, giving priority to population health alongside financial returns.

Civil society (NGOs, academics and funders with an interest in improving health)

Develop a programme of work that supports and empowers investors to prioritise health

This programme should:

- Articulate the business case for health stewardship to help asset managers and asset owners give greater priority to the issue;
- Build a movement of investors committed to incorporating health into their stewardship activities;
- Identify good practices among investors in relation to health, then spread and scale these practices across the industry;
- Advocate for public policy that supports and mandates investors to consider health-related risks;

Establish collaborative company engagements on health-relevant topics, where there is an opportunity to drive accelerated positive health impact (see chapter 5). This should be based on company-data and best practice which drive toward real-world impact.

Introduction

1

Introduction to the scoping study and purpose of this report

With support from The Health Foundation and Guy's & St Thomas' Foundation, ShareAction has conducted a scoping study to understand how investors can be empowered to drive toward better health. This study has benefited from the generous input of a steering group with expertise in health, social policy, and investment.[v]

The aim of our research was to understand current practices across the investment sector in relation to health and assess the appetite for embedding health into stewardship practices. We interviewed and surveyed 30 leading UK, European and global asset managers including pension funds and insurers. We also spoke to 12 asset owners and surveyed more, including large charitable foundations. We identified investment practices that could be strengthened, as well as challenges and barriers that investors face in incorporating health into their stewardship.

The report begins to set out the business case for prioritising health as a sustainability theme, presents a framework to help investors assess health-related risk, and makes recommendations on how investors can better incorporate health into their stewardship activities. The report also sets out the importance of the investment system as a lever for improving health and the mechanisms for driving this impact.

This report is intended for the following audiences:

a) Institutional investors (asset managers and asset owners), including staff members responsible for setting strategic priorities, analysts, portfolio managers, and engagement teams.

b) NGOs, academics, policymakers, and funding organisations with an interest in improving population health or narrowing health inequalities.

This report is based on a synthesis of:

- Interviews with institutional investors, including 17 asset managers (UK, European and global, representing combined assets over US$5.3 trillion), four pension funds and two charitable foundations, most of whom were familiar with ShareAction and already work with us on other aspects of responsible investment.[2] Anonymised quotes throughout the report are derived from these interviews.

2 Interviewees were working in Responsible Investment teams, Engagement/Stewardship teams, or as fund managers of relevant thematic funds. Interviews took place between April and May 2021.

- A more structured survey subsequently sent to 44 selected asset managers in UK and Europe,[3] to gather structured information on investment practices. We received responses from 14 asset managers with combined assets of US$7.4 trillion.

- A short survey was sent to asset owners to gather information from their asset managers about the quality of stewardship and reporting in relation to health and whether/how asset owners would want this to improve.

- Extensive reviews of investors' documentation (annual reports, stewardship reports); reports from organisations that support responsible investment; think tanks and academic literature; and a mapping exercise of investor initiatives covering health-related topics.

3 44 leading asset managers from UK and Europe were selected based on scores in our recent asset manager survey or based on active membership of one of ShareAction's Good Work or Healthy Markets coalitions. 14 responses were received, with combined assets under management of €6.3 trillion.

The business case

2

There is a compelling and growing business case for investors to consider health

Our health as individuals and a society risks being undermined if current trends continue

People generally value their health above all else. Good health enables us to live independent and fulfilling lives. It is also critical to a prosperous society, but like wealth, health tends to be unequally distributed. Millions of peoples' lives are limited by ill-health due to avoidable risk factors such as unhealthy diets, excessive alcohol consumption, poor quality jobs, and insecure housing. Even before the Covid-19 pandemic, health inequalities were widening in many developed countries.[vi,vii] In the UK in the decade prior to the pandemic[viii], improvements in life expectancy stalled, and have declined for the poorest groups. In the United States life expectancy has fallen since 2014 as mortality – particularly among poorer working age people – has increased.[ix] Across the OECD, gains to life expectancy have slowed.[x]

Health is inextricably linked to economic prosperity and productivity in the UK and around the world

The link between health and wealth has been exemplified by the Covid-19 pandemic, where underlying sub-optimal health has made populations more vulnerable to the virus and its knock-on economic consequences. This link runs both ways since poorer parts of the country tend to have worse health outcomes. In England, for example, Covid-19 mortality rates were more than twice as high for people from the most deprived 10 per cent of local areas compared with people from the least deprived areas.[xi] There is also evidence that areas with better health demonstrate stronger economic growth. The converse is also true.[xii] Though the pandemic has shone a light on this link, it existed before and will continue to dampen economic prosperity unless concerted effort is made to improve health.

Good health is an asset to the economy and investors in it. In 2018, the WHO estimated that 15 million working age people die prematurely every year around the world as a result of preventable poor health.[xiii] According to the CBI's *Seize the Moment* report, 63 per cent of years lost from poor health are in the working age population. This costs the UK around £300 billion in lost economic output annually, excluding direct health costs.[xiv] This means that improving health can deliver tangible economic benefits. According to McKinsey, better health could add US$12 trillion to global GDP in 2040, representing an eight per cent boost that translates into 0.4 per cent faster growth every year.[xv]

15 million people die prematurely each year from preventable poor health

63 per cent of years lost to poor health are in the working age population

US$12 trillion (USD) can be added to global GDP by 2040 through better health

If good health is an asset, poor health is a liability that brings forward expenses. In 2008, a government-commissioned review on health, titled 'Working for a Healthier Tomorrow', suggested that the cost of poor health in the UK alone – to employers and taxpayers – ran to £100 billion per year.[xvi] This cost is partly driven by reduced worker productivity, which is particularly important in the context of stalling population growth in developed nations. This means economic gains are more reliant on improvements in productivity, including via the workforce. The cost of health inequalities – the gap in health outcomes between the rich and poor – has been estimated to be as high as 9.4 per cent of gross domestic product (GDP) or €980 billion across 25 European countries.[xvii] Recent estimates suggest the cost to UK companies of poor workforce health is as much as £92 billion annually.[xviii]

This issue affects all investors. But for diversified owners, these macro-economic implications of population health are particularly important. These investors are more exposed to broader economic trends. The diversified nature of their investments means that a negative health externality from one part of their portfolio may be realised in another part.

Health has financial impacts at a company- and sector-specific level

Beyond the macro-economic opportunities of a healthier society, there are direct risks to companies that negatively impact health that investors need to assess and effectively manage. Regulatory, consumer, and litigation trends related to health pose material risks to companies, now and in the future. As do the immediate costs of reduced worker productivity and absenteeism.

Regulatory action from governments is on the rise in the face of financially unsustainable health trends. Faced with rising healthcare costs,[xix] governments have demonstrated their willingness to tighten regulation to tackle a range of health threats. Some of these regulations include obesity-linked sugar taxes or air quality regulations. Rising government intervention should be expected as governments from the EU,[xx] UK,[xxi] and elsewhere[xxii] have made ambitious commitments to add years to healthy life expectancy. The UN's Sustainable Development Goal (SDG) 3 sets ambitious targets, including a one-third reduction of premature mortality from non-communicable diseases, while several other SDGs underpin and depend on good health. It is clear that changes to companies' practices will be needed to achieve these goals.

Based on this growing awareness, NGOs, academics, and others are increasingly focusing on what businesses can do to tackle negative impacts on population health and promote positive ones. As such, academic interest in this area has increased substantially.[xxiii] Regulatory action has already proven material on tobacco, unhealthy food, and other products.[xxiv]

Forty-two countries have now introduced sugar taxes, which is more than have implemented carbon taxes.[xxv]

This increasing regulatory activity poses a financial risk to companies, particularly those slower to innovate and evolve.

Health-related litigation also poses a risk to companies creating negative health impacts. For example, legal experts believe that a recent UK ruling that air pollution contributed to a child's death could lead to health-based litigation against polluting companies.[xxvi]

Moreover, health is an increasingly important topic for the public. This creates increasing reputational risk for companies seen not to be acting responsibly in relation to health. It is also leading to shifting consumer trends toward healthier products.[xxvii] Both shifts generate risk, but also opportunity for companies seen to be ahead of the curve.[xxviii]

Investors will need to account for these risks in their assessments of companies to avoid being overly exposed. There is a real risk that some companies' business models may become unsustainable if they do not evolve. This could lead to stranded assets in the future.

Growing societal expectations pose an opportunity for investors

Investors – including large foundations, endowments, pension funds, and their asset managers – are important and influential stakeholders for the companies that they invest in. They steward vast amounts of capital and in recent years this has only increased. The global volume of invested financial assets is predicted to reach US$145.4 trillion by 2025, representing a real growth rate of over 250 per cent in less than 20 years.[xxix]

70%

A survey of UK public savers found that improving health was the top Social Development Goal (SDG) of interest, with 70 per cent saying this goal was important to them.

33%

Another survey found that 33 per cent of pension savers want their pensions to be divested from companies that undermine health by not paying the living wage.

