A Critical Analysis of Investor Action on Health

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April 2025

Contents

ACKNOWLEDGMENTS

Supported by
The Health Foundation

This study was supported by the Health Foundation [FR-0006046], an independent charitable organisation working to build a healthier UK.

CHAPTER 1: INTRODUCTION

Background

In recent years, significant attention has been paid to the interrelationship between people's health and the economy, and to how economic development can improve health and reduce health inequalities; which in turn can ensure continued, successful economic development (Local Government Association, 2018; Marmot et al., 2020; Naik et al., 2020; The Lancet, 2023; WHO, 2023).

Several economic interventions have been proposed to address pressing public health and health equity challenges in the UK. These include, the development of a more inclusive labour market and the equitable distribution of wealth in order to combat increasing socio-economic inequalities, poor quality jobs, high unemployment and poverty rates (which all negatively affect people's health); increased access to healthier products and services; and a range of economic developments to reduce carbon emissions and associated health risks (e.g. Naik et al., 2020). Subsequently, the creation of more 'inclusive economies' (Campbell, 2018) in which "there are opportunities for all, and prosperity is widely shared" (Naik et al., 2020, p. 2) has been advocated by the Health Foundation in the UK.

In addressing these challenges, most of the focus has been on the role of Government and the use of governmental legislative, regulatory and policy levers to address the economic determinants of (enhanced) public health. Attention has also been paid to transnational corporations that produce unhealthy commodities such as tobacco, alcohol, and ultra-processed foods, and their influence on the related commercial determinants of health[1] (e.g. Lacy-Nichols et al., 2023). Far less attention has been paid to the role of other key economic and commercial actors such as institutional investors (both asset owners and asset managers) in public health. In particular, related to how investor activities affect public health, how these health impacts can simultaneously pose a financial risk to investors, and consequently, how investors could be mobilised to improve health and health equity. Some nascent work, notably by ShareAction (2022), has begun to map the financial materiality of public health to investors, and their potential contribution to enhanced public health, but to date, there has been little systematic analysis of investor action on health. Hence, this research seeks to help address these gaps.

Research Aims, Objectives and Questions

More specifically, the aim of this research is to: critically analyse whether and how investor action on health[2] is, or could be, effective. The objective is to provide in-depth analysis and insight of the current state of investor action on health in order to develop a set of evidence-based recommendations for institutional investors, policy makers and broader stakeholders on how to advance such action.

The research is thus framed with the following four research questions:

1. What factors influence investor action on environmental, social and governance (ESG) issues?
2. Are investors acting on health as an ESG issue, and if so, why and how?
3. How effective has this action been to date?
4. What internal and external investor mechanisms can be used to have the maximum impact on health?

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[1] The World Health Organisation (WHO) defines the commercial determinants of health (CDoH) as: "the private sector activities impacting public health, either positively or negatively, and the enabling political economic systems and norms" (for more details see: https://www.who.int/health-topics/commercial-determinants-of-health#tab=tab_1). Further, according to the UK Health Foundation: "The social (or wider) determinants of health refer to the social, cultural, political, economic, commercial and environmental factors that shape the conditions in which people are born, grow, live, work and age."
[2] We view 'health' as being synonymous with 'health equity'.

Research Approach

To address these research questions, an initial review of the academic, investment industry and broader stakeholder literature on responsible/sustainable investment,[3] and particularly that relevant to public health, was undertaken. While conducting this review, it became apparent that while a plethora of literature now exists on sustainable finance[4] and responsible investment per se, there is a distinct lack of substantial research on investor action on health across both academia and practice. Consequently, we designed a detailed analytical framework to conduct an in-depth, critical investigation into whether and how institutional investors themselves were reporting on public health as an ESG issue, in order to gain better insight into the nature, extent and effectiveness of their approach to the same.

This framework consisted of 10 prioritised health themes and sub-themes (amounting to 14 themes total) and associated indicators, with a collective rating scheme out of 100. These themes consisted of: air pollution; alcohol; access to medicine and antimicrobial resistance (AMR); employment and physical and mental health; financial security and wellbeing; gambling and mental health; housing, infrastructure and health; nutrition and obesity; technology and physical and mental health; tobacco; and water pollution (see Appendix 1 for further details).

The framework was used to analyse and rate the public ESG disclosures of the top 10 asset managers (AMs) operating in the UK at present (*as per May 2024*). These AMs include: BlackRock UK, Waystone Management (UK) Ltd, Legal and General Investment Management Ltd, Vanguard Investments UK Ltd, Royal London Unit Trust Managers Ltd, Fidelity Worldwide Investment, Abrdn Fund Managers Ltd (currently known as aberdeen group[5]), HSBC Global Asset Management (UK) Ltd, Baillie Gifford and Co. Ltd, and Schroders (Unit Trusts) Ltd. Collectively, these AMs were managing approximately £584 billion assets under management (AuM), representing approximately 40% of the total AuM in the UK, during the analysis period between May and October 2024 (see methodology in Chapter 3 for further discussion including limitations).

High-Level Findings and Recommendations

Our analysis has revealed that the AMs in this research take a highly varied and inconsistent approach to reporting on the health themes under review. No AM was found to have high levels of reporting against all themes, and the highest score awarded was 51/100. Several of the AMs do appear to be making a concerted effort to report and act upon some health themes, such as employment and physical and mental health, financial security and wellbeing, water pollution, nutrition and AMR. Yet only two of the ten AMs have *explicitly* made health one of their current ESG thematic priorities. One of those two AMs has a dedicated health policy, although this health policy only priorities two of the 14 themes under investigation (AMR and nutrition). In addition, there were some surprising findings regarding

[3] Responsible investment refers to the integration of environmental, social and governance (ESG) issues into investment activities. This has recently begun to be used interchangeably with the term 'sustainable investment' which refers to the same thing unless specifically stated otherwise. *For example*, such as the European Commissions' definition of a sustainable investment in Article 2.17 of the Sustainable Finance Disclosure Regulation (SFDR) as: "investments in an economic activity that contribute to an environmental or social objective, provided that such investments do not significantly harm any other environmental or social objectives and that the investee companies follow good governance practices" (see, last accessed 11.10.2024: https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en).

[4] This refers to the integration of ESG issues into banking, investment and insurance activities.

[5] Please note, Abrdn announced a name change to 'aberdeen group' in March, 2025 (see, last accessed 04.04.2025: https://www.bbc.co.uk/news/articles/cz9nkeg79gyo). However, in this report, the company is referred to as Abrdn, as this was the name used by them and across their documentation during the analysis period.

AM inaction and lack of disclosure on themes known to be harmful to health, such as tobacco, alcohol, gambling, and air pollution.

Furthermore, our analysis evidences an incohesive approach to health issues across asset classes (equities, fixed income and alternatives) and investment portfolios. It also uncovers a reliance on stewardship (engagement and voting) as the primary responsible investment strategy used by the AMs to address health themes, over (sporadic, threshold) exclusions and impact investing, as well as underdeveloped ESG integration efforts on the same (see Chapters 4 and 5 for extensive insight and discussion).

In general, our research has revealed that there is a lot of positive action being taken by some AMs to address health-related matters in their ESG analysis, investment decision-making and stewardship activities. However, we believe that AMs should make a concerted effort to address any shortfalls in their health-related action and disclosures if public health is to be recognised and addressed as a material, systemic risk for the investment industry and broader economy.

We feel there is great potential for investors to act upon this by:

1. Developing and implementing cohesive and transparent health-related investment policies;
2. Assessing investment portfolios through the 'lens of health' and setting short-medium-to-long-term strategic goals related to this; and
3. Creating (with the help of external stakeholders) and utilising a standardised health-related disclosure framework.

Further, we present detailed recommendations on how investors can approach all of this in both our core findings (Chapter 4) as well as final discussion (Chapter 5).

Overall, we believe that should investors take the above action, they have the opportunity to place themselves at the vanguard of social, economic and commercial determinants of health reform, by facilitating better health outcomes and impacts through their, and their investee companies', activities.

Structure of Report

This report is structured as follows. The next chapter presents an overview of our literature review of relevant academic, industry and stakeholder reports on the relationship between investors and public health. This is followed by an explanation of the design and application of the analytical framework developed for this research. Next, the detailed results of our empirical analysis of UK AMs' health-related disclosures, as well as recommendations for investors on how to address this, are presented. Finally, a summary discussion and critique of current investor disclosures and action on health is undertaken, along with the presentation of final recommendations for investors, standard setters and regulatory bodies on how to advance investor action on health. The report concludes by considering the limitations of this research and suggestions for future research.

Disclaimer

This research is primarily based on the top 10 UK asset managers (as per May 2024) public disclosures from 2023 to (August) 2024. Yet, in some cases, documentation published during a previous time period was also included where necessary or relevant. Further, as the asset managers' health-related disclosures were not located in one document, but across a range of policies, reports, fund documentation, and websites, this presented several challenges to access information on, and gain a complete and accurate picture of, the asset managers' current level of (in)action on the health themes under investigation. Hence, there may be *unintended* omissions of data, or misinterpretations of some (un)reported data, presented in the final asset manager ratings and analysis found in this report. Consequently, we present our findings as a snapshot of what we were able to observe in publicly available documents, and our analysis should be considered with this in mind.

CHAPER 2: LITERATURE REVIEW

Introduction

To answer our research questions, we firstly conducted a review of the academic literature, including primarily the literature on 1) organisation and management (particularly the 'social studies of finance'); 2) social accounting and governance; 3) public health (including nutrition and psychology); and 4) broader sustainable finance; as well as relevant investment industry and stakeholder research and publications.

More specifically, a qualitative, documentary analysis framework informed our approach to the academic (and practice) literature review. This involved the purposive sampling of a range of relevant literature, and a specific 'keyword' search of this literature; as informed by our research purpose and questions. We then conducted an interpretivist, thematic analysis of the literature that met our search criteria, in order to categorise, and look for relationships between the core research themes emerging from this literature that address our research questions. This thematic analysis was informed by Scott's (1994; 2008) institutional theory. Based on this, we conceptualised the institutional and organisational context, drivers, complexities and potential impacts of investor action on health, which informed our response to research question 1, but also informed the evaluative framework we created to analyse investor health-related disclosures to better address research questions 2, 3 and 4.

To explain this further, we first present a synthesis of relevant literature below, framed by our research questions. We then provide an overview of the research design and approach of our empirical analysis of investor health-related disclosures in the following chapter.

Research question 1: What factors influence investor action on environmental, social and governance (ESG) issues?

Drivers of responsible investment:

There is a wide range of literature that explains why and how institutional investors (asset owners and managers) integrate environmental, social and governance (ESG) issues into their investment activities. This predominantly focuses upon the (need to prove the) materiality of ESG issues from a financial risk management perspective; the effects of ESG issues on the risk-adjusted returns of investors; and their efforts to integrate ESG issues into their core investment analysis, decision-making and stewardship activities to meet their 'fiduciary' (legal) duties to clients and beneficiaries (see e.g. UNEP FI, 2004; UNEP FI & Freshfields, 2005; UNEP FI & PRI, 2019; Clark et al., 2015; EuroSIF, 2018).