Alongside this, investors' consideration of environmental and social issues is expected to continue to grow. More and more funds are expected to integrate environmental, social, and governance considerations into their offering.[xxx] Regulations also increasingly require investors to demonstrate how they are addressing a range of sustainability issues.[xxxi,xxxii]

The societal expectation that investments should promote social goals and consider impacts on society is also growing. A survey of UK public savers found that improving health was the top Social Development Goal (SDG) of interest, with 70 per cent saying this goal was important to them.[xxxiii] Another survey found that 33 per cent of pension savers want their pensions to be divested from companies that undermine health by not paying the living wage.[xxxiv] Pension funds have an opportunity to stand-out in the market by ensuring their practices don't undermine the health of their beneficiaries.

Similarly, asset owners are increasingly demanding ethical and sustainable fund options, including those delivering better health outcomes. Asset managers able to offer health funds capable of delivering real-world impact will be able to capitalise on this demand.

Investors therefore have an important opportunity to consider health within their stewardship and influence company activities that shape health. Through their engagement activities[4] they can encourage companies to adopt policies and practices that synergistically improve health and protect the long-term sustainability of their investments. Through their investment allocation decisions, they can also determine which companies are able to easily access finance.

By incorporating health into their stewardship, investors have an opportunity to both reduce the cost of ill-health and harness improved health as an economic asset. Investors are increasingly recognising this and considering health as part of the 'Social' domain of ESG assessments.

4 Investment stewardship is the responsible allocation, management and oversight of capital. Engagement refers to the process by which investors in public companies leverage their position as shareholders to influence corporate decision-making

A framework for health

3

A framework for assessing companies' impact on health

Incorporating health into investor stewardship practices can mitigate risk and harness opportunities

Good health is not the result of good healthcare alone. The social, commercial, and physical environments in which we live and work have a huge impact on patterns of health and disease. As much as 60-80 per cent of health outcomes are driven by these environmental factors.[xxxv,xxxvi]

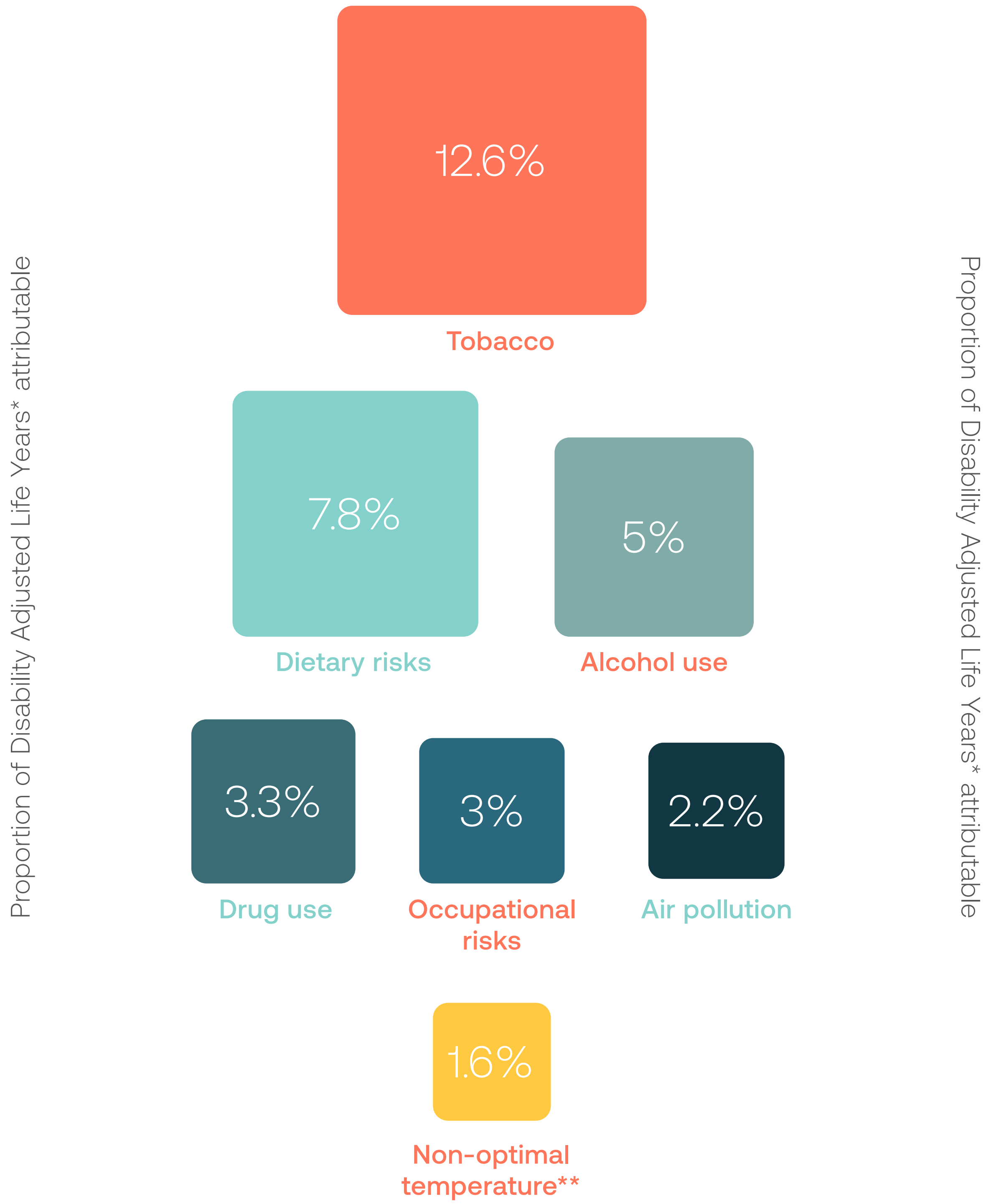
The factors that determine health outcomes begin much further upstream than healthcare and pharmaceuticals.

The so-called 'wider determinants of health', including social factors like good quality work, adequate housing, and education can strongly determine a person's health.[xxxvii] These wider determinants shape the ways we live and work, which in turn influence our health behaviours and specific health risks. Together, these wider determinants are more important than healthcare itself at determining patterns of health and disease.[xxxviii,xxxix]

The role of companies in influencing many health-determining factors is increasingly well understood by policymakers, NGOs, and the public.[xl,xli,xlii]

Companies' actions have substantial implications for population health as they shape these wider determinants. Company activities influence the products, the jobs we do, the products and services we are sold, and the places we live. Table 1 shows the behavioural and environmental contributors to poor health[5] within high-income countries.[xliii, xliv] Fundamental to these contributors are underlying broader socioeconomic factors, such as quality of work, housing, and financial security, which can directly shape people's ability to live healthy lives.[xlv] Companies have an important role to play in shaping each of these factors.

Table 1: 'Risk factors' with the greatest implications for poor health and health inequalities in high-income countries.



Note: Metabolic risks (such as high Body Mass Index or cholesterol) have been excluded as these are largely caused by other risks in this table.

* Disability Adjusted Life Years are a measure of overall disease burden, expressed as the number of years lost due to ill-health, disability, or early death.

**Non-optimal temperature is largely caused by inadequate housing.

Investors can assess health-related risk factors by considering company impacts on workers, consumers and communities

Given the wide and complex range of factors that influence health, we have developed a framework to help investors understand how it relates to their investments. We developed this framework based on the work of academics from Harvard Business School,[xlvi] and tested it with investors and health experts during our scoping study.

Our framework centres on three pillars through which companies, and investors, can influence health.[6]

Companies can influence health of:

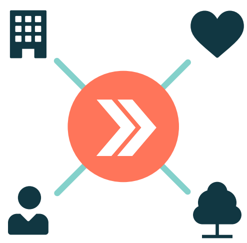
Workers

Through their practice and benefits in relation to direct and indirect workers;

Consumers

Through the goods and services they produce and sell; and

Communities



Through their influence on the external environments in which they operate.

These pillars can be likened to the three scopes used in climate reporting frameworks.

6 This framework aligns with others on the broader sustainability impacts of companies, including Future Fit Business' 'Value Web', which considers how companies' operations and products can influence their customers, employees, and broader society. It also aligns with the Healthy Business Coalition's "four scopes of action" through which companies influence health. The four scopes are through goods and services, workforce, community action, and influence on public policy.

Pillar 1
Workers' health

"Good work" is a key determinant that enables workers to live healthy lives.[xlvii] The quality of work provided is one of the main ways that companies, and therefore investors, can influence health. Providing good, secure jobs and workplace health practices is also good for business, resulting in reduced staff turnover and absenteeism, increased motivation, and lower reputational risk.[xlviii, xlix]

Connected to this, income is one of the strongest predictors of health outcomes, at both the population and individual level.[l] As the Business 4 Inclusive Growth coalition recently put it, "it's universally recognized that an adequate standard of living is a basic human right, which in turn unlocks other rights, including access to health, food and nutrition".[li] Paying living wages has been shown to be associated with significant improvements in life expectancy, lower levels of illness, and a fall in mortality.[lii, liii, liv, lv]

Moreover, tackling precarious work through secure employment terms, providing enough hours of work, and basic benefits like sick pay, is also important for enabling health.[lvi, lvii] As is providing safe and healthy working conditions by addressing physical and psychosocial risks, and through the promotion of healthy behaviours.[lviii]

> **Key asset classes and sectors**
>
> Companies in any business sector have an influence on the health of their workers. However, poor health tends to be concentrated among workers in lower paid, precarious jobs, and those where workers have limited control and flexibility. This may be more of an issue in particular sectors, such as essential retail (including supermarkets), delivery and logistics, construction, facilities management, social care, warehousing, and food production. Outside of developed countries, many low-paid and insecure jobs in manufacturing, fisheries, and extractive industries are connected to large multinational companies through their supply chains.

Pillar 2
Consumer health

As much as one-third of all deaths worldwide are attributable to overconsumption of certain products produced by commercial entities – including alcohol, tobacco, and food and drink products.[lix] Health is heavily influenced by the actions of companies in these industries. Both their 'market activities' (the ways companies promote products and services[lx]), and 'non-market activities' (the ways companies seek to shape public discourse by lobbying to influence public regulation), are important for health.[lxi, lxii]

Key asset classes and sectors

Three main product industries – tobacco, alcohol, and food and beverages – are known to have the strongest direct links to health. Reducing unhealthy levels of consumption of these products, alongside increasing physical exercise, could prevent up to 75 per cent of incidences of heart disease, diabetes, and strokes, as well as reducing the risk of cancer by 40 percent.[lxiii] The manufacturers of these products are highly concentrated global businesses, to which many investors are exposed via listed equity. While companies that produce such goods bear responsibility so do large retailers of these products and even social media and technology companies that help shape patterns of consumption.[lxiv,lxv] Alongside physical health, there are companies and industries that have implications for mental health. For example, the gambling sector and others providing access to essential services that can affect people's financial wellbeing. Healthcare could also be considered a service within this pillar, and pharmaceuticals a product.

Pillar 3
Community health

Companies can also influence health by shaping the environments we live in. Pollution and other environmental side-effects from business activities can affect the health of local communities. Air pollution is a particularly important business-relevant health issue, but evidence of the health implications of other environmental toxins is also growing.[lxvi] In the EU alone, exposure to endocrine-disrupting chemicals is estimated to cost between €109-157 billion.[lxvii] Similarly, antimicrobial resistance caused by the use of antibiotics in the food supply chain poses a serious threat to global society and the economy.[lxviii] Beyond pollution, companies also have a substantial role in shaping our physical environment through real estate and infrastructure developments, which have important implications for human health.[lxix]

Key asset classes and sectors

In high income countries, the most important environmental risk factors relate to non-optimal housing and air pollution. Construction or property development companies have an important role in shaping housing and built environments in ways that influence health. The most important sectors in high-income countries for air pollution (from a health perspective) include transport (particularly road transport) and construction and utilities (electricity supply).[lxx] The activities of agriculture, pharmaceutical, and healthcare companies are most closely involved in shaping patterns of anti-microbial resistance.

Findings

4

Findings: Investor stewardship today is insufficient to assess or mitigate health-related risks

This section sets out investor perspectives and current practices in relation to health, based on the research conducted by ShareAction. It includes information about the extent to which investors are considering and addressing health within their stewardship practices.[7]

4.1. Health is not well understood or prioritised as a stewardship or responsible investment theme

Investor stewardship is the responsible oversight of capital that investors allocate on behalf of their clients to generate sustainable benefits for the economy, the environment and society. This includes engaging with the companies they invest in as active owners to address company-specific and market-wide risks and opportunities.

Key points:

- Health is not currently a priority for investors when considering sustainability (ESG) factors or assessing risk, though the Covid-19 pandemic is starting to change this.
- Social factors are increasingly on investors' agenda. But compared to environmental issues they remain relatively nascent and undefined. Health offers an important lens to consider the social impacts of investments.
- Investors have a limited understanding of health and tend to think of it in relation to healthcare companies, rather than considering sectors that have the greatest impact on health by shaping our environment.
- Some investors do not fully acknowledge the role of companies, as opposed to individuals, in improving health.
- Investors are starting to recognise the need for greater focus on health and welcome support to develop a more complete and consistent approach to health-related stewardship.

7 Investor stewardship - the responsible allocation, management and oversight of capital – occurs throughout investment practice: from investment decisions to direct engagements.

Population health is not currently a priority for investor stewardship

Though social issues are becoming increasingly important for investors, many have – at least until recently – given low priority to health as a theme within the social sustainability pilar. The 'S' or 'Social' pillar within the ESG framework remains relatively under-developed in comparison to the 'E' or 'Environmental' pillar. The scope of the 'S' has not been clearly defined and reporting metrics are not standardised. Even when responsible investment NGOs and others call for further definition and clarity of the social pillar, they have very rarely explicitly considered health a part of this. Investors' engagements on other environmental and social issues may relate to health, but do not form part of a strategic, comprehensive approach to health.

When investors do not consider health, they can end up neglecting the most significant external impacts of some companies. For example, internal sustainability assessments commonly score sugary drink manufacturers or tobacco companies as "very sustainable". This indicates the flaws in the current reporting and assessment frameworks.

Failing to prioritise health enables some companies to neglect their most substantial external impacts within their policies, practices, and reporting.

This includes tobacco companies that focus on their environmental sustainability credentials rather than reducing the negative impact they have on health.

> **we speak to pharmaceutical companies or tobacco companies and they say: 'look, we're doing all of this on climate change'. And that's very nice but that's not the primary impact that [these] companies are having.**

Investors have a limited understanding of health and do not always consider companies as important vehicles for improving it

When we asked investors about the ways their investments influence health, most of them focused on health treatment rather than prevention of ill-health. Many consider engagements with healthcare or pharmaceutical companies as being the main route through which they can improve health. With few exceptions, investors do not currently give explicit thought to the ways companies shape health through their products and services, and workers and impact on communities.

Some investors also stated they do not currently see a clear role or responsibility for companies in improving health. Some highlighted the role that government should play and argued that: “Health is not an issue that should be passed to private sector actors”.

A few investors emphasised the importance of personal responsibility for health and argued that companies’ health impacts are avoidable if members of the public make better choices. One argued that encouraging companies to create healthier options risked “undermining people’s choice”.

This view neglects to recognise strong evidence on the role of environmental factors, shaped in large part by companies, in influencing health.[lxxi] This prevailing view can limit the extent to which investors consider the risks arising from companies’ health impacts, such as rising regulation. A programme of up-skilling and empowering investors in relation to health may help overcome this challenge.

Investors’ interest in health is growing

Several investors recognise the blind spot that they have in relation to health. They told us that health, and health inequalities, have risen-up their agenda since the Covid-19 pandemic began.

> **Hopefully, some of the momentum that we’ve seen this year around some of these broader population health issues will continue. It’s a huge theme … it really fits in quite well in terms of our thinking.**

Many asset managers we spoke to said that a focus on health could offer a “*holistic*” framing to engage with companies on several topics together. Several voiced support for an initiative that would bring investors together to focus on health.

> **Investors could certainly increase the quality and sophistication of their engagement on health issues, and I’d enthusiastically welcome more collaborative engagement initiatives on a wider range of themes linked to population health.**

> **There needs to be ‘one entity’ similar to Climate Action 100+ that can try to bring things together that relate to … health-type issues.**

Many asset owners who we spoke to emphasised their interest in improved health outcomes. This included those who expressed an interest in their beneficiaries (such as pension savers) having “a healthy society to retire into”. One local authority pension fund employee highlighted that:

> **in the wake of ten years of austerity, there’s an ever more pressing need to see what’s happening with our capital in relation to health.**

We surveyed a small sample of asset owners, including pension funds, charitable foundations and endowments, on their interest in health as an investment theme (see Appendix 1). Most said health was a “clear priority” or an “area of focus”. Half said their interest in this theme had increased since the Covid-19 pandemic began.

4.2 Asset manager’s do not sufficiently assess company and portfolio-level risk in relation to health

Key points:

- The way asset managers currently assess sustainability often neglects to recognise medium-long term risk at a company or sector-level. Instead, it focuses only on short-term risks. For health, this limits which risks will be incorporated as many are longer-term. Even short-term risks are not accounted for consistently or holistically.
- Risk assessments tend to focus on company-level risks rather than those at a portfolio-level, meaning macro-economic or cumulative risks are missed, including those related to health.
- Independent company benchmarks and assessments that incorporate health are lacking. This poses a challenge for investors to compare companies with one another.
- In instances where investors develop their own sustainability assessments, they often either omit health-related factors altogether or focus on company policies and commitments rather than assessing real-world impact.
- Lack of data makes assessing companies’ real-world health impacts challenging and creates a barrier to health-related stewardship.
- The absence of health in sustainability and risk assessments and a lack of data and benchmarks on this topic creates blind spots for investors.

Many investors take a narrowly defined and short-term approach to assessing risk

When it comes to health, investors tend either not to assess the associated risks at all or to focus on risks at company-level, rather than at a portfolio-level. Investors' narrow focus on company-specific risk limits their ability to assess how the negative external impacts of one company in their portfolio may have negative financial consequences on another part of their portfolio. In other words, a negative externality from one company may not be external to portfolios as a whole.