Whilst there is extensive research on these topics across the finance literature (see e.g. the Clark et al., 2015 meta-analysis), we have chosen to primarily focus on the exploration of the drivers of responsible investment within the business management and organisation studies literature, and more specifically, that which intersects with the field of economic sociology: known as the 'social studies of finance'. We do so because a foundational principle in this (inter-disciplinary) literature is the belief that the world of investment and finance cannot be understood in purely rational economic terms. Rather, we need to pay attention to how social, political, cultural and technological factors shape financial actors and financial decision making at the individual, organisational and societal level. Hence, studies in this area include frequent attention to the 'inner workings' of investment, including in cases of investors ostensibly adopting socially responsible forms of investment and banking (e.g. Arjelies and Durand, 2019; Buenza and Ferraro, 2019; O'Sullivan and O'Dwyer, 2009; 2015). To gain a rich understanding of investment, social studies of finance often use qualitative approaches to data collection, such as interviews and participant observations/ethnography (e.g. Feront, 2021; Ho, 2005; 2012; O'Sullivan and Dwyer, 2015; Smets et al., 2015; Thirion et al.2022) as well as archival and historical research (Cassasnoval, 2023; Crifo and Mottis, 2016; Durand and Vergne, 2015; Giamporcaro et al., 2020; Slager et al., 2012). In some instances, studies have also examined the quantitative effects of the changing social, political and technological context on investment decisions and decision-making processes (Brandon et al., 2022; Durand and Vergne, 2015; McKenzie, 2005; Yan et al., 2019).

The social studies of finance literature therefore provides extensive insight into why investors incorporate ESG considerations into their activities. At the broadest level, authors have identified the emergence of what might be termed a 'responsible investment logic' across the investment world. Historically, this has been traced back to religious (ethical) investor shareholder activism at investee company AGMs in the US from the 1970s, as well as both trade union and international non-governmental organisation activism from the 1990s (Sparkes, 2006; Yan et al., 2019). Under the responsible investment logic today, mainstream as well as 'ethical' investors are considered to have both a societal and legal ('fiduciary') duty to be responsible and accountable for the direct and indirect environmental and social impacts of their investment activities; and are expected to encourage a similar perspective amongst their investee companies (e.g. Kurtz, 2008; O'Sullivan 2024). Simultaneously, this logic presupposes that meeting wider social and environmental responsibilities is in investors' own best interest, as doing so can minimise the financial (or 'material'), reputational and litigation risks associated with investment in socially and environmentally irresponsible companies (e.g. O'Sullivan, 2024). Adopting a responsible investment logic also involves a temporal shift in understanding investment risk and return, with investors encouraged to think about the longer-term harms caused to the environment and society by investee companies, which eventually offset possible shorter-term profits from irresponsible activity (e.g. Clark and Hebb, 2005). Due to all of this, investors are also viewed as key drivers for corporate social responsibility (e.g. Bril et al., 2021; Giamporcaro et al., 2020; Scholtens, 2006; 2009).

In examining the adoption of responsible investment in more detail, a wide range of drivers can be found in the social studies of finance literature. One way of conceptualising these drivers is provided by institutional theory (e.g. Scott 2008), which holds that to survive, organisations must demonstrate *legitimacy* within the economic 'fields' in which they operate; in other words, organisations compete on the basis of social – as well as economic – fitness (DeMaggio and Powell, 1983). To do so, they must live up to normative, cultural-cognitive and regulative expectations (Scott, 2008). A descriptive summary of illustrative research on the drivers of responsible investment is provided below in relation to each of these expectations.

Changing normative beliefs

First, studies have identified changing beliefs amongst investors, with responsible investment beginning to be seen not only as a financially astute thing to do, but also as *the right thing to do*. Several studies have covered the shifting values towards a more long-term and pro-social understanding of the investment function. Gond and Piani (2013), Majoch et al. (2017) and Tan (2014), identify the way that the 'enabling organisations' in the investment arena – such as the UN-backed Principles of Responsible Investment (PRI) initiative[6] – have substantially shaped the norms of what is considered acceptable.

[6] The UN-backed Principles of Responsible Investment (PRI) arose from a partnership between the United Nations Environment Programme Finance Initiative (UNEP FI), the Global Compact and members of the international investment community, and were launched in 2006. The PRI are a set of six Principles that institutional investors can voluntarily adopt and commit to implementing across their investment activities. PRI signatories are also

The increasing presence of such organisations, and of investors interactions with them, promotes consideration of values beyond the narrow pecuniary in the investment field. Guisande et al. (2024) also show the way that this effect is shaped by interaction with wider national beliefs and values, helping to explain differences between countries in the adoption of new investment norms. Dumas and Louch (2016) investigate the long-term changing beliefs amongst the financial community between 1982 and 2010, finding considerable change and also complexity in beliefs and how they fit with practice. Durrand and Vergne (2015) examine the role of the media in promulgating norms and values that can lead to disinvestment of stocks associated with social ills. Liu et al. (2014) analyse the changing social norms around the 'sin' stocks of alcohol, tobacco and gambling, and the way this influences investors actions; with norms found to be influential for investor behaviour but also counteracted when financial incentives are strong.

Changing cultural-cognitive forms

Second, studies have identified means by which responsible investment has increasingly been *adopted as the way things are commonly done*. Important here are the role of tools, technologies, systems and organisational elements which allow ethical and social concerns to be embedded in the everyday practice of investment. Déjean, et al. (2004) examine the way that the measurement approaches developed by entrepreneurial ratings agencies provide an important basis for a socially responsible investment market to develop in France. Slager et al. (2012) study the influence of the 'FTSE4Good' social responsibility index in standardisation of meanings and practices associated with responsible investment in the UK. Clune and O'Dwyer (2020) demonstrate how an activist network, involving a coalition of investment stakeholders, co-ordinated their activity to establish corporate social responsibility reporting as a part of the infrastructure for Dutch investors. Gond and Boxenbaum (2016), and Feront and Bertels (2021) describe the way activist groups and bodies tactically rewrite and reframe approaches to responsible investment to allow them to be exported form the US and adopted in different national contexts. In addition, Tan (214) examines the way that the development of new forms of calculative expertise helps to promote socially responsible forms of market analysis. Thirion et al. (2022) examine the way in which linking fund managers' compensation to social responsibility measures can help to reduce investors tension between pursuing financial and non-financial goals, but may also have perverse effects and open the potential for gaming social responsibility measures, particularly where these include subjective elements.

Changing rules

Third, studies have identified the growing means through which *aspects of responsible investment are hierarchically enforced*. At the broadest level, national governments hold the power to mandate acceptable investment practice, with considerable policy development in this area over recent years (Smets et al. 2015; Yan et al. 2019); assisted by a range of regulatory agencies. Giamporcaro et al. (2020) examine the means through which government, alongside other actors, assisted in the creation of socially responsible investment (SRI) markets in France, including through new regulatory actions. Vasudeva (2013) follows the role of government in shaping both regulation and norms for responsible investing in Norwegian sovereign wealth funds, while Casasnovas (2023) highlights the way public policy encouraged sustainable investment market infrastructure in the UK through, for example, enforcing definitions and creating certain rules for investment. Casasnovas (2023) also notes that in so doing, policy implicitly strengthened certain aspects of the investment status quo. Beyond central

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obliged to complete an annual report to demonstrate accountability for their commitment to the Principles, and can be delisted if they are found not to meet minimum PRI requirements. For more information see (last accessed 11.10.2024): https://www.unpri.org/ and https://www.unpri.org/signatories/reporting-and-assessment.

government legislation, regulatory agencies have been seen as an important means through which responsible investment rules are propagated (Richardson, 2008). Regulators increasingly incorporate rules on providing transparent information and not misleading customers around issues of sustainability or SRI – such as in the recent 'anti-greenwashing' rules adopted by the UK Financial Conduct Authority (Walker, 2023).

In summary, the rise of the responsible investment logic has seen institutional investors begin to integrate ESG issues into their range of investment activities. The next section provides an overview of the ways they are doing so through dedicated responsible investment strategies.

Strategies for responsible investment

Institutional investors can adopt a number of responsible investment strategies to assist their ESG-investment analysis, decision-making, portfolio construction and stewardship processes. These include the following which are often used in combination with one another in practice (see e.g. EuroSIF, 2018):

1. **'Negative' screening** (i.e. screening 'out' of certain industries/companies) including:
    - **'Norms-based screening'** for moral or ethical reasons of, for example, so-called 'sin stocks', such as companies who receive part or all of their revenue from the sale, manufacture and/or distribution of alcohol, tobacco, weapons, gambling or fur.
    - **Exclusion of the holdings of particular companies** from the investment universe due to the sector, activities, products, ESG performance and/or preferences of asset owner clients.

2. **'Positive' screening** (i.e. screening 'in'):[7] Preferential selection of companies to invest in based on their ESG-related activities, products and/or performance (via e.g. special ESG funds).

3. **'Best-in-Class' investment selection:** The selection of the best ESG performing companies to invest in from a particular 'asset class';[8] based on their ESG performance scores produced by specialised ESG data providers and/or in-house investor tools.

4. **Integration of ESG factors into financial ('fundamental') analysis:** The incorporation of ESG analysis into 'asset allocation' (top-down, portfolio-level review of industrial sectors), and 'asset selection' (bottom-up review of companies within those sectors), in portfolio construction.

5. **Engagement and voting on sustainability issues**: Direct dialogue (i.e. in-person meetings; letters/emails/phone calls) between institutional investors and companies; as well as investors exercising their (proxy) votes and/or raising shareholder resolutions on ESG matters at company annual general meetings. Collectively also known as ''stewardship', 'active ownership' and/or 'shareholder activism' (e.g. Goranova & Ryan, 2014).

6. **Sustainability-themed investments:** Relating to specific ESG topics (e.g. biodiversity or water

7. **'Impact investing':** Specialised investment in funds or projects that have specific, measurable, sustainability as well as financial impacts, for example, through 'green bond' issuance[9] for a new wind farm development, or investments in (small) social enterprises.[10]

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[7] Both negative and positive screening are also synonymous with the notion of 'ethical investing'.
[8] The different types of asset classes are: equities (e.g. stocks); fixed income (e.g. bonds); alternative investments (e.g. real estate); cash and cash equivalents. For more information, see the UN PRI glossary of investment terminology (last accessed 11.10.2024) at: https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article.
[9] Green bonds are a fixed-income instrument designed to enable capital-raising and investment for new and existing projects with (claimed) environmental benefits.
[10] Much of this work can trace its origins to 'microfinance', as pioneered by the Grameen Bank in Bangladesh, in 1983 (see e.g. https://grameenbank.org/introduction/). For further information about some current debates about the definition and use of the term 'impact investing' see e.g. Baush et al. (2021).

All of these strategies are now being implemented across the investment sector, with investment organisations developing a rationale for their own 'mix' of strategies, which constitutes their approach to responsible investment. A range of initiatives, principles and standards have also been developed to guide institutional investor approaches to, and transparency and accountability surrounding, their use of various responsible investment strategies, such as the UN-PRI and the UK Stewardship Code.[11]

Research has demonstrated that there may be systematic variations in the adoption of responsible investment strategies across types of investors, internationally and over time. While exclusionary screening was the most dominant responsible investment strategy in Europe in the past, ESG integration and engagement have been increasingly adopted by investors in recent years (EuroSIF 2018; 2021). In fact, ESG engagement is now considered as one of the most dominant ESG mechanisms for investors to improve company sustainability performance (EuroSIF 2018; 2021), and divestment is recognised as a mechanism of last resort (e.g. Blackrock and Ceres, 2015; O'Sullivan and Gond, 2016; Gond et al., 2018). A recent review also explores the means through which such strategies have directly and indirectly led to changing practices within investee companies (Marti et al., 2024).