Assessing risk only at a company-level may overlook material cumulative risk across a wider portfolio.

This practice has come about, in part, because of the way investors have historically interpreted their legal (fiduciary) duties. Some investors believe they must base stewardship activity on a narrow definition of company-level risk that precludes them from taking a portfolio-level approach and limits the extent to which they will consider longer-term risks and indirect financial risks, from future regulation or health-related factors, respectively. Despite efforts of the Principles for Responsible Investment (PRI) and others to rebut this myth, the view still prevails. Work by NGOs and legislators is underway to clarify fiduciary duty, so there can be no doubt that investors should consider the full breadth of ESG factors within their stewardship, including health.

When investors assess health at the company-level, the methodology is often flawed. Risk may be defined in very narrow terms or only accounted for if it poses a very short-term risk. In this way, regulatory risks and long-term risks of stranded assets as a result of health-related trends may not be factored in. Investors argue that this is because they have struggled to make a financial case for assessing risk more comprehensively in the absence of better data.

> **Population health is an area where it has historically been more difficult to make the financial investment case … much of our engagement program [relating to public health] is a lot more coming at it from a kind of moral responsibility perspective.**

This approach leaves significant gaps in investors' risk assessments. For example, while air pollution may immediately seem external to an automotive company, the regulatory risk associated with key legislative and policy developments may be directly material.

Investors lack good quality, independent data on companies' health-related impacts

Data for assessing companies' health-related impacts, practice and relevant risks is scarce, incomplete and poor quality. Company disclosure on health lags significantly behind disclosure on environmental topics.[lxxii] That makes it harder for ESG data providers and benchmarking companies to assess and compare performance.

ESG data providers do not currently cover health topics effectively. As these providers tend to compare companies with their sectoral peers, key health-damaging sectors (such as tobacco producers, or manufacturers of ultra-processed foods) continue to score highly. For example, British American Tobacco was recently rated by Refinitiv as having the third highest ESG rating in the FTSE 100.[lxxiii] Clearly their health impacts were not adequately assessed within this ranking.

Asset managers we spoke to agreed that data on health impacts or health-related practices of companies is poor and piecemeal. Several asset managers were dissatisfied with ESG assessments that failed to incorporate health topics and found it inappropriate that health-damaging companies could score so highly.

> **ESG rating providers really do not do a good job of reflecting companies that could be detrimental to public health.**

> **I do find it surprising that tobacco companies often tend to have quite good ESG ratings. I've never managed to square that circle mentally and I'd be very keen [to see] that changed as a methodology.**

External benchmarks incorporating health are lacking for key health-critical industries (including alcohol, tobacco, and gambling), as well as for topics that cut across sectors, such as air pollution and lobbying in relation to health. In the absence of such benchmarks from NGOs or independent sources, some asset managers reported using data from industry-funded bodies – for example using the Tobacco Transition Index, which is funded by Philip Morris International.

Investors argue that a lack of comparable data makes it difficult for them to meaningfully assess health-related risks and direct stewardship accordingly.

> **Data in this space is probably where 'E' data was 5 or 10 years back. I don't think it's an exaggeration to say 10 years. We have a long way to go before we're able to meaningfully assess who is doing well and where there is room for improvement.**

Investor analysis is lacking

Investment analysts routinely assess companies on topics that may pose financial risks to companies. However, health is not consistently incorporated into these assessments. As a result, investors' internal assessments of companies often fail to capture major health issues. For example, one asset manager talked us through the KPIs used within their internal assessments for consumer staples (which includes food and beverage sectors). These covered sustainable protein sourcing and Fairtrade but did not include any KPIs about nutrition or obesity.

Investors told us that limited capacity within their ESG teams prevented them from keeping abreast of the regulatory developments and consumer trends most relevant to health. Indeed, several investors we spoke to were not aware of important health-relevant regulatory trends that can materially affect companies, such as minimum unit pricing for alcohol, or changes to gambling legislation. Investment teams rarely have health expertise, which creates a blind spot around health-related risks and opportunities.

When health metrics are included in assessments, investors tend to focus on policies rather than measures of real-world performance. For example, some investors we surveyed said they captured whether companies have policies and commitments in relation to health and nutrition in their quantitative assessments. But very few looked at metrics on sales, product formulation, or advertising, and few consulted data on precarious work or low pay. Several investors mentioned the lack of comparable data sources as a reason they were unable to incorporate real-world performance into their assessments of companies.

4.3. Capital allocation decisions often don't consider health-related factors

Capital allocation decisions are made by investors based on a range of factors, considering both risks and opportunities. For some funds, "exclusions" are put in place meaning that companies in excluded sectors will not be invested in by those funds.

Key points:

- Exclusions are an important way investors can direct capital away from certain health-critical industries.

- The majority of invested capital is allocated through mainstream funds that do not have health-related exclusions in place. This means companies creating some of the most negative health impacts are still widely invested in. This is despite momentum in recent years to implement tobacco exclusions.

- So-called ethical and sustainability-focused funds may offer some advantage in relation to health outcomes but still make up a very small proportion of the total amount of invested capital. Capital in these funds is often subject to health-related exclusions such as for tobacco, alcohol, or gambling companies.
- Such funds limit the negative health impact they're exposed to through exclusions, but ethical funds tend not to proactively invest in companies having a positive impact on health. Sustainability-focused funds do take a more proactive approach to generating positive outcomes but the likelihood of them driving real-world impact as currently assembled is unclear.
- Institutional asset owners, many of which remain invested in mainstream funds, risk undermining their responsible investment goals by fuelling the growth of health-damaging industries. This generates risk but also provides opportunities for active engagement.
- There is unmet demand from asset owners for funds that drive positive health impacts and reduce negative ones.

Mainstream funds do not generally exclude companies or sectors on a health-related basis

Large amounts of capital remain readily available to the most health-critical and health-damaging companies. Beyond tobacco, there has been little momentum to apply exclusions on other health-harming sectors, such as alcohol, gambling, manufacturers of highly processed food, or those creating a high proportion of insecure jobs. Most investors we spoke to saw tobacco as a unique case for exclusion.

We asked a small sample of asset managers what proportion of their assets under management (AUM) are in funds that are covered by health-relevant exclusions. Despite strong ethical and financial rationales to exclude tobacco, around 50 per cent (€1.8 trillion) of the respondents' capital remains available to tobacco manufacturers. More capital is available to alcohol manufacturers, as just 12 per cent of capital was covered by alcohol exclusions, based on our survey. These statistics come from a small sample comprised of relatively progressive asset managers. As such, it is likely that they represent an optimistic view, and that even greater proportions of capital remain available to these sectors across the investment industry. Our review of investor documents identified one investor who had "reduced exposure to several soft drinks companies" due to health regulation risks.[lxxiv] However, the investors we spoke to were not replicating this approach.

Institutional asset owners may undermine their goals by supporting health-harmful industries

We found that many institutional asset owners – including pension funds of public agencies that have a duty to promote health – remain heavily invested in mainstream funds. This means their investments are likely fuelling the growth of health-damaging industries. Not only does this pose a reputational risk to those asset owners, but their investments risk undermining their organisational goals and purpose.

The quantum of capital still available to health-critical sectors does, however, present opportunities for active engagement with health-relevant companies. Investors who remain invested in health-critical sectors have an opportunity to influence their practice and reduce their negative health impacts through engagement (see sections 4.4 and 4.5).

'Ethical' and 'sustainability' funds offer some advantage from a health perspective

Exclusionary funds, sometimes referred to as 'ethical funds', often exclude several health-harmful industries, but make up a small proportion of funds available. In 2018, 'ethical funds' were estimated to make up just 1.3 per cent of total funds in 2018.[lxxv] Ethical funds have been offered for decades by asset managers in response to increasing asset owner demand. These funds have proved particularly resilient during the Covid-19 pandemic.[lxxvi] Ethical funds tend to be far smaller than mainstream funds but offer exclusions based on an ethical rather than financial rationale. Whilst they exclude companies whose activities cause negative health externalities, they tend not to proactively invest in positive opportunities to improve health. Typical health-relevant exclusions include tobacco, alcohol, and gambling sectors.

As a result of client demand, several asset managers told us they had developed 'sustainability' funds that focus on health. 'Sustainability' funds are themed around key sustainability topics and include companies that generate a positive impact on the topic of focus. In health-related 'sustainability' funds, companies creating negative health impacts may be "marked down" or excluded. One thematic fund manager told us that scoring systems used to determine which companies could be part of the fund were "murky" and that some companies making unhealthy products but experiencing good growth may remain within a fund.

In our research, we found these thematic funds often include companies whose health impacts are dubious or unclear. For example, one such fund focuses on high-end "outdoor sportswear", another includes a manufacturer of garden tools among its top holdings, and a third focused particularly on salmon producers. One fund manager told us that these thematic funds intentionally focus on companies producing health solutions for wealthy consumers, without much consideration for the inequalities this may contribute to.

In general, there was little consideration of health inequalities within these funds – a topic that is important for many asset owners in search of a health fund. Some of their holdings have a questionable impact on health and, as they are currently structured, their ability to have real-world positive health impact is unclear.

Asset owners want funds focused on health, but few exist and those that do may have limited real-world impact

Asset managers told us there is increasing demand from their clients for health-focussed funds. They want funds that limit their exposure to companies generating negative health impacts and want to invest in companies that demonstrate positive health credentials. As part of our survey of asset owners, including pension funds, charitable foundations, and endowments, we asked to what extent they are satisfied with investment options related to health. Most said that improving population health was a priority for them and two-thirds of respondents said they weren't aware of asset managers providing options to invest in portfolios that promote health. Moreover, three-quarters of respondents said they receive minimal or no information from their fund managers on stewardship in relation to health, and almost half (42 per cent) reported that they were "unsatisfied" or "very unsatisfied" with the information they receive on this topic (see Appendix 1).

4.4. Investor-led corporate engagement on health topics is growing but there are still gaps

Company engagement is one way asset managers and owners can de-risk their investments. Where they are invested in companies or sectors creating negative health impacts, engagement can be used to transition companies toward more sustainable, healthy practices. This can also ensure companies are primed to capitalise on opportunities from being ahead of the curve on health. Engagement can come in the form of letters, meetings, AGM questions, or supporting shareholder special resolutions. As active owners, investors should also vote on all critical resolutions at companies where they hold significant investments.

Key points

- As owners of companies and providers of capital, investors can have significant influence over company actions, through a range of engagement mechanisms.
- Progressive investors already engage with companies on some health-relevant topics such as nutrition and workers' rights, but there remain significant gaps and opportunities to do more.
- The absence of health as a key priority for investors means they do not consistently include health within their corporate engagements, even where it poses high risk.

- On some key health topics investors lack evidence-based information on what company best practice consists of.
- Investors are more likely to engage on health-related topics covered by collaborative engagements. Several collaborative engagements exist that cover some key health-related topics, which could be strengthened. On other topics such as air quality, alcohol and workplace health, there clear gaps.
- As investors begin to consider health-related risk at a portfolio-level, health-focused engagement may increase.

Progressive investors are engaging companies on some health-relevant topics

Over the last decade, the focus of investors' company engagement has broadened beyond corporate governance to include environmental and social issues. This has brought many health-related topics into scope for investor engagement.

Several collaborative engagement initiatives exist that focus on important health-related topics. These include both long-term, ongoing programmes and initiatives and shorter-term collaborative engagements. Appendix 2 presents a brief summary of these.

Our interviews and surveys suggest that individual investors' engagement efforts tend to be greatest on topics where collaborative engagement initiatives exist. The asset managers we spoke to said they engage on several topics that are relevant to population health

On the **worker health pillar,** investors have long been engaging on many workers' rights issues. Investors told us their focus had shifted in recent years, from "talent retention" towards more fundamental workers' rights. Covid-19 has increased investors' interest in workforce topics such as union recognition, sick leave, the provision of safe and secure workplaces, and low pay. This trend has potential benefits for worker health.

Relevant collaboration forums include the Platform for Living Wage Financials in the Netherlands, ShareAction's Good Work coalition in the UK, Investor Alliance on Human Rights and ICCR in US, SHARE in Canada, and ACCR in Australia. In the wake of the Covid-19 pandemic, several short-term collaborative engagements have focused on issues of safe and secure workplaces, notably within the food production sector[lxxvii] and care sector.[lxxviii] One 2020 joint engagement focused on mental health. This is likely to be built upon in 2021 and 2022.[lxxix]

Most investors welcomed the inclusion of workers' health within our framework. Some suggested that focusing on health outcomes associated with worker rights issues could help make the financial case for companies to act.

> **now you can twist [engagements on worker health] into a health lens, like what's the impact of having poor workers' rights? There's a measurable health impact there and it actually matters … reframing some of this within the health context makes it more of a substantive issue.**

On the **consumer health** pillar, investor engagement has focused on the pharmaceutical and food sectors. Collaborative engagements include the Access to Medicines Foundation, Access to Nutrition Initiative, and ShareAction's Healthy Markets coalition. Several investors have engaged with food companies on reducing sugar and many use the Access to Nutrition Initiative (ATNI)'s "Investor Expectations" guidance within their engagement. Almost all investors surveyed said they had engaged companies on the shift towards healthier product portfolios, and on "responsible marketing" of products. Specific topics highlighted were sugar and breast milk substitutes.

On the **community health** pillar there has been less health-focused engagement. The investors we surveyed have engaged on anti-microbial resistance (AMR), chemical pollution, and air quality. The Covid-19 pandemic has highlighted more interest in AMR and many investors drew parallels between the two topics, seeing AMR as "the next big health crisis". Collaborative initiatives, including the FAIRR Initiative and the Access to Medicines Foundation (ATMF)'s work on AMR, provide detailed benchmarking that gives investors good understanding of the financial importance of the topic.

> the one topic where we've been trying to explore the economic impact more is AMR, simply because some very detailed analysis has been done on that.

On other community health topics, some asset managers felt the business case was not yet sufficiently clear to justify engagement activity. For example, very few investors engage house building and development companies in relation to how the built environment can influence health. One investor said these links were too indirect to be able to disentangle the role of particular companies and suggested that better data is needed.

> the environmental health angle is very much under-explored really. So I would really welcome an initiative around that.

Recent successes have demonstrated the potential of company engagement to reduce risk and drive health improvements

In 2021, ShareAction's Healthy Markets initiative demonstrated the potential for shareholders to achieve substantial impact through company engagement. ShareAction coordinated over 100 individual and institutional investors with a combined £140 billion in assets under management to file the UK's first health-related shareholder resolution at a UK retailer (Tesco). The resolution prompted Tesco to commit to increasing its UK and Irish sales of healthier food and drink by the equivalent of £3 billion additional sales a year by 2025.

Investor engagement coordinated by the same campaign with other UK supermarkets has led to a substantial increase in target-setting and disclosure on nutrition within the industry. In just two years, new commitments mean that 60 per cent of the UK groceries market is now covered by nutrition targets, up from 15 per cent in 2019-2020. These targets set out retailers' ambitions to grow the proportion of their sales derived from healthier products, with commitments to report on progress annually. This will have substantial benefits for the health of UK customers, while also putting retailers on a more sustainable growth path.

Including the most important asks from a health-perspective could help manage investment risks and lead to better outcomes

In cases where investors are engaging companies, they do not consistently include the most health-relevant asks of companies in their engagements. This is the case even with the most health-critical industries. For example, several investors we surveyed focused their engagements with the food sector on environmental issues, such as sustainably sourced proteins, and neglected to make health-focussed asks of companies. Similarly, when it comes to air pollution, several investors said they engage with companies on carbon emissions, but fewer said they engage with priority industries on health-relevant pollutants such as particulate matter and nitrous oxide. Fewer investors said they had engaged on issues around mental or physical health at work when compared to other human capital management issues.

On some health-related topics, investors said they don't have the right information to be able to develop evidence-based requests of companies, or to know what constitutes company best practice for health. For example, some investors told us that when engaging health-critical sectors, such as alcohol manufacturers, they were limited to formulating asks based on perceived best practice from industry peers, rather than based on evidence of what works. In the absence of clear guidance on which key metrics companies should report and what 'good' looks like, investors feel they have a limited capability to push companies beyond their current practice.

Investors' engagement programmes are lacking

Several investors described their health-related engagements as "reactive". They told us that engagement on many health topics has been ad hoc, often limited to topics where collaborative initiatives have pushed for action, or on issues that were the subject of recent media attention.

> **"Within human capital management we tend to currently look on a reactive basis, less so on a proactive basis. But with the pandemic, there is a lot of space to develop a more proactive approach.**

Investors' engagement on consumer health, beyond the food industry, is limited. Tobacco and alcohol are seen largely as exclusionary topics for 'ethical' funds, so very few asset managers had engaged with these industries on health-related issues. Some investors argued, despite remaining invested in tobacco, that engagement with the sector was "futile" given the fundamental health problems associated with their core product. Fewer than half of the investors we surveyed said they had engaged on health with alcohol or gambling companies. Still fewer asset managers said they had engaged with companies on other consumer health-related topics, such as financial inclusion or the mental health impacts of technology companies.

Few investors had approached workforce topics from a health perspective, beyond basic health and safety. For example, very few investors had engaged directly with companies in relation to mental health at work. On environmental health, few said they had engaged with companies on topics such as air quality, or healthy urban development.