It should be noted, however, that there is significant critical debate on the extent to which responsible investment has led to real transformation in business practice (e.g. Busch et al., 2016). Critique has included evidence of asset manager 'greenwashing' of (ESG) funds for asset owner clients; as well as questioning the accuracy, reliability and credibility of the underlying ESG data – supplied by ESG data providers – used to create these funds (e.g. Chatterji et al., 2016). There is also evidence that investors who have signed up to the UN-backed PRI do not implement the principles in a way that substantively influences socially-positive investment decisions and actions (Guisande et al., 2024; Gibson Brandon et al., 2022). At a broader level, critics suggest that the rise of responsible investment could be read as a secondary trend counter to the increasing power of finance, and the influence of finance over the state and society (Borch and Wosnitzer, 2021). Perhaps indicative of this, ShareAction (2024) note in their annual report on asset managers' voting patterns, the concerning trend of voting against stakeholder proposals to improve companies' social and environmental impact, suggesting an increasing mismatch between previous pledges on responsible investment and voting records in practice currently.

In order for responsible investment to address accusations of greenwashing and make investment more meaningful, regulation around investment continues to be strengthened. In the European Union (EU) and UK there are ongoing efforts to mandate approaches to sustainable finance reporting – such as through the EU Sustainable Finance Disclosure Regulation (SFDR) and the UK Financial Conduct Authority's Sustainable Disclosure Requirements (SDR) – with investors expected to specify exactly how they are integrating ESG issues into their investment activities, and to evaluate the impact of this on the environment and society. At present, however, reporting on public health issues has not been explicitly prioritised in such regulation. More broadly, it is also worth noting that due to the relative

[11] The UK Stewardship Code (2010; 2012; 2020) was developed by the UK Financial Reporting Council (FRC). The Code sets high stewardship (engagement and voting) standards for institutional investors and service providers, to ensure the responsible allocation, management and oversight of capital in order to create long-term value for investors' clients and beneficiaries, and sustainable benefits for the economy, environment and society. The Code is voluntary for UK institutional investors, and Code signatories are obliged to produce an annual report to demonstrate how they have met the Code requirements. For more information see (last accessed 11.10.2024): https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/ and https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/.

newness of these regulations,[12] as well as ongoing revisions related to the SFDR in particular, robust analysis of their implementation and effectiveness in enhancing investor accountability for their responsible investment activities is still outstanding.

In the section below, we discuss the extent to which prior literature has examined whether, and how, health has been considered in investor responsible investment strategies to date, and if this is leading to an improvement in health outcomes.

Research Questions 2, 3 and 4: Investor Action on Health

2. Are investors acting on health as an ESG issue, and if so, why and how?
3. How effective has this action been to date?
4. What internal and external investor mechanisms can be used to have the maximum impact on health?

Overall, there is little direct evidence on institutional investor (asset owner and manager) action on health across the academic literature. In the literature from the business, management and finance field, links between investment and health are made sporadically, but for the most part this link is implicit, or forms part of wider analysis of responsible investment in general. As an example of this, there is a considerable body of literature examining the specific investment market for 'sin' or 'vice' stocks such as alcohol, tobacco and gambling; including the way that social norms interact with financial performance of these holdings (e.g. Durand et al., 2013; Hong and Kacperczyk, 2009; Liu et al., 2014). This does show that types of investors more exposed to public scrutiny, such as pension funds, mutuals, charitable and sovereign wealth funds are more likely to have divested from stocks with negative public perceptions (Hong and Kacperczyk, 2009). However, the link to health is usually mentioned only as a background factor influencing public sentiment, rather than explicitly considered in analysis. In addition, these studies do not include analysis of wider investor action on sin stocks beyond disinvestment. Other papers consider the link between investment and an adherence to ESG measures, with issues of health often subsumed into analysis of 'social' factors. Here, criteria such as supply chains, employment, food safety and worker safety are referenced in places, but there is little examination of these in detail (e.g. Viviers and Mans-Kamp, 2021). Relatedly, in a recent contribution, Maniatakou et al. (2024) examine the considerable complexities of linking investment with 'good health and wellbeing' as a sustainable development goal; highlighting that in current economic frameworks, investment in sectors such as agriculture, water, housing and healthcare (amongst others) is both essential for the creation of good health, but may also have negative health implications for workers and consumers due to the wider effects of increased investment across the full supply chain.

One specific health area that has received some attention in recent years is that of nutrition (Nordhagen and Neufeld, 2022; Lybbert et al., 2024). For example, Wellesley et al. (2020) lay out in detail the business case for investment in nutrition, and Robinson and colleagues examine the case for responsible investment and engagement in food systems (Robinson et al., 2022; 2024; Sacks and Robinson, 2018). The latter includes, through primary qualitative research with investors in Australia, identifying approaches by which some responsible investors do currently consider issues of nutrition, and the requirement for new tools – such as reporting frameworks – additional data, and approaches to embed

[12] The EU SFDR 'core disclosures (Level 1)' came into effect in March 2021, and the 'enhanced disclosures (Level 2)' became effective from January 2023 (see, last accessed 11.10.2024: https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en). The UK SDR is being implemented in phases over 2024 and 2025, with full implementation scheduled for June 2025 (see, last accessed 11.10.2024: https://www.fca.org.uk/news/statements/fca-sets-out-temporary-measures-firms-naming-and-marketing-sustainability-rules).

the issue further in investment analysis (Robinson et al., 2020; 2024). O'Hearn et al. (2022) argue that while poor nutrition remains a leading cause of ill health and death, it has been largely left out of ESG frameworks for investors to date, despite being a major consideration across UN sustainable development goals. The paper proposes that nutrition and health should be a key part in a strengthened 'social' dimension of 'ESG', with demands for measurements regarding food production, marketing, nutritional profile and accessibility:

> "Given the major impact of the food sector on wellbeing, it's imperative that new ESG metrics be developed to guide investors to prioritize businesses that innovate responsible practices aligned with consumer health and to divest from those who do not" (O'Hearn et al., 2022, p. 1047).

Aside from the above, the most closely related academic research can be found in the public health literature that focuses on the social, economic and, more specifically, the commercial determinants of health. Public health and related fields have produced decades of evidence which link peoples' health to their economic status alongside a range of social factors including race, ethnicity, social networks and employment (Braveman et al., 2011; Link and Phelan, 1995; Marmot and Wilkinson, 2005; Pickett and Wilkinson, 2015). The Black Report (1980) highlighted the severe health inequalities in the UK, revealing a clear correlation between social class and mortality rates. Public health research has provided extensive evidence on the health differences between people from better and worse off areas, with people from poorer areas experiencing worse health across a wide range of common health conditions. Indeed, the Marmot review (2010), and subsequent update (2020), has identified worsening health inequalities in the UK since the 1970s regarding a range of chronic conditions including cardiovascular disease, cancer, respiratory conditions, dementia and mental health conditions. In part, this is explained by dramatic variation in people's ability to access social goods on which health depends, including education, nutrition, work, cultural assets, technology, transport, health services and information (Nichols and Taylor, 2018). These are otherwise known as the 'social determinants of health'. Such 'upstream' factors are regularly found to have a much greater impact on people's health than the quality of 'downstream' healthcare (Bradley et al., 2016; Nichols and Taylor, 2018).

In recent years, this research has been joined by increasing investigation of and public health attention to the 'commercial determinants of health'. Broadly this refers to the way in which commercial actors, systems and practices drive health and (in)equity (Gilmore et al., 2023). This has been recognised as an increasingly important area of public health concern, with a growing number of scholarly articles, public health networks and institutional activity focused on identifying, measuring and mitigating commercial determinants. To date, the focus of work on the commercial determinants of health has predominantly been on businesses which sell commodities or engage in practices that are harmful to health (Collin and Hill, 2015; Stuckler et al., 2012; Millar et al., 2013; Moodie et al., 2013; Freudenberg et al., 2017). Central areas of focus are products such as tobacco, gambling and alcohol, and ultra-processed food high in fat, sugar and salt. Also commonly under scrutiny are organisations which emit air and water pollution and harmful chemicals, as well as organisations with harmful employment practices. Exemplifying the predominant approach of research to date, the SPECTRUM research consortium focusing on commercial determinants of health has thus far focused on reducing harms from tobacco and alcohol, with an expanding focus on unhealthy food and drink.[13]

Beyond the focus on individual unhealthy products, a series of recent papers in the Lancet has extended analysis to include more holistic consideration of the ways commerce impacts on health (Gilmore et al.,

[13] For more information on SPECTRUM (Shaping Public hEalth poliCies To Reduce ineqUalities and harM) and its membership see (last accessed 19.10.2024): https://spectrum.ed.ac.uk/.

2023; Friel et al., 2023; Lacy-Nichols et al., 2023). This work provides extensive definitions of commercial and market terminology for use in public health and gives a broad picture of influence between commerce and health. Gilmore et al. (2003) present a comprehensive model of the way the commercial world impacts on health, largely focusing on negative impacts. This includes mapping a wide range of commercial stakeholders and forms of commercial practice, at concentric levels of analysis from the individual to the global. It also considers longer-term changes within the political economy, towards neoliberal statehood, financial deregulation and market globalisation as leading to concentrations of wealth and power playing into health inequalities. As part of this picture, they outline cases of commercial malpractice, undue influence of business on public policy, and a commercial agenda that shapes both scientific research and social norms towards viewing health as an individual, rather than a systemic, problem. This is seen as implicated in problems such as "obesity, drinking, smoking, gambling and abuse of pharmaceutical opioids" (p. 1203).

Lacy-Nichols et al. (2023) propose a framework outlining dimensions organisations (such as resources and products) with categories of activities, guiding questions related to public health and sources of data potentially relevant to assessing commercial entities. The aim of this work is to propose approaches to monitoring commercial entities and improving transparency, particularly around commercial activity which is harmful to population health. Lacy-Nichols et al. (2023) do note that there are areas of commercial transparency which has led to increased scrutiny of publicly traded companies, but this is not yet the case for health-related issues:

> "Although a health focused investment index has yet to be developed, such an index could leverage investors' access to ensure that health-related questions (e.g. those within our framework) become part of routine evaluations of commercial entities" (Lacy-Nichols et al., 2023, p. 1222).

Beyond the above, the aforementioned social and commercial determinants of health literature has not addressed the role investors could play in addressing or advancing public health action in any substantial manner thus far. Some non-academic research and literature is therefore very helpful in this respect. In particular, ShareAction's Long-term Investors in People's Health (LIPH) initiative has led a seminal research programme to raise investor awareness about the importance of health as a core ESG issue. This work provides investors with guidance on how to identify and integrate material health risks into their investment decision-making and stewardship (voting and engagement) processes (ShareAction, 2022). More specifically, ShareAction's (2022) report reviews the existing initiatives, standards, metrics and benchmarks which investors could use to monitor and enhance investee company action on health; recognising the central role that investors play in shaping economic activity across sectors:

> "As the providers of capital to companies, and as a key influence on company practices and performance, institutional investors could play a critical role in encouraging companies to promote good health" (ShareAction, 2022, p. 14).

In doing so, the report includes what ShareAction believe to be the most important public health themes that are material to investors, and should therefore be prioritised for investor stewardship action across three 'pillars' of worker, consumer and the wider community health (see below).

Table 1. ShareAction (2022) Prioritised health themes and issues

Health Issues	Workers	Consumers	Community
Alcohol harm		x	
Antimicrobial Resistance			x
Digital Wellbeing: Mental		x	
Financial Wellbeing: Financial Inclusion		x	
Financial Wellbeing: Over-indebtedness		x	
Optimum Physical & Mental Health of Workers	x		
Healthcare: Access to Medicine & Vaccines			x
Housing: Access to Quality Housing		x	
Nutritious Diets: Infants & Young Children		x	
Nutritious Diets: Adult Nutrition		x	
Pollution: Air Pollution	x		x
Pollution: Water Pollution			x
Smoking: Tobacco		x	
Human Rights			x

Each of these themes has considerable public health evidence associated with it, and the list relates closely to public health priorities at the international and national level (e.g. Donkit et al., 2017; Public Health England, 2019).