Investors are starting to consider health-related risk across their portfolios

There is increasing awareness among investors of the need to consider the impacts of company-level negative health impacts across their wider portfolios. Two asset managers with substantial passive fund holdings told us they were interested in theoretical developments around "systemic stewardship". The principle of systemic stewardship is that diversified investors, as shareholders in many sectors of the economy, should be concerned with company "externalities" as these inevitably harm other companies within their portfolios.[lxxx]

Where investors have begun to analyse the overall costs of company externalities, health-related costs feature prominently. These costs ultimately fall to other parts of investors' portfolios, creating a strong rationale for investor action. One large asset management firm that has developed a proprietary tool to quantify the hidden costs of companies' social impacts ranks tobacco and alcohol sectors first and fourth for societal cost due to their negative health impacts.[lxxxi]

In the 2021 AGM season, a new campaign group called The Shareholder Commons coordinated a set of resolutions in the USA geared towards raising investor awareness of these costs. The goal of the campaign was to demonstrate the need for investors to consider how company externalities can impose costs on their own portfolios. Notably, health-related externalities – linked to sugar, unhealthy food, and antibiotic use – featured prominently among the resolutions filed.[lxxxii] The resolutions saw some success. For example, a resolution at YUM! Brands secured an agreement from the company to assess how antibiotic use in their supply chain affects population health.[lxxxiii] These resolutions garnered significant investor interest.

4.5 Collaborative corporate engagement by investors can de-risk investments and contribute to improved health outcomes

The previous section has shown that across our three-pillar framework, some health-related topics are the basis of investor engagement but there are substantial gaps. Throughout this study we found that for topics where collaborative engagements exist, they tend to be given greater priority by investors. For example, a recent union-led campaign has focused on the rationale for investor action focused on care home workers' health and rights.[lxxxiv] Following that campaign, several investors highlighted it as a material topic for engagement.

Whether this association is because of greater topic awareness amongst investors, or that collaborative engagements make it easier for investors to act, it shows the potential of this mechanism for enhanced investor stewardship in relation to health.

Key points

- Additional new and extended existing collaborative engagements on health-related topics could enhance investor stewardship on health issues.
- We have undertaken a structured mapping process to identify topics where collaborative engagements could improve population health and reduce risk for investors.
- Nutrition and workplace health are areas where extending *existing* collaborations could be beneficial.
- Air quality, corporate lobbying in relation to health, and alcohol retail are areas where *new* collaborations should be established.
- ShareAction will explore a programme of work to extend and establish collaborative engagements on these topics.

Several important health-related topics and sectors have not yet been the subject of collaborative engagements. Some asset managers voiced their dissatisfaction with the lack of collaborative engagements on key themes related to health:

> **I definitely think that there needs to be more focus [in engagements] on not only tobacco and alcohol, but also ... gambling and unhealthy foods.**

At ShareAction, we have undertaken a structured mapping process to identify health-related topics that show the greatest potential for collaborative engagements. We identified a set of the most significant population health issues for high-income countries[8] based on analyses from the World Health Organisation and Institute for Health Metrics and Evaluation, as well as leading social determinants of health. We then assessed which issues represented the greatest financial business case for investor engagement. We excluded topics where existing collaborative engagements already covered them well such as access to medicines and the UK Living Wage.

Finally, we used a three-part framework to assess the political and regulatory landscape, whether best evidence-informed asks of companies exist, and whether other ally organisations (including data providers) already focus on the topic.

This process has highlighted a handful of topics where collaborative investor engagements can have the greatest potential impact in improving health and reducing risk for investors.

8 The rationale for focusing on high-income countries is that the funding for our scoping study was from a UK-focussed funder, and the majority of ShareAction's work at present is focussed in UK or Europe.

Nutrition within the food system and workplace health are two areas in which investor initiatives should be developed further. These are important drivers of population health and there is a strong rationale for investor action on both topics. Existing initiatives can be extended to focus on additional industries and/or geographies (see boxes A-C below).

We identified air quality, alcohol retail, and corporate lobbying of health regulations as areas where *new* collaborative investor engagements can make a difference. ShareAction will explore a programme of work to extend and establish collaborative engagements on these topics.

Boxes A-C present examples of corporate campaigns that could be developed within each of our framework's pillars.

Good work and healthy workplaces

Access to high quality work is critical for health. Companies have substantial influence over the health of both their direct and indirect workforce.

In recent years, the growth of low-paid and insecure work[9] has put more workers at risk of conditions that are detrimental to their health. The health impacts of this work include higher rates of physical and mental ill-health.[ci] Low-quality work is unequally distributed across society, reflecting broader inequalities.[cii]

In the UK, 1.2 million working people each year have an illness believed to be caused, or exacerbated by their work. Every year this costs the economy £14.9 billion. These costs largely fall to employers through lost workdays and presenteeism.[ciii]

Increasing disclosure of workplace practices by companies, such as that driven by the Workforce Disclosure Initiative, shows that employment practices relevant to health remain unequal within many companies, with some groups of workers less likely to be covered by key policies and benefits.

Companies that provide a high proportion of poor-quality work are at risk of greater costs associated with reduced productivity, industrial action by workers, increased regulation, and reputational damage. Recent litigation and case law, such as repeated rulings in favour of strengthened rights for workers at Uber, have highlighted the substantial material risks associated with reliance on precarious workforces.[civ]Collaborative action to improve workers' health can build on existing engagements. For example, recent initiatives including ShareAction's Good Work initiative, have begun to support investors to engage companies on this topic, with a focus on the living wage.[cv] There is an opportunity to extend such engagements to a wider range of companies and workplace health topics.

Companies can reduce their risk by paying workers a living wage, offering secure and fit-for-purpose employment contracts, and providing decent working conditions, including basic benefits like paid sick leave and paid vacation. On top of these minimum criteria, jobs should be well designed to provide autonomy and satisfaction.

All employers across all sectors have a role in providing secure and healthy workplaces. Certain sectors including retail, hospitality, construction, logistics, agriculture, and healthcare are particularly likely to rely on insecure work and may be exposed to greatest risk.[cvi,cvii]

9 There are no internationally agreed definitions of precarious or insecure work. However, most descriptions agree that insecure workers have low incomes, a lack of visibility and lack security of hours. This creates difficulties planning and paying bills and leaves workers without rights and protections such as sick pay and holiday pay.

Alcohol retail and production

Alcohol is estimated to cause 2.4 million deaths per year globally.[lxxxv] In Europe, 10 per cent of all deaths are attributable to alcohol.[lxxxvi] In the UK alone, 600,000 people are alcohol dependent. This has huge social and health costs.[lxxxvii] Alcohol harm has been estimated to cost between £27-£52 billion annually in the UK,[lxxxviii] and US$249 billion in the USA, through a combination of losses to workforce productivity, health costs, criminal justice costs, and road traffic accidents.[lxxxix]

Evidence shows that profits across the global alcohol industry are heavily reliant on a relatively small number of people drinking at harmful levels.[xc] These harms are concentrated among the poorest in society. Mortality from alcohol-related causes is 1.5-2 times greater in poorer communities.[xci,xcii]

Regulatory and litigation risks as well as consumer trends make alcohol-harm a financially material topic for investors. Regulators are increasingly supporting action to limit alcohol-harm e.g. the minimum unit pricing policy implemented in Scotland. The WHO's SAFER framework supports governments to strengthen taxes and regulation on alcohol.[xciii] Consumer trends also show that consumption of alcohol has been decreasing since the early 2000s, particularly among young people, with lower alcohol drinks gaining popularity.[xciv]

To date there has been limited shareholder pressure on manufacturers or retailers to limit their negative health impacts, and in doing so reduce financial risk. While some sustainability funds exclude the alcohol sector, most mainstream funds do not currently down-weight alcohol.

Industry steps including limiting marketing or shifting marketing toward lower alcohol options, phasing out low cost-per-unit products, reformulating products to be lower strength, developing new healthier options, and ensuring quality health labelling could all save lives and reduce companies' risk exposure. The alcohol industry (both manufacturers and retailers) currently focusses on promoting "responsible drinking", placing the onus on consumers in a way that is unlikely to reduce the negative health-impact these companies create, or mitigate the regulatory risks they're exposed to.[xcv]

The industry uses similar tactics to tobacco to delay and dilute public regulations that would minimise health-harm.[xcvi,xcvii] This includes lobbying and funding grassroots and research organisations to shape public and policy debates. The alcohol industry has made several 'voluntary' commitments, many of which it has not adhered to, such as a recent commitment to update labelling in line with current health guidelines.[xcviii,xcix]
The alcohol producer industry is concentrated among large global companies, many of which are publicly listed. Large retailers also have an important role in shaping alcohol consumption. For example, in the UK, supermarket sales make up half of total sales.[c]

Air quality

Ambient (outdoor) air pollution contributes to an estimated 4.2 million deaths per year due to stroke, heart disease, lung cancer and chronic respiratory diseases. Around 91 per cent of the world's population lives in places where air quality levels exceed recommended limits set by WHO.[cviii] Outdoor air pollution costs the global economy as much as US$5.11 trillion each year.[cix] And the problem is set to get worse. Without policy interventions, exposure to some pollutants ($PM_{2.5}$) could increase by 50 per cent by 2030, with substantial negative implications for population health.[cx]

The air pollutants that cause most health harm – small particulate matter (PM) and nitrous and sulphur oxides – are different from those most important for climate change. As such, company actions to tackle health harms of air pollution are overlapping with, but distinct from, those that drive climatic emissions.