ShareActions's (2022) prioritisation of health themes for investor action has directly informed the development of the evaluative framework used in this research. We also add to this through the consideration of infrastructure and health, as well as more explicit analysis of gambling and mental health, and technology and physical health (see Chapter 3 and 4). In addition, while ShareAction advocate for increased investor engagement with investee companies on the above health themes, as well as the reporting of the same, they do not analyse investor health-related disclosures as an indicator of the current status of investor action on health. Hence, this research directly contributes to, and advances, ShareAction's (2022) report.

While reviewing the public health evidence for each of the health-related themes that we use in our research is beyond the scope of the current report, we now briefly introduce these themes below and why they are/should be important for investors from a financial, regulatory, legal and social risk management perspective.

Introduction to Health Themes[14]

Air Pollution:

Air pollution is one of the leading risk factors for global mortality (WHO, 2024), responsible for some 6.7 million premature deaths in 2019 (Fuller et al., 2022). The health effects of air pollution are global, but the burden of disease is loaded heavily towards developing and rapidly urbanising countries; with women and children living in severe poverty particularly vulnerable to the negative effects of air pollution (Fuller et al., 2022; Mannucci and Franchini, 2017). A recent study identified nearly 2000 children under five die daily from air pollution (SoGA, 2024). Short-term exposure to air pollution is associated with chronic obstructive pulmonary disease (COPD) and Asthma amongst other conditions, and long-term impacts include cardiovascular disease and mortality, diabetes, mental health and perinatal disorders (Manisalidis et al., 2020).

Air pollution is a material issue for investors. The World Bank estimate around 6% of global economic output is lost due to air pollution (World Bank, 2021). Regulation and associated commercial responses have been seen to be effective in improving air quality, with considerable and continuing improvement in air quality in high income countries over the past 25 years (Boogard et al., 2019). Nevertheless, the Lancet commission on pollution and health stated that overall, the health effects of air pollution are increasing rather than decreasing, tied to the impact of climate change (Fuller et al., 2022); air pollution is now identified as the second biggest risk factor for death, second only to high blood pressure (SaGA, 2024).

Alcohol:

Alcohol is associated with a wide range of health conditions, including liver disease, cardiovascular issues, cancer, mental health conditions and also commonly implicated in harm from road traffic accidents and risky health behaviours. The World Health Organisation (WHO) (2018) global status report on alcohol and health outlines the global health burden of alcohol, identifying it as one of the leading risk factors for population health. They state that alcohol was responsible for some 5.3% of global deaths in 2016, higher than either tuberculosis, HIV/AIDs or diabetes. It is also a risk factor for a wide range of other health conditions, and tied into endemic health inequalities in many countries (WHO, 2020).

Alcohol-related health issues are a material issue for investors. The cost of alcohol-related health harms to the economy has been estimated at over $1 trillion per year across OECD (Organisation for Economic Co-operation and Development) countries. This includes the cost of addressing the ill health of the workforce and consumers, as well as healthcare and legal costs (Goryakin et al., 2015). The WHO (2018; 2022) also point to the way that company practices such as marketing and international sales can lead to an increase in problematic drinking, as well as the way certain countries strongly restrict alcohol advertising. The Lancet editorial (Beaglehole and Bonita, 2009) identify alcohol as a global health priority and in a letter to the British Medical Journal, Barry and O'Dowd (2007) advocate that doctors should be involved in campaigns to reduce investment in alcohol, in part to combat lobbying by multinational alcoholic drink companies aimed at preventing increasing regulation.

[14] These themes have been organised in alphabetical order here, as opposed to order of importance. This also reflects the structure of the evaluative framework used to conduct the analysis of UK asset managers' public disclosures in this research (see Appendix 1), as well as the associated presentation of the research findings in Chapter 4.

Access to Medicine and Antimicrobial Resistance (AMR):

The WHO (2017) estimate that almost two billion people globally have no access to essential medicines, resulting in widespread preventable disease and death. The then Director of the WHO, Margaret Chan, stated in 2007: "*much of the ill health, disease, premature death and suffering we see on such a large scale is needless, as effective and affordable interventions are available for prevention and treatment*" (WHO, 2007, p. 3). This includes a lack of access to basic vaccines, antibiotics and antiviral medication. Much of the health burden of poor access to medicine falls on low-and middle-income countries, where many people are underserved by formal health systems and medicines remain unaffordable, unavailable and sometimes of poor quality (Ozawa et al., 2019; Stevens and Huys, 2017). Investors are strongly implicated in access to medicine issues, in terms of their capital supply to health care and pharmaceutical organisations, as well as engagements on company (and governmental) policy and action.

Alongside medication access, the WHO declared in 2019 that AMR is amongst the top ten threats to global public health. AMR has been identified as responsible for approximately 1.3 million deaths in that year (Ikuta et al., 2022). AMR has many causes, but these include the over and inappropriate prescription of antibiotics (Moja et al., 2024), alongside the widespread use of antibiotics in livestock and food production (Hudson et al., 2017). AMR is a material issue for investors, as it can undermine the ongoing profitability of current antimicrobial products, as well as pose future legal risks due to potential regulatory action on this issue.

Employment:

Illness and injury at work is a major contributor to the global health burden. Takala et al. (2024) attribute 2.9 million deaths to work related disease and injury in 2019, with work-related circulatory disease and cancer as leading factors amongst these deaths. The WHO (2017) state that work-related health problems result in an economic loss of 4-6% of GDP in most countries (Takala et al. suggest 5.8% of global GDP). The International Labour Office (2012) estimated over 300 million people are injured each year at work. There is also increasing recognition of the size of work-related ill-health and injury amongst the 'hidden' workforce across global supply chains, with Alsamawi et al. (2017) identifying 12 fatalities and 4.8 thousand non-fatal incidents per 100 thousand supply chain workers globally in 2010.

Both work-related health and safety issues are unevenly spread across the world and weighted towards low-and middle-income countries (Takala et al., 2017). However, even in developed countries work remains a significant source of ill-health, with over 1 million workers in Great Britain made ill or injured at work each year (Public Health England, 2023), with an annual cost to the economy of around £20 billion. Work-related mental health and stress is also now well recognised as a major contributor to the global health burden, leading to significant economic costs (Hassard et al., 2018), making this an important material issue for investors. All of this is explored further in Chapter four.

Financial Security and Wellbeing:

ShareAction identify both the issues of financial well-being overall and over-indebtedness as related priorities, on which investors have a central role to play. The public health evidence linking financial security with health is vast and diverse, incorporating the extensive work demonstrating the strong connection between health and economic inequalities, noted above. Underlining this, the WHO (2008) state: "In countries at all levels of income, health and illness follow a social gradient: the lower the socioeconomic position, the worse the health" (p. 1). As a particular part of this picture, the issue of over-indebtedness has also been strongly linked to poor health (Blazquez and Budria, 2018; Clayton et al., 2015; Turunen and Hiilamo, 2014), for example, resulting in anxiety, hypertension, depression and suicidal ideation as well as a range of unhealthy behaviours.

A related issue is the impact of gambling on health. This is not an explicit area of focus for ShareAction, possibly due to the smaller body of public health research in this area. However, gambling has been widely recognised as an increasing public health concern in light of the rapid growth of the global gambling industry, supported by the widespread expansion of online gambling (Rieth et al., 2019; Wardle et al., 2024). A recent systematic review of international research suggested that 8.7% of adults engage in either 'any risk' or 'problematic'[15] gambling (Tran et al., 2024). Gambling is associated with a range of mental health conditions (Churchill and Farrell, 2018; Reith et al., 2024), and gambling related harm to health is associated with wider health and economic inequalities (Raybould et al., 2021). It has been highlighted that the regulatory trajectory for the gambling industry is counter to that for other harmful industries, with gambling now legally permitted in more than 80% of countries worldwide, with the shift online posing challenges for regulators (Wardle et al., 2024). There is evidence gambling companies are pro-actively seeking to limit regulation and avoiding taking action to reduce harm which would reduce profits (Van Schalkwyk et al., 2021; Wardle et al., 2024). The Lancet Commission on Gambling identifies a range of measures governments and businesses could take to reduce the public health harms associated with gambling (Wardle et al., 2024), with investors strongly implicated. This includes recommendations on effective regulation, combating industry lobbying, providing treatment and de-normalising gambling practices.

Housing:

Housing access and quality are intricately linked to health, with issues of housing intertwined with other social determinants of health and health inequalities (Gibson et al., 2011). The WHO (2018a) identify a range of issues with housing linked to health, including risk of injury, exposure to toxins and pollution, exposure to disease, unsanitary conditions, overcrowding as well as lacking protection from temperature extremes. The availability and quality of housing varies dramatically between high-middle-and low-income countries (WHO, 2018a), but even within developed countries, housing remains an important determinant of physical and mental health (Rolfe et al., 2020). In the UK, poor quality housing has been found to be associated with worse health outcomes, with evidence housing issues are a causal factor of ill-health (Alidoust and Huang, 2023; Pevalin et al., 2008; Public Health England, 2017). As major stakeholders in the housing market, housing is of clear material interest to investors. As well as the general economic costs from ill health due to lack of access to quality housing, investors face reputational and regulatory risks associated with poor housing. This extends to the social housing sector, in which many UK investors are involved both as a potentially profitable business and as part of social responsibility action (Tang et al., 2017).

Although not examined as a distinct theme in the ShareAction (2022) report, interlinked with housing is the connection between infrastructure and health. Infrastructure includes physical infrastructure such as roads/motorways, railways and other public transport; digital infrastructure; and utilities (e.g. telecommunications and energy). Also important is the social infrastructure supporting health such as the provision of physical and mental healthcare services. Infrastructure is considered important in this

[15] Tran et al. (2024) provide the following definitions. **Problem or problematic gambling:** a commonly used term to describe individuals who gamble in a manner that it creates multiple problems that disrupt personal, family, financial, and employment circumstances. **Any risk gambling:** this term is used to include those who meet the thresholds for problematic gambling or gambling disorder but also includes those who, at minimum, report sometimes or occasionally experiencing at least one behavioural symptom or adverse personal, social or health-related consequence from gambling. This group represents the full spectrum of risk severity (p. 1213).

current research due to the way in which investment in this area can contribute to health and wellbeing, but is also commonly implicated in ill health, for example, through variant pollution emissions and the reduction of access to nature (Schrecker and Milne, 2011). The positive and negative impact of infrastructure on health is a clear material issue for investors, as discussed in more detail in Chapter Four.

Nutrition and Food:

Food quality and access are intimately tied to health. Poor diets have been associated with stunted developmental in children (decreasing since 1990), and also responsible for one in five deaths globally – some 11 million deaths in 2017 (Afshin et al., 2019). Poor diets are also implicated in a wide range of chronic health conditions (WHO, 2020), with around 9% of the world's population undernourished and around 25% lacking access to sufficient nutritious food (WHO, 2020).

Increasing attention in public health literature has been to the 'double burden' of malnutrition, which includes the harms from both undernutrition and obesity (Popkin et al., 2020). The latter is now recognised as a global health challenge and has been linked to widespread transitions in the food system which make poor quality food cheaper and more accessible (Popkin et al., 2020). In the past few years, there has also been increasing research on the negative health implications of industrial food processing and ultra-processed foods (Pagliai et al., 2024) Investors are heavily implicated in this transition, as key stakeholders of commercial actors across the food supply chain from agriculture, manufacturing and sales and distribution (Popkin, 2017). They also have a strong material interest in this issue as a major social and economic challenge, with obesity linked to large GDP expenditures, in the region of over $200 billion per year in the US alone. As Branca et al. (2020) state: "The economic, social, and environmental costs of inaction [on obesity] will hinder the growth and development of individuals and societies for decades to come*"* (p. 8).

Technology:

Digital technology and health is identified by ShareAction (2022) as an area which should be an increasing action for investors. Although research in this area is at a comparatively early stage, there is growing evidence that the prevalence of digital technologies, and the extensive changes in society that are accompanying this, are associated with risks to both mental health (e.g. Haidt and Allen, 2024). There has been some suggestion that digital technology is contributing to a mental health crisis, particularly in children and young people (e.g. Twenge, 2020). At the broader level, technological change is also interwoven with many of the other health themes underpinning contemporary lifestyles and therefore worthy of consideration as an important health concern for investors. It should be noted that, as an area of emerging research, there are also mixed findings on this issue and large areas of debate and uncertainty (Orben and Przybylski 2019; Vuorre et al., 2021).

There have also been calls for much greater research and investment in the area of digital technology and the provision of physical health and care services, including for mental health (Bucci et al., 2019). For example, the WHO are developing approaches to harness digital technology for health (WHO, 2021). New forms of digitally mediated treatment and ways of accessing services are transforming the landscape for both physical and mental healthcare at the global level (Ogugua et al., 2024). For instance, an editorial in The Lancet identifies the issue of digital technology on children and young people as a 'triple edge sword'; digital technology opens extensive opportunities for development and learning, as well as presenting mental health risks and dangers, whilst also offering the capacity for new forms of mental health treatment (Hollis et al., 2020).

In these ways, investors face extensive material risks and opportunities in the area of digital technology and physical and mental health, as investors in companies which are implicated in potential harm to health, as well as those developing new forms of treatment. We consider all of this further in Chapter Four.

Tobacco:

The link between tobacco smoke and harms to health is one of the most strongly supported findings in public health research (e.g. Bullen, 2008; Doll, et al., 2004; West, 2017). Globally, smoking tobacco accounted for 7.69 million deaths in 2019 and was the leading risk factor for death among males (Reitsma et al., 2019). The WHO identifies tobacco as one of the biggest public health threats in history, causing both harm to tobacco smokers and those breathing second hand smoke (WHO, 2023a), with the harms now increasingly weighted to low-and middle-income countries (WHO, 2021a). Tobacco is therefore of material risk for investors. The cost to the global economy from the smoking-attributable diseases has been estimated at $422 billion in direct health expenditure (in 2012), and approaching $2 trillion in health expenditure and productivity losses combined (Goodchild et al., 2018). The WHO has identified priority strategies for policy and organisations to address this issue, including controls on manufacturing, supply, marketing and price, with countries around the world taking action to reduce the prevalence of smoking and the harms of tobacco. In addition to the general impact on the economy and the workforce, there is pressure for increasing regulation, as well as litigation against tobacco companies and strong reputational risks for tobacco investments.

Water pollution:

Alongside the issue of air pollution already discussed, water pollution is also identified by ShareAction (2022) as an important area for investor action. Providing access to clean water is one of the most effective ways of promoting health and addressing poverty (WHO, 2023b). The WHO state that some 2 billion people globally live in water-stressed countries, and that water for 1.7 billion people is contaminated with faeces, with such microbially-contaminated water associated with a wide range of diseases (WHO, 2023b). Wolf et al. (2023) identify 1.4 million deaths annually as attributed to disease from drinking water, sanitation and hygiene, although it is also acknowledged that this is likely an underestimate (Fuller et al., 2022). In addition, freshwater is often contaminated with health-harmful chemicals derived from resource extraction, industrial production, agriculture and landfill (Schwarzenbach et al., 2010). This can lead to a range of harms to health including in babies and children (ShareAction, 2022).

Investors are materially implicated in this issue in several ways. The economic costs of poor water quality have been estimated at US$260 million annually (World Bank, 2013) including through direct health costs and employee productivity. There are also requirements for large international investments in improving wastewater systems (Schwarzenbach et al., 2010). Most companies rely on fresh water supply to some extent, and across sectors, companies may face increasing costs from addressing pollution and associated regulation. In the UK, water companies have come under intense scrutiny in the past year, with reputation implications for investors and also potential limits to profits imposed by government (Horton, 2024).

Summary of literature review:

In recent history, investors have increasingly engaged with calls for social and environmental responsibility and accountability, yet the action that investors have taken on issues relating to health are unclear in the extant literature. The work of ShareAction has laid out the case for investor (stewardship) action on health and provided illustrative examples of investors' action in each of the above themes (apart from infrastructure and health). However, to date, there has been no systematic review of investors' disclosures on their own health-related activities and impacts. Therefore, the next chapter introduces our research design for such a review, which also allows us to answer our remaining research questions (2-to-4):

2. Are investors acting on health as an ESG issue, and if so, why and how?
3. How effective has this action been to date?
4. What internal and external investor mechanisms can be used to have the maximum impact on health?

CHAPTER 3: METHODOLOGY

Investor Health-related Disclosures Research Design and Approach

AM Selection Criteria:

The top 10 asset managers (AMs) operating in the UK were selected for this research, based on The Investment Association's ranking of UK asset managers as per May 2024.[16] These AMs were collectively managing approximately £584 billion assets under management (AuM), representing approximately 40% of the total AuM in the UK (as per May 2024), as depicted in Table 2.

Table 2: Top 10 UK Asset Managers (May 2024):

Rank	Company	Funds Under Management (GBP)
1	BlackRock UK	101,270,356,151
2	Waystone Management (UK) Ltd	90,496,233,196
3	Legal & General Investment Management Ltd	62,029,808,135
4	Vanguard Investments UK Ltd	58,226,800,551
5	Royal London Unit Trust Managers Ltd	55,528,060,805
6	Fidelity Worldwide Investment	54,160,873,365
7	Abrdn Fund Managers Ltd	51,486,219,988
8	HSBC Global Asset Management (UK) Ltd	46,731,977,847
9	Baillie Gifford & Co Ltd	34,565,746,092
10	Schroders Unit Trusts Ltd	29,661,339,789

With regard to the selection of these AMs, the following information is also important.

1. Scottish Widows Unit Trust Managers was officially ranked as 9th in the Investment Association data in May 2024 (with £35,357,682,056 AuM). However, we removed them from our top ten AMs for analysis purposes as they are now a subsidiary of Lloyds Banking Group, and their ESG policies and reports appear to be influenced by/are those of Lloyds, with little direct information available from the Scottish Widows Unit Trust Managers per se. Thus, we added Schroders Unit Trusts Ltd to our list of AMs to analyse instead, who were officially ranked as 11th in the Investment Association rankings of top UK AMs in May, 2024. In turn, this moved Baillie Gifford into 9th as opposed to their 10th position in the Investment Association rankings.

2. In the course of our analysis, it also became clear that while Waystone technically are an asset manager, they outsource their investment management to third parties. Waystone themselves primarily provide a range of management (governance and administration) services to fund managers, and are therefore not a direct investor. Hence, this explains why we were not able to find sufficient public ESG disclosures from Waystone per se to allow us to conduct a thorough analysis of them, and consequently why they have received a score of 0/100 in our research (see Chapters 4 and 5 for further details).

In terms of further selection criteria of these AMs, the majority of them are signatories to UN PRI and UK Stewardship Code, and thus produce obligatory PRI and Stewardship Code reports on their ESG

[16] For specific details see (last accessed 11.10.2024): https://www.theia.org/industry-data/fund-statistics/monthly-company-rankings/2024/total/1

investment, engagement and voting activities on an annual basis.[17] Membership of ShareAction's Long-term Investors in People's Health (LIPH) initiative[18] was also considered as a selection criterion, but as there are only a small number of UK AMs who are part of the LIPH initiative, this was deemed more suitable as an indicator of investor awareness of, and action on, health as part of our analytical framework (see below and Appendix 1).

Investor Health-related Disclosures Analytical Framework

The framework we developed to analyse investor health-related disclosures was composed of 10 prioritised health themes and sub-themes, amounting to 14 themes in total. These consisted of: air pollution; alcohol; access to medicine and antimicrobial resistance (AMR); employment and physical health, and employment and mental health; financial security and wellbeing; gambling and mental health; housing and health and infrastructure and health; nutrition and obesity; technology and physical and mental health; tobacco; and water pollution.[19] We designed a set of 6-to-8 indicators for each of the 14 themes (with associated scores out of 5 or 10), which we then rated the 10 AMs' public disclosures against to determine whether, and to what extent, AMs were addressing these health themes across their investment activities. AMs were thus awarded individual scores per health theme (out of 5 or 10), and overall scores out of 100, based on the quality and extent of their reporting of the theme at 'high', 'relatively high', 'moderate', 'low', 'very low or 'no mention' levels. A detailed explanation of this framework, and associated themes and indicators can be found in Appendix 1.

To conduct the above, we gathered the most recent publicly available ESG disclosures (*as per May-to-August 2024*) of the AMs in question, primarily related to the 2023-2024 reporting year. Yet, in some cases, documentation published at a previous time was also included where relevant. These disclosures included the aforementioned PRI and Stewardship Code reports, as well as AM responsible/sustainable investment/ESG policies and annual reports; Task force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD) reports[20]; Sustainable Finance Disclosure Regulation (SFDR) reports; as well as (ESG) fund documentation and web disclosures. In total, we accessed and reviewed an average of 10 to 15 reports per asset manager, and in some cases 20 to 30 types of documents/disclosures per AM. This is indicative of the often-disjointed approach to general sustainability disclosures across investors, but more significantly those disclosures (indirectly) related to our health themes and indicators.

While we believe that our analysis has produced in-depth critical insights into the current health-related disclosures and action of the AMs under investigation, it was also not without its limitations. Firstly, only the top 10 UK asset managers (as per May 2024 data) were included in this research. Secondly, as

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[17] For more information see (last accessed 11.10.2024): https://www.unpri.org/signatories/reporting-and-assessment and https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/.
Note: Waystone is the only AM under review in this research where there is uncertainty regarding their current signatory status of the UN PRI (as a 'service provider') and UK Stewardship Code, as no reports for them were accessible on these respective websites.
[18] For further details see (last accessed 11.10.2024): https://shareaction.org/investor-initiatives/long-term-investors-for-peoples-health
[19] These themes were informed by ShareAction's (2022) seminal guidance for investor (stewardship) action on health. We also added infrastructure and health to this, as well as more explicit analysis of gambling and mental health, and technology and physical health in our research (see Appendix 1 and Chapter 4).
[20] The Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD), are reporting frameworks for financial and business sectors to more effectively disclose and address their respective climate-related risks and opportunities, and nature-related dependencies, impacts, risks and opportunities. For more information see (last accessed 11.10.2024): https://www.fsb-tcfd.org/ and https://tnfd.global/.

this research was solely based on the public disclosures of the UK AMs chosen for this research, and due to the disjointed nature of these disclosures across various reports and websites, it is possible that: a) some relevant information may not have been captured in the course of our research; b) we may have misinterpreted some of the disclosures that were gathered; and c) more/less action on health may currently be taking place, or could have taken place in the past, or take place in future, on health-related matters than has been documented in recent AM disclosures. In addition, it would also be useful to gain more clarity, than is currently depicted in investor disclosures, on the overall size of investment portfolios that may be invested in harmful health commodities or activities, in comparison to those that are screening out or avoiding them to have a more positive impact on health.