International standards set ambitious targets for air pollutant levels, and governments around the world are strengthening regulations to achieve these. As such, there are substantial regulatory risks for companies contributing to air pollution. In 2020, the UN Human Rights Council passed a resolution on "realising the rights of the child through a healthy environment", which reaffirms states' duties to tackle air pollution as a key environmental harm.[cxi] There are therefore substantial regulatory risks for companies that fail to address their air pollution impacts. Additionally, recent litigation could make it easier for cases to be brought against private bodies that cause air pollution.[cxii]

Investors can build on successes with climatic pollutants to tackle health-relevant pollutants.

Several recent initiatives have set out actions that companies can take. The World Economic Forum's (WEF) Alliance for Clean Air[cxiii] and Global Action Plan's Business for Clean Air initiative[cxiv] encourage companies to make a public commitment, measure air pollutants, develop company plans to reduce them, and report regularly.

Few companies currently report on key air pollutants or set publicly available policies for reducing their air pollution impact. A first step towards establishing these actions is to push companies to measure, disclose, and set air pollution policies.

Every business can contribute to minimising air pollutants, through their operations and supply chains,[cxv,cxvi] but some sectors have particularly large impacts. Important sources of health-related air pollutants include construction, shipping, and sectors with large fleets, such as logistics.

Conclusion

5

Conclusion and next steps

Conclusion

Companies and investors face escalating risks and opportunities related to health

As the global spotlight is on population health and inequalities, our research study has found that investors have an opportunity to simultaneously improve the resilience of their portfolios, reduce financial risk, and drive toward better health outcomes for all.

Not only is health critical to individuals in shaping their lives, but it is also an asset to a thriving and prosperous global economy. At both a macro-economic and portfolio-level, as well as a sectoral and company-specific level, poor health can have negative effects on financial performance. Companies, and their investors, can both be impacted by health, and impact on it.

Our understanding of the role that companies play in influencing health - through the quality of work they provide, the products and services they produce, and through their impact on local communities – is increasing. This increased understanding of the role that companies play, alongside unsustainable and increasing costs of ill-health is causing government regulation to increase across the world. Litigation is increasing too. The public's expectation of companies is evolving, and consumer trends are driving toward health-conscious options.

By incorporating health into investor stewardship practices, investors can mitigate health-related financial risk and the risk of sub-optimal health.

They can also harness opportunities to develop more resilient portfolios, drive real-world positive health impact, and respond to growing consumer and asset owner demand. Currently, investor stewardship on health is insufficient to do so effectively, and leaves portfolios facing avoidable risk.

There are barriers to enhanced stewardship on health, but investors can overcome them

Our study has shown that the way investors currently assess risk is insufficient to capture the full breadth of health-related risks. This is partly because of the way investors have historically interpreted their legal (fiduciary) duties. Some investors believe they must base stewardship activity on a narrow definition of financial materiality. This precludes them taking a broader and more holistic approach to risk assessments. It also limits the extent to which they consider longer-term risks.

Work by NGOs and legislators is underway to clarify the fiduciary duties of investors so there can be no doubt that investors should consider the full breadth of ESG factors within their stewardship, including health. This work should continue, and in the meantime, investors should start to evolve their practice accordingly.

We have found that health is not well understood or prioritised as a stewardship theme. Currently, capital allocation decisions don't include consideration of health-related factors, particularly within mainstream funds. While investor-led company engagement on health topics is growing, significant gaps remain. We understand that this is partly because the financial case has not yet been made sufficiently to investors on many health topics. This study also revealed that the lack of health-related data and benchmarks makes it difficult for investors to assess risk and target engagement where it will have the greatest impact.

Investors lack some of the information they need to make evidence-informed asks of companies particularly where collaborative engagements do not exist. As an important starting point, investors should be equipped with a clear business case for why health is of financial relevance to them. This should go hand in hand with guidance on what evidence-informed asks could be made of target companies on specific health topics. Existing collaborative engagements have resulted in real-world impact, so more opportunities for collaborative engagement on various health themes should be encouraged and supported.

We also found that company disclosures on health-related practice is unstandardised or absent, including on topics such as nutrition, insecure work, and air quality. ESG data providers don't cover health-related factors well either, leaving investors without high-quality, comprehensive data to guide their assessments and engagement activity.

This should not prevent investors from incorporating health-related topics into their engagements and investment practice in the short-term. Indeed, investor engagements can be an important route to driving standardised company disclosure on health-related topics. In the medium-term, new company benchmarks on priority health-related topics should be developed, and health data incorporated into sustainability indexes.

This scoping study did not include a deep dive into distinct parts of the investment system beyond asset managers and owners. There are reasons to believe that distinct business cases and routes to action may exist, for example for insurers versus pension funds. As ShareAction further explores health as a stewardship theme, this will be investigated further.

Time to change the status quo

This scoping study has taken place at a crucial time for population health. The Covid-19 pandemic has highlighted the economic importance of health – both for individual companies and for the wider economy. It has illuminated and exacerbated pre-existing negative population health trends and inequalities. As we emerge from the pandemic, developing more resilient economies will require stronger action by companies and investors on health.

The long-term economic costs of poor health are unsustainable and create an urgent need to increase investor stewardship on this theme.[cxvii] Where investors have begun to look at the overall impacts that companies have on society, health impacts have emerged as some of the most important. Yet the current lack of prioritisation given to population health within investment stewardship has allowed some companies to overlook their most significant social impacts.

As investors grapple with defining the ‘S’ of ESG,[cxviii] there is an important opportunity to ensure that the impact of corporate activity on health is identified and addressed as a key sustainability theme.

Investors have a clear interest in creating healthy societies over the long-term. Yet, the current status quo on population health means their investments risk undermining this outcome. Investors now have an opportunity to take a lead to ensure the vast capital flows they oversee can deliver a healthy future for everyone.

Next steps

This study has identified a set of health topics that could be priorities for further investor action on health. It has also identified opportunities to address the systemic barriers that exist to enable enhanced health-related stewardship. Addressing many of these will require actions from a range of stakeholders across different sectors.

As with climate change, strengthening investor stewardship for better health outcomes will be an iterative process over an extended period. However, there are things that investors, policymakers and civil society can begin to do now.

Here, we present suggested next steps.

Investment sector (asset owners and managers, data providers)

Give greater priority and consideration to health and enhance stewardship in relation to it.

Asset managers and owners should use the framework described in this report (section 3) to consider the overall and systematic health impacts of their investments.

- Investors should assess short and longer term company-level risk related to health. Risk may increase due to changing public policy, consumer trends, and workforce inefficiency which reduces productivity.
- Investors should assess cumulative portfolio-level health-related risk. Risk may increase due to poor health creating costs to society and dampening economic growth. This is particularly important for highly diversified, long-term investors.
- Investors should support the development of disclosure frameworks, data sets and benchmarks that help investors assess companies' health impacts, including where efforts are absent or lacking.
- Investors should increase their corporate engagement on health-related topics and support and participate in new and existing collaborative initiatives to address companies' health impacts. They could do this by:
    - Strengthening engagement on topics where investor stewardship is already emerging, such as food and nutrition and good work.[10]
    - Conducting engagement on other health-related topics that haven't previously been well covered. These include ambient air pollution, alcohol harm, and health-related lobbying
    - Taking part in existing and new collaborative engagement initiatives on health topics.

ESG data providers should develop and incorporate health indicators into their existing ESG assessments. This would provide a more rounded and holistic view of company and sectoral risk that would allow better evidence-based corporate governance.

10 Good Work is shaped by working practices that benefit employees through good reward schemes and terms and conditions, having a secure position, better training and development, good communication and ways of working that support task discretion and involve employees in securing business improvements.

Policy makers

Clarify that investors' fiduciary duty – as it currently stands – not only permits investors, but requires them, to consider the environmental and social impacts of companies, including their impacts on health. Whilst we believe that fiduciary duty currently requires investors to consider health-related risk, further clarification and explicit reference to health would be beneficial to avoid any doubt. The effects of this would be to:

- Better empower investors to integrate an assessment of long-term systemic risks from poor health into their stewardship practices
- Better enable pension funds to take a broader view of what is in their beneficiaries' best interests, giving priority to population health alongside financial returns

Civil society (NGOs, academics and funders with an interest in improving health)

Develop a programme of work that supports and empowers investors to prioritise health.

This programme should:

- Articulate the business case for health stewardship to help asset managers and asset owners give greater priority to the issue;
- Build a movement of investors committed to incorporating health into their stewardship activities;
- Identify good practices among investors in relation to health, then spread and scale these practices across the industry;
- Advocate for public policy that supports and mandates investors to consider health-related risks;
- Establish collaborative company engagements on health-relevant topics, where there is an opportunity to drive accelerated positive health impact (see chapter 5). This should be based on company-data and best practice which drive toward real-world impact.

Appendices

6

Appendix 1: Some asset owners are beginning to show interest in population health

Our interviews found emerging interest among asset owners in the health impacts of their investments. In addition to our interviews, we developed a short survey for asset owners, including pension funds and charitable foundations. This survey asked asset owners about their interest in the topic of 'population health', and the extent to which they are satisfied with investment options and reporting from their asset managers on health-related topics.

We circulated the survey directly to UK and European asset owners through:

1. ShareAction's direct contacts
2. The Charities Responsible Investment Network
3. The newsletters of two partner organisations

In total, 12 asset owners completed the survey.[11] The findings therefore may not be representative of asset owners as a whole, but give an indication of the interest in health-related topics.

The survey found that this group of asset owners:

1. **Gives high importance to their investments' impact on health, and this focus has increased since the Covid-19 pandemic.** Half of respondents said population health was a "clear priority for us" or "something we think about a lot". Half said that their interest in the population health had increased since the start of the pandemic.

2. **Has limited options to invest in ways that promote population health.** Two-thirds of asset owners said that asset managers do not currently offer options to invest in portfolios that promote health.

3. **Wants more information on how their fund managers exercise stewardship responsibilities in relation to health.** Three-quarters of respondents receive minimal or no information from their fund managers on stewardship in relation to population health. Almost half (42 per cent) of responding asset owners reported that they were "unsatisfied" or "very unsatisfied" with the information they receive on this topic. The remainder were "neutral". Across consumer health, worker health and community pillars, most asset owners stated they were "unsatisfied" or "neutral" on whether their asset managers were exercising appropriate stewardship in relation to health.

11 Respondents were staff working at asset owners. All were based within the UK. Five were from charitable foundations, four from UK pension funds, two from university endowments. The scale of Assets Under Management ranged from under £500 million to over £20 billion.

Appendix 2: Landscape of relevant collaborative investor initiatives relating to health.

This table presents an overview of some of the investor collaborations and joint initiatives that are relevant to health. It is *not* intended as a comprehensive assessment of the collaborative landscape in relation to health. It gives an indication of the areas of focus of existing/historic collaborative investor action on health.

Initiative	Short description and focus areas	Format / approach	Scale	Geography
Worker health				
ShareAction's Good Work coalition	UK investor coalition seeking to improve corporate standards around **low pay and precarious work.**	Long-term initiative: research, standards, engagement, resolutions	US$2.9 trillion AUM	UK focus
Platform for Living Wage Financials	A primarily Dutch investor coalition of 15 financial institutions that encourage and monitor investee companies to address the non-payment of **living wage in global supply chains**.	Long-term initiative, research, engagement	€2.6 trillion AUM	Global focus
Human Capital Management Coalition	Collaboration of asset owners seeking to elevate **human capital management** as a critical issue to company performance.	Long-term initiative: engagement	28 members US$4 trillion AUM	US focus
Investor Alliance for Human Rights	Collective action platform for promoting **human rights** through: corporate engagements, standard setting activities and harmonising investor approaches.	Long-term initiative: research, standards, engagement, resolutions	170 members, US$5 trillion AUM	
Workforce Disclosure Initiative	Investor-backed initiative seeking to improve corporate **workforce disclosure** on a number of health-relevant themes.	Long-term, data/disclosure	>$7 trillion AUM	Global focus
2020 Investor statement on Covid response	Investor statement setting out expectations on **good work: paid leave, Health and safety, responsible redundancy.**	One-off initiative: investor expectations	336 investors US$9.6 trillion AUM	Global
2020 collaborative engagements on health and safety in meat production	Collaborative direct engagement with leading meat producers to request action on health and safety standards in context of Covid-19 pandemic.	Collaborative engagement; direct engagements; investor expectations.		Global
2021 collaborative engagement on social care	Collaborative initiative to drive-up working conditions and quality of care in nursing homes.	Joint investor statement, research, investor expectations	US$3.34 trillion AUM	Global
2020 collaborative engagement on mental health	Joint investor letter to CEOs of FTSE 100 companies requesting information on action taken to promote mental health of workforce.	One-off engagement: standards, joint letter	£2.2 trillion	UK (FTSE)
Consumer health				
Access to Nutrition Foundation	Benchmarking organisation developing tools and indicators to track the contribution of **food and beverage industry** to address nutrition challenges.	Long-term initiative: research, investor expectations, collaborative investor engagement	70 investor signatories US$15.5 trillion AUM	Global
Tobacco Free Portfolios	Campaign group focussed on investors - enhancing knowledge and educating to enable adoption of **tobacco** free positions.	Long term initiative: Collaborative investor engagement; Divestment commitment / pledge	170 signatories US$11.7 trillion AUM	Global
ShareAction's Healthy Markets coalition	Investor coalition seeking to encourage major **food and drink manufacturers and retailers** to improve UK food environments.	Long-term initiative: research, standards, collaborative investor engagement, resolutions	24 members US$2.2 trillion AUM	UK focus
Collaborative engagement on adolescent mental health and technology	Three years ago, investor engagement targeting Apple succeeded in ensuring changes to the iPhone that would minimise harm to children's mental health through limiting screen time.	One-off engagement led by large pension fund in USA		US
Community health				
FAIRR	Primary focus: Antimicrobial Resistance risks and other environmental impacts associated with food production. Secondary: Workforce issues within food production sector.	Long-term initiative: research, investor expectations, engagement	256 members US$29 trillion AUM	Global
Investor Action on Antimicrobial Resistance	Focus on supporting investors to make commitments to tackle anti-microbial resistance.	Long-term initiative: investor standards/commitments	12 investors US$7 trillion AUM	Global
Investor Environmental Health Network	US based investor collaborative that promotes the use of safer chemicals to enhance shareholder value, public health, and the environment.		20 investors	US-focused
Healthcare / pharma				
Access to Medicines' Foundation	Improving practice of 16 pharmaceutical companies on access to medicines.	Long-term initiative: research, investor expectations, engagement	100+ signatories US$14 trillion AUM	Low- and mid-income countries
Investors for Opioid Accountability	Focus on governance reforms within opioid manufacturers and distributors.	Long-term initiative: standards, engagement	67 members US$4.2 trillion AUM	
2020 Investor statement on effective, fair, equitable covid-19 response	Call for governments to act; commitment to work with ATMF.	One-off initiative: investor expectations/ commitment	N/A	Global

Appendix 3. Emerging data, benchmarks, and reporting frameworks.

Standardised data to assess companies on health-related impacts and risks remains poor and acts as a barrier to integrating health into investment practice (see section 4).

However, the data landscape is maturing. Some corporate reporting frameworks, disclosure mechanisms, benchmarks, and indexes of company practice exist covering health-related topics.

Here, we present a brief illustration of some data and frameworks that can be used to assist investors in assessing companies in relation to health.

Ranking and assessment of companies' overall health impacts. Just Capital has used a range of indicators – from living wages to action on pollution – to produce a ranking of Russell 1000 companies on the extent to which they "support healthy families and communities".[cxix] In the UK, the Business for Health index is being developed to establish an industry-led assessment of companies' contributions to health.[cxx]

Topic-specific benchmarks. Several investor-facing NGO indices provide data in relation to health. For example, the Access to Nutrition Index provides external assessments of food manufacturers' and retailers' policies and practices in relation to nutrition; while Platform for Living Wage Financials assesses living wage practices across companies in apparel and agriculture.[cxxi] On the topic of antimicrobial resistance, FAIRR's evaluation framework and associated benchmarking[cxxii], and ATMF's AMR benchmark,[cxxiii] provide useful external assessments for the food and pharmaceutical sectors, respectively. CCLA are currently developing a mental health benchmark to assess companies' publicly available commitments on workforce mental health.[cxxiv]

Several of these benchmarks are partial, covering only a small universe of companies. Furthermore, external company benchmarks do not exist for many health topics, including alcohol, tobacco,[12] urban design, and precarious work.

Health within broader sustainability benchmarks. The World Benchmarking Alliance (WBA) is seeking to benchmark 2,000 global companies across a set of 'transformations'. Within these assessments are many indicators that cover key health topics. WBA's forthcoming *Food Transformation* benchmark will assess 750 global companies in the food and beverage value

12 The *Tobacco Transformation Index* has not been included here as it is funded by the tobacco industry and its reliability is therefore questionable.

chain on their commitments in relation to nutrition, while its ‘Social Transformation’ covers key worker health issues (living wage, health, and safety), as well as companies’ transparency on lobbying.

Reporting frameworks to enable corporate disclosure in relation to health. The Global Reporting Initiative (GRI) has produced a Culture of Health for Business (COH4B) reporting framework: a disclosure framework to guide companies on how to report on a range of business practices that are relevant to health overall.[cxxv] More broadly, GRI and SASB (the Sustainability Accounting Standards Board) set out standards for corporate reporting on topics related to health, such as remuneration, security of work, and responsible marketing. The Future Fit Business Benchmark (FFBB) sets out advisory indicators for companies to report on consumer, worker, and community-health issues, including product characteristics, living wages, and employee health (physical and mental health as well as safety).

In recognition of ongoing gaps in corporate reporting on workforce topics, including important issues for workforce health, the Workforce Disclosure Initiative seeks to improve the available information on these topics.[cxxvi]

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