We outline these limitations in further detail at the end of Chapter 5, in association with proposals for how this current research project could be advanced. Prior to that, however, we present the detailed empirical findings of our research in the following chapter.

CHAPTER 4: HEALTH-RELATED DISCLOSURE ANALYSIS

Introduction:

This chapter presents the findings of our analysis of investor health-related disclosures, which we organise alphabetically per health theme below. Each theme begins with an overview of asset manager (AM) scores per theme, based on the results of our empirical analysis, followed by a narrative justifying these scores with illustrative data derived from the AMs' public disclosures.

As noted in Chapter 1, the AMs' health-related disclosures were not located in one document, but across a range of policies, reports, fund documentation, and websites, which presented several challenges to access information on, and gain a complete and accurate picture of, the AMs' current level of (in)action on the health themes under investigation. Hence, there may be unintended omissions of data, or misinterpretations of some (un)reported data, presented in the final AM ratings and analysis found in this report. Consequently, we present our findings here as a snapshot of what we were able to observe in publicly available documents, and our analysis should be considered with this in mind.

Theme 1: Air Pollution

Investor Health-related Disclosures on Air Pollution Results:

Asset Manager Name	Air Pollution Score: /10	Score Category*
BlackRock UK	3	Low
Waystone Management (UK) Ltd	0	No Mention
Legal & General Investment Management Ltd	3	Low
Vanguard Investments UK Ltd	2	Very low
Royal London Unit Trust Managers Ltd	5	Moderate
Fidelity Worldwide Investment	0	No Mention
Abrdn Fund Managers Ltd	1	Very low
HSBC Global Asset Management (UK) Ltd	4	Low
Baillie Gifford & Co Ltd	0	No Mention
Schroders (Unit Trusts) Ltd	5	Moderate

***Key: Scores out of 10:** High: 9-10; Relatively High: 7-8; Moderate: 5-6; Low: 3-4; Very low: 1-2; No Mention: 0.

The above results of the UK AMs health-oriented disclosures on air pollution reveal a range of scores based on the applied evaluative framework. Only two of the ten AMs have reported on air pollution and health at a 'moderate' level, receiving a score of 5 out of 10 based on the applied evaluative framework. Three AM's displayed 'low' air pollution and health disclosures, two more fell into the 'very low' reporting category, and the remaining three made 'no mention' of air pollution, and especially not in the context of health.

Analysis:

The two moderate reporters – **Royal London** and **Schroders** – reveal the following types of disclosures. Firstly, although neither has a specific policy or position statement on air pollution (and health), they display a consideration of it and its relationship to health, as well as a certain commitment to address this, within some of their investment and engagement strategies and themes. For example, in their Responsible Property Investment Report (2022), **Royal London** highlight how one of the environmental, social and governance (ESG) considerations integrated into their property investment analysis and decision-making is air quality and pollution reduction (although they do not directly link this to health). They also confirm this in their UN Principles for Responsible Investment (PRI) report (2023), as they have indicated that: "[they] *require the protection of air quality during construction* [and development projects]"[21] (p. 101) they have invested in. In addition, they evidence integration of these themes into their ESG engagement activities in their Stewardship and Responsible Investment Report (2023), as they mention how one of their investee companies, Rentokil's "*products and services protect people from the dangers of pest-borne disease and reduce the risks of poor hygiene and airborne pollution, enhancing lives, and contributing to a healthier society*" (p. 48). Relatedly, they are one of only two AMs (the other being Schroders) who explicitly recognise airborne pollutants that are damaging to public health, beyond carbon dioxide, when discussing engagement with the energy and waste sector in the same report: *"Burning waste also creates high levels of pollutants beyond just CO_2 such as mercury, carbon monoxide, lead, and sulphur dioxides. These pollutants can pose a risk to public health"* (Ibid, p. 29).

Similarly, **Schroders** include 'Circular Economy, Pollution and Waste' as 'Natural Capital and Biodiversity' engagement themes in their Listed Assets Engagement Blueprint (2024). Here, they propose the following as some of their "*desired short-mid-term actions*", or objectives, for investee companies while engaging with them on pollution and hazardous waste: *"measure, disclose and set targets to reduce non-greenhouse gas pollutants where relevant (for example nitrous oxides, sulphur oxides, volatile organic compounds, particulate matter, ammonia and heavy metals)* [and] *take steps to reduce the negative impacts of pollution on human health and impacted ecosystems"* (p.18). These engagement commitments also appear to be applied to all of their listed as well as private assets beyond specialised ESG/sustainable investment funds.

It should also be noted that there were no explicit disclosures across Schroders – or Royal London's – reports, regarding the actual outcomes and impacts of the aforementioned engagement commitments. Schroders do mention in their Impact Report (2024) that "*618,941 tonnes of CO_2 [was] avoided*" in 2023 through the work of investee companies in their impact investment funds, yet this relates to carbon dioxide per se, and not other airborne pollutants. This information is also confined to their impact, and not broader, investment funds, and similar proclamations of CO_2 emissions avoidance are not made in their Task Force on Climate-related Financial Disclosures (TCFD) report related to their main investment portfolios.

Some additional inconsistencies and omissions also arise across Schroders and Royal London's air pollution and health disclosures which prevented them from reaching a higher score in our analysis framework. For instance, it is interesting to note that Schroders *did not* indicate that they require the protection of air quality during construction and development projects in response to the PRI reporting framework (Schroders PRI Report, 2023), but do tick the accompanying: *"We require constant monitoring of health and safety at the construction site"* (p.133). Furthermore, neither Schroders nor Royal London – or any of the other AMs – mention memberships of, or collaborative engagements with, relevant investor-oriented initiatives on air pollution such as ShareAction's Long Term Investors in People's Health (LIPH) Programme work with the Clean Air Fund[22], or of any engagements with policy makers on air pollution and public health-related matters.

Turning to the remaining eight AMs, there is very little, if any, recognition of air pollution and health across their policies and disclosures. With regard to the low reporters – **HSBC, BlackRock** and **Legal**

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[21] This is one of the questions posed to institutional investor signatories of the PRI in their reporting framework. For more information see (last accessed 11.10.2024): https://www.unpri.org/signatories/reporting-and-assessment.
[22] See (last accessed 11.10.2024): https://www.cleanairfund.org/news-item/investors-action-on-air-pollution/.

and General (L&G) – **HSBC** make very brief mention of the connection between biodiversity and human health in their Biodiversity Policy (2023), and further mention pollution as a biodiversity and nature engagement theme in their Stewardship Plan (2024): "*Biodiversity and nature loss is a broad and complex issue that we believe can be approached through a focus on key topics including but not limited to* […] *pollution (air, water, land)* […]" (p. 17). This is reiterated as a voting priority in their Global Voting Guidelines (2024), and reinforced by their declaration of their signature of the 'Finance for Biodiversity Pledge' in their Responsible Investment Policy (2024). Yet, none of this is substantially connected to public health; doing so would have afforded them a higher score in our framework. For their part, **BlackRock** and **L&G** both 'tick' the air quality protection check related to their construction investments in their 2023 PRI Reports, and L&G also highlight that air quality data is considered in their ESG performance monitoring of buildings; but only for "*a minority of* [their] *real estate assets*" (Legal & General, 2023, PRI Report, p. 109). However, neither of them directly link this work to health either in this report, or in their additional reports. BlackRock appears to be only (explicitly) considering air quality as part of their construction portfolio(s), and not across broader (asset class) investment portfolios[23]. While L&G, despite being the only AM to have a publicly available Health Policy (2024), lacks an *explicit* consideration of air pollution in this health policy, as well as across their other investment policies, strategies and reports.

With regard to the very low reporters – **Vanguard** and **Abrdn** – **Vanguard** referenced some international projects they are involved with in their TCFD Report (2023) that have the potential to improve air quality and reduce air pollution, as part of their carbon offsetting programme to reduce their net carbon emissions. However, despite the positive environmental benefits that may be derived from carbon offsetting programmes, these can deflect attention away from the critical prevention and mitigation of the carbon emissions – *and additional airborne pollutants* – produced by investment portfolios in the first place. In relation to **Abrdn**, their Palm Oil Position Statement (2024) acknowledges (inter alia) the "*health consequences associated with air pollution from deforestation*" (p. 2), yet they do not mention this in their Deforestation (2024) or Biodiversity (2021) Position Statements, which suggests incohesive consideration of air pollution and health across their ESG integration work.

Finally, neither **Baillie Gifford** or **Waystone** make any (explicit) reference to air pollution (or air pollution and health) across their reports.

Summary and Recommendations:

In summary, none of the ten asset managers' disclosures displayed high levels of recognition of the severity of air pollution for public health, and their connection to this through their investment activities. Nor did they present high levels of evidence of any substantive efforts to address these issues across their entire – as opposed to disparate – investment portfolios. This is important not only to manage the materiality of air pollution and public health for their risk-adjusted investment returns, but also to meet their social responsibilities to do so.

Recommendations for Investors regarding Air Pollution and Health:

1. It may be the case that air pollution is part of the environmental indicators that have been integrated into third-party ESG data provider and/or proprietary ESG metrics that some of the above AMs use in their ESG analysis and investment decision-making processes; and that they

[23] For example: other listed equities, fixed income (e.g. bonds), alternatives (e.g. real estate), or multi-asset (e.g. combined equities, fixed income and alternatives) investment portfolios.

have just not explicitly stated this in their public disclosures. If this is correct, more transparency is needed with regard to how these investors are integrating air pollution-related health concerns into their ESG activities. If this is not the case, we encourage these AMs to consider the materiality of air pollution and its associated public health and economic impacts to their investments, as well as their role and responsibilities to address this, more seriously; and to develop investment policies, strategies, stewardship (engagement and voting) priorities, and disclosures on air pollution and health.

2. Further, our analysis has uncovered some evidence of a conflation of the discussion of 'carbon/greenhouse gas emissions (GHG)' and 'air pollutants' across several AM's climate-related policies and disclosures; presumably due to the emphasis on the Task Force for Climate-Related Financial Disclosures (TCFD) requirements throughout investment markets in recent years. We therefore recommend investors to acknowledge the important distinction, and interrelationship, between GHG and air pollutants more thoroughly, and to refine their ESG investment policies, strategies, stewardship priorities, and disclosures accordingly. This is with a view to giving air pollution the specialised attention it currently lacks.

3. We would also encourage investors to engage with sustainability disclosure standard setters and regulators on the need to expand existing (mandatory) reporting frameworks – for both corporate and finance sectors – to include reporting requirements on air pollution and health in an effort to assist their work in this area. For example, it is interesting to note that the current UN-PRI reporting framework only (explicitly) requires the consideration of air quality with regard to construction and development investments; the EU Sustainable Finance Disclosure Regulation (SFDR) only considers 'Emissions of Air Pollutants' as one of the voluntary, and not mandatory, Principle Adverse Impacts (PAI) financial market participants are to report against; and the equivalent UK Sustainable Disclosure Requirements (SDR) is based on the International Sustainability Standards Board's (ISSB) adoption of the TCFD reporting framework, which does not significantly address air pollutants beyond GHG.

4. Finally, we recommend investors to collaborate with their peers on air pollution and health-related initiatives, benchmarks and engagements. For example, the Guy's and St. Thomas' Foundation have recently been developing a corporate benchmark on air quality and pollution with market partners.[24] This is with a view to rating how companies are addressing their impacts on air quality and pollution, and to catalyse them to measure and report on this more accurately. This in turn, would provide investors with the information they require to enhance their own disclosures on this via the above reporting frameworks; and potentially stimulate more concerted action on air pollution and health overall across institutional investor and corporate sectors.

[24] For more information see (last accessed 11.10.2024): https://www.responsible-investor.com/uk-asset-owner-rallies-investors-to-tackle-air-quality-and-pollution/.

Theme 2: Alcohol

Investor Health-related Disclosures on Alcohol Results:

Asset Manager Name	**Alcohol Score: /10**	**Score Category***
BlackRock UK	**2**	**Very low**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**0**	**No Mention**
Vanguard Investments UK Ltd	**1**	**Very low**
Royal London Unit Trust Managers Ltd	**4**	**Low**
Fidelity Worldwide Investment	**0**	**No Mention**
Abrdn Fund Managers Ltd	**0**	**No Mention**
HSBC Global Asset Management (UK) Ltd	**3**	**Low**
Baillie Gifford & Co Ltd	**3**	**Low**
Schroders (Unit Trusts) Ltd	**3**	**Low**

***Key: Scores out of 10:** High: 9-10; Relatively High: 7-8; Moderate: 5-6; Low: 3-4; Very low: 1-2; No Mention: 0.

The results of the analysis of UK asset managers' (AMs) health-oriented disclosures on alcohol are very poor. None of the ten AMs have reported on alcohol and physical or mental health matters in an 'moderate' or (relatively) high fashion. Four display 'low' alcohol disclosures, receiving scores of 3 and 4 out of 10. One more AM exhibits 'very low' reporting in this area, and the remaining four make 'no mention' of alcohol, nor in the context of health, across their public disclosures.

Analysis:

Those AMs classified as low reporters – **Royal London, HSBC, Ballie Gifford** and **Schroders** – all refer, in varying and often disjointed capacities in their public disclosures, to excluding alcohol investments from their ESG/sustainable or specialised (ethical) funds; but not across their broader investment portfolios. Furthermore, no direct reference is made to whether the alcohol exclusions applied to these funds have been catalysed or informed by health factors in any capacity.

For instance, **Baillie Gifford** do not include alcohol in their Exclusions Policy (2024), and yet alcohol exclusions are applied to one of the five funds they name as 'sustainable', 'responsible' or 'positive change' funds. The fund in question, the 'Baillie Gifford Sustainable Growth Fund', cites the following policy: "*Exclusions will cover companies which derive a significant degree (being more than 10 per cent) of their annual revenues from (i) the production or sale of tobacco, alcohol, weapons and armaments or adult entertainment, (ii) fossil fuel extraction and/or production, or (iii) the provision of gambling services*" (Baillie Gifford, 2024, Investment Funds II ICVC Prospectus, p.79). It is also interesting to note that while the tobacco, weapons, fossil fuels and coal exclusions also apply to the 'Baillie Gifford Sustainable Income Fund', the aforementioned alcohol (and gambling) exclusions do not; with no explanation provided for this. In addition, in the Baillie Gifford ESG Integration Approach (2024) guide, which covers all of their investment portfolios, they state that they "*expect all our holdings to operate their businesses in a way that takes account of all relevant legal and regulatory guidelines and supports good stakeholder relations. Relevant practice areas include* [inter alia]: *Responsible marketing* […]" (p. 4). Yet, they do not explicitly link this responsible marketing to the alcohol industry.

Similarly, **Schroders'** Sustainable Investment Policy (2024) emphasises coal, controversial weapons and tobacco exclusions, but no mention of alcohol exclusions are made. However, according to information found via their ‘Fund Centre’ website, it would appear that alcohol considerations, if not full exclusions, are applied to some of their sustainability funds.[25] For example, their ‘'European Sustainable Equity Fund’s information sheet (2024) rates the potential positive impacts of the fund ‘*to people’* due to its (inter alia) thematic consideration of alcohol; yet this is not directly linked to public health in anyway. Additionally, in Schroders’ Listed Assets Engagement Blueprint (2024), they state that the following is one of their desired actions from investee companies in their human rights-oriented engagements: "*Establish and implement a responsible approach to sales and marketing which considers potential adverse impacts on vulnerable populations, such as children*" (p. 23); however, they also do not explicitly link this to any relevant industry, such as alcohol.

HSBC also make no mention of alcohol exclusions in their Responsible Investment Policy (2024). Yet, in their Responsible Investment Review (2024) they state that they have developed a specialised Islamic investing solution (a passively managed index fund), which screens out a set of 'Shariah law' exclusions, which includes alcohol.

For their part, **Royal London’s** disclosures are somewhat confusing. That is, they state in their Ethical and Sustainable Investment Policy (2023), that: *"The following exclusion criteria are not driven solely by revenue generation, and therefore require different exclusion definitions and an alternative approach to screening. In house expertise is utilised to provide in depth analysis to identify and exclude companies* [from their ‘sustainable’ funds] *with inadequate policies or systems in the following sectors and activities: Alcohol* [as well as Animal welfare, Pornography Gambling]" (p. 3). Yet they do not clarify what is meant by ‘inadequate policies or systems’ here, and what exactly determines whether alcohol companies are excluded from their sustainable investment funds as a result. They provide a little more detail on this in their Ethical Bond Policy (2023), where they state that: “companies *that generate over 10% of their turnover from any one of the following six sectors are excluded from Ethical Bond Fund investment: Alcohol – involvement in brewing, distillation or sale of alcoholic drinks* [...] *By having a 10% threshold, it also enables us to invest in companies who are transitioning towards practices that do not breach the fund’s ethical criteria*" (p. 2). However, it is not made clear why this different approach to alcohol exclusions is taken across their sustainable equity and bond investment funds.

This is further complicated by the fact that Royal London do appear to have investments in alcoholic drinks companies. For instance, they provide Diageo as a case example in their Stewardship and Responsible Investment Report (2024), outlining what they view as the company’s strong ESG credentials and investment returns as their rationale for continued investment in the company. Yet, no specific reference to public health concerns regarding alcohol is made throughout this commentary:

> “[…] *Diageo promotes responsible drinking explicitly through its launch of non-alcoholic options and extensive marketing and education programmes, and implicitly in its strategy of premium-led growth, moving away from value-and volume based targets [...] Our commitment to hold Diageo in our funds is based on 10 years of strong performance against the FTSE All-Share Index, reflecting sales and profits growth across an array of brands, and a proactive position towards social trends such as consumers drinking less but consuming more expensive beverage"* (Royal London Stewardship and Responsible Investment Report 2024, p. 46).

[25] For further information see (last accessed 11.10.2024): https://www.schroders.com/en-gb/uk/individual/fund-centre/#/fund/search/filter. Please note: As per September 2nd, 2024, Schroders listed 31 'Sustainable Driven', 13 'Sustainable Thematic' and 8 'Impact Driven' funds on this website. Due to time constraints, not all of the information sheets for these funds were reviewed, hence a specific number of Schroders’ funds that do consider/exclude alcohol is beyond the remit of this report. However, the researchers also view the lack of transparency and clarity about the same in Schroders’ readily available public disclosures - such as their Sustainable Investment Policy - as a weakness of their reporting approach.

Turning to the very low reporters – **BlackRock** and **Vanguard** – **BlackRock's** consideration of alcohol exclusions appears to be confined to just one of their 10 impact funds[26]: their 'Municipal Impact Strategy and Impact Bond fund'; and no other part of their global investment portfolios. When referring to this fund in their Operating Principles for Impact Management report (2023), they state that they: "*seek to avoid investing in specific categories deemed to have negative externalities, including tobacco bonds, high carbon public power issuers and state and local debt secured by/for jails, lottery, gaming and alcohol*" (p. 35). Yet, they do not clarify what they mean by 'negative externalities' here, or link this to public health per se, nor do they elaborate on any of their (previous) exclusions for this fund (in)directly related to alcohol, and the associated impacts of this.[27]

Meanwhile, **Vanguard** outline in their Primer on ESG Screening Approaches (2021) that a number of their ESG Index funds[28] exclude alcohol. However, this screening is determined and conducted by the indices that Vanguard's ESG index funds track, which are provided by FTSE Russell (for ESG index funds that invest in shares) or Bloomberg MSCI (for ESG index funds that invest in bonds); based on their specific methodologies, as opposed to any exclusion policy of Vanguard per se (Guide to Vanguard's ESG Funds, 2024). Furthermore, according to Vanguard's Guide to their ESG Funds (2024), alcohol exclusions for these passively managed ESG index funds, do not appear to be applied to their actively managed ESG funds; even though additional exclusions to tobacco, thermal coal, oil sands and nuclear/controversial weapons are. Yet, these disclosures may need to be read with caution, as Vanguard Investments Australia was found guilty of greenwashing by an Australia court in 2024 for misleading claims in its communications regarding one of its ESG funds that was screened to exclude alcohol companies, amongst others.[29]

In terms of the companies who make no mention of alcohol across their disclosures, and therefore no associations between this and public health throughout the same – **Waystone**, **L&G, Fidelity** and **Abrdn** – **L&G** is the most unexpected. This is especially because in 'The Business of Health Equity: The Marmot Review for Industry' (2022) report that L&G produced with the Institute of Health Equity (University College London), the following is stated:

> *"Some industries are inherently harmful to health, perhaps most obviously tobacco, but also the alcohol, gaming and arms industries, and heavily polluting energy sources, among others. Investors who are prioritising health* [as L&G are according to their Health Policy (2024)] *may well wish to divest completely from these industries. However, divestment is not always the best option, or indeed an option at all. Index funds, and other forms of passive investment, may be compelled to possess holdings in particular industries. In other cases, there can be unintended consequences from responsible investors divesting from health-damaging industries, leaving the market open only to investors with more short-term extractive strategies and little concern for the level of harm done. Responsible stewardship* [i.e. engagement and voting] *may in these cases involve taking an active role in guiding the companies in which one is invested"* (p. 35-36).

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[26] BlackRock's Operating Principles for Impact Management report (2023) lists eight funds labelled as 'impact' funds, plus one 'Green' and one 'Climate Infrastructure' strategy fund. For more details on BlackRock's broader sustainable (and impact) investment portfolio see (last accessed 11.10.2024): https://www.blackrock.com/us/individual/products/investment-funds#type=all&style=All&view=perfNav&pageSize=25&pageNumber=1&sortColumn=totalNetAssets&sortDirection=desc&esgclss=60522%7C61353%7C61354%7C60524.

[27] Please note, however, that their Impact Investing report for 2024 - or those of previous years - was also not available for download on their website.

[28] Index funds seek to 'track' the performance of an entire market index, such as the FTSE 100 or S&P 500.

[29] For more information see (last accessed 11.10.2024): https://www.esgtoday.com/australia-court-finds-vanguard-guilty-in-greenwashing-suit/.

Remarkably, despite the above, L&G has neither a standalone or integrated exclusions policy, nor ESG engagement policies or thematic priorities, related to alcohol and public health.

Summary and Recommendations:

In summary, none of the 10 AMs include even a moderate level of reporting on alcohol or their approach to the, widely acknowledged, public health concerns associated with it across their investment activities.

Recommendations for Investors on Alcohol and Health:

1. We recommend that institutional investors (both asset managers and their asset owner clients) pay more concerted attention to the direct physical and mental health impacts of alcohol, as well as their role and (social) responsibilities to address this as investors in this industry. At the very least, it would seem prudent for investors to do so from a financial risk management ('materiality') perspective.

2. Relatedly, in cases where investors have not included alcohol in their exclusions policies, we encourage them to do so. In instances where this may not be possible, or deemed practical, for all investment portfolios, we would recommend that investors: 1) at least apply exclusions cohesively across all, and not just a selection, of their sustainable/ESG, ethical or impact-themed funds; and/or 2) integrate alcohol and health-related priorities into their engagement and voting policies, as well as associated on-going investee company monitoring activities.

3. In turn, we recommend investors produce more accurate and consistent disclosures on their alcohol exclusions and/or engagement and voting policies across their reports; and at the very minimum, in their primary sustainable finance documents such as their group-wide responsible investment and exclusions policies. The absence of the latter, especially when investors have applied alcohol exclusions to some investment funds, poses additional social accountability and potential regulatory risks for investors.

4. We also encourage investors to engage with their peers on the potential to establish standardised 'sustainable' or 'responsible' investment criteria or benchmarking of alcohol manufacturers and retailers, to assist their above work in this field. This could be akin to what has been done, for example, for the tobacco (i.e. the Tobacco Free Portfolios Initiative) and food industries (the Access to Nutrition Index).

5. Finally, we would encourage investors to engage with policy makers and regulators on, for example, the effectiveness of extant regulations on the marketing and sale of alcohol and its associated impacts on physical and mental health – as well as alcohol company disclosures on the same – to support their work on the aforementioned recommendations. It would also appear to be in investors' best interest to do so, given the current UK Government's focus on developing more stringent regulation for the advertisement and sale of unhealthy commodities, including alcohol.[30]

[30] For more information, see for example (last accessed 11.10.2024): https://www.theguardian.com/politics/2024/sep/12/keir-starmer-labour-radical-public-health-drive-junk-food-ads-energy-drinks-nhs.

Theme 3: Access to Medicine and Antimicrobial Resistance (AMR)

3a. Access to Medicine (AtM)

Investor Health-related Disclosures on Access to Medicine (AtM) Results:

Asset Manager Name	AtM Score: /5	Score Category*
Blackrock UK	**0**	**No Mention**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**1**	**Very low**
Vanguard Investments UK Ltd	**1**	**Very low**
Royal London Unit Trust Managers Ltd	**3**	**Moderate**
Fidelity Worldwide Investment	**0**	**No Mention**
Abrdn Fund Managers Ltd	**1**	**Very low**
HSBC Global Asset Management (UK) Ltd	**2**	**Low**
Baillie Gifford & Co Ltd	**4**	**Relatively High**
Schroders (Unit Trusts) Ltd	**3**	**Moderate**

***Key: Scores out of 5:** High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

The results of the analysis of UK asset managers' (AMs) disclosures on access to medicine are mixed. One of the ten AMs displayed 'relatively high' disclosures on access to medicine issues receiving a score of 4 out of 5; two AMs exhibited 'moderate' reporting in this area; one was categorised as a 'low' reporter; three others were considered 'very low' reporters; and three more AMs made 'no mention' of access to medicine factors across their public disclosures.

Analysis:

Baillie Gifford was deemed to have relatively high levels of reporting on access to medicine for the following reasons. Firstly, while Baillie Gifford do not have a stand-alone policy or position statement on access to medicine, and while it is not listed as a firm-wide ESG priority in their ESG Integration Approach (2024)[31] or in their Stewardship Principles and Guidelines (2024), they do mention 'Enhancing Access to Healthcare' and 'Extending Healthy Life Expectancy' as key ESG investment themes in their Sustainability Report (2023). They provide some examples of company investments related to these themes in the body of the sustainability report, as well as an inventory of their 'Sustainable Growth Fund' (listed equities) companies addressing these themes in the Appendix. In doing so, they also link these holdings to Sustainable Development Goal (SDG) 3: 'Good Health and Wellbeing' Targets 3.4 to 3.9.[32]

Furthermore, Baillie Gifford have a dedicated 'Health Innovation Fund', as well as a 'Positive Change' Fund, where 'Healthcare and Quality of Life' are a core focus of the latter. In terms of the Health

[31] Which appears to be a replacement for a firm-wide responsible investment policy, which could not be located via the Baillie Gifford website.
[32] For more information on Targets 3.4 to 3.9 see (last accessed 11.10.2024): https://sdgs.un.org/goals/goal3#targets_and_indicators.

Innovation Fund,[33] this was developed from an 'Innovative Healthcare' strategy in 2018, and as stated in Baillie Gifford's Investment Fund Prospectus (2024):

> " [The Health Innovation Fund] *will invest at least 90% in shares of companies that have the potential to deliver substantial improvements to human health, lengthen lifespans and reduce healthcare costs. The companies that the Sub-fund invests in will bring innovation to human health through increasing understanding and detection of disease, and by improving treatments, devices and operational efficiencies. The Sub-fund will be actively managed and will invest in companies in any country and of any size*" (p. 68).

Access to new, innovative but also affordable medicines and healthcare treatments appears to be a key consideration of this work for Baillie Gifford, as discussed in their 'Insights' opinion piece found via the Health Innovation Fund's webpages.[34]

However, despite the above, Baillie Gifford do not reference their Health Innovation Fund, or their 'Positive Change' Fund, in their disclosures on 'Enhancing Access to Healthcare' and 'Extending Healthy Life Expectancy' in their Sustainability Report (2023). This, plus the fact that access to medicine is not explicitly included as an ESG priority in Baillie Gifford's core documentation on their current ESG integration and stewardship approach, once more highlights the incohesive, and often confusing, nature of healthcare-related (action and) disclosures by investors. Relatedly, it is not clear if Baillie Gifford extend their access to healthcare/medicine considerations beyond the aforementioned investment funds.

In addition, while information on the (potential) impact of investee companies working on health-related innovation and access is provided in Baillie Gifford's Health Innovation Fund 'Insights' webpages, Sustainability Report (2023) and Stewardship Report (2024), they do not clarify their role in facilitating this impact (apart from investing in the companies) via, for example, company engagements, monitoring or voting. And, while they do provide an overview of a collaborative engagement between themselves, UNICEF[35] and investee company Moderna in their Stewardship Report (2023), regarding the potential for (inter alia) vaccination distribution in Africa, no substantive outcomes were provided for this as the engagement is ongoing. Engagements with UK policy makers on access to medicine, healthcare and/or healthcare innovations have not, however, been mentioned in Baillie Gifford's disclosures, nor have memberships or involvement in relevant initiatives such as the Access to Medicine Foundation and Index to support their efforts – or to lend their support to collaborative peer efforts – on access to medicine issues.

With regard to those AMs classified as moderate reporters – **Royal London** and **Schroders** – **Royal London** also do not appear to have made access to medicine an explicit company-wide ESG investment priority, but it does seem to be an engagement theme of concern for them. For instance, they mention in their Stewardship and Engagement Report (2023) how their "*Investment teams showed strong interest in antimicrobial resistance and access to medicines"* (p. 16), and hence how they have begun to use the Access to Medicine Index as a tool to inform their engagements on the same. Here, they specifically reference an engagement with Roche:

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[33] This is one of six sub-funds of Baillie Gifford's 'Investment Fund II ICVC (Investment Company with Variable Capital)' portfolio. Currently the top 10 companies in the Health Innovation Fund are listed in its Factsheet (July, 2024), but the Baillie Gifford Investment Fund Prospectus (2024) states the fund will typically have between 25 to 50 holdings in total. For more information see (last accessed 11.10.2024): https://www.bailliegifford.com/en/uk/individual-investors/funds/health-innovation-fund/.
[34] See for example (last accessed 11.10.2024): https://www.bailliegifford.com/en/uk/individual-investors/insights/ic-article/2021-q4-dose-of-innovation-10016140/.
[35] United Nations International Children's Emergency Fund.

"*Based on the research conducted by the Access to Medicines Foundation, we encouraged Roche to improve access to medicines in low-and middle-income countries. These measures include developing comprehensive access plans for all late-stage research and development projects, exploring voluntary licensing as a strategy to increase access to oncology products, and expanding capacity building to support technology transfer and manufacturing capabilities"* (Royal London Stewardship and Engagement Report, 2024, p. 30).

In terms of an outcome for this engagement, they outline in the report that Roche expressed openness to their suggestions, but has also highlighted the challenges to meet them, as "*in particular, there is a lack of support from relevant governments and infrastructure constraints*" to do so (Ibid). Further, in their Stewardship and Engagement Report (2022), Royal London refer to their investment, via their Global Sustainable Credit Fund, in a vaccine bond issued by The International Finance Facility for Immunisation (IFFIm); a charity whose purpose "*is to accelerate the availability of funds granted by national governments to Gavi, the Vaccine Alliance"* (p. 51).[36]

Similarly, **Schroders** do not have an access to medicine policy or statement, nor is it outlined as a group-wide ESG priority in their Sustainable Investment Policy (2024), but it appears to be an engagement theme for their listed equity investments. That is, in Schroders Listed Assets Engagement Blueprint (2024), they introduce *"Respect for fundamental rights and universal provision of basic needs*" (p. 23) as key priorities under their 'Human Rights' engagement theme. Here, they present the following as some of their 'desired short/mid-term actions' for investee companies regarding their customers and consumers: "*Develop clear strategies for access to and affordability of fundamental products and services for underserved and/or vulnerable communities including low-and-middle-income countries, for example medicines, nutrition, technology/connectivity and finance*" (p. 23). They also align these company engagement objectives to (inter alia) SDG 3. Despite this, they do not provide examples of engagement on access to medicine in their Active Ownership Report (2024).

More information is, however, provided in relation to Schroders integration of access to medicine in their impact investing funds: they include "*Access to medicines, healthcare equipment and services*" as one of their 'Health and Wellness' investment themes for these funds (Impact Report, 2024, p. 36); and align this work with SDG Target 3.8 in particular.[37] Further, they claim in their Impact Report (2024, p. 36) that "*91,469 patients* [were] *reached with medicines and* [the] *healthcare sector, and 11,081,099 medical devices* [were] *supplied*" in 2023 by the international companies in their impact investment funds. They also provide a case study of a private hospital group in Indonesia they have invested in as one example to support this. Yet, beyond their investment in these impact-oriented companies, they do not outline how some of their, for example, engagement activities with these companies might have changed or enhanced these impact numbers in any way. Additionally, access to medicine does not appear to be an (explicit) thematic focus for Schroders' beyond their listed equities and impact funds.

In terms of the AM classified as a low reporter **– HSBC –** access to medicine was listed as a sub-theme of their prioritised 'public health' engagement theme for 2023; as per their Responsible Investment Review (2024). However, public health, and by extension access to medicine, is no longer an ESG engagement priority theme for HSBC as per their Stewardship Plan for 2024. The only public

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[36] For more information on IFFIm see: https://iffim.org/. In addition, it is estimated that between 2000 and 2020, 'Gavi, the Vaccine Alliance' vaccinated more than 900 million children, preventing over 16 million deaths among children in lower-income countries (Royal London Asset Management, Stewardship and Engagement Report, 2023, p. 51). For further information see: https://www.gavi.org/.

[37] SDG Target 3.8 aims to: "Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all" (see: https://sdgs.un.org/goals/goal3#targets_and_indicators).

explanation provided for this can be found in their Stewardship Report (2024, p.85) where they state: "*We have also removed public health as a core theme* [for 2024] *as some of the underlying issues already overlap with other core themes such as biodiversity, human rights and DEI* [diversity, equality and inclusion]". Yet, they do not clarify or explain these overlaps – or their approach to the same – in this or their other reports in any detail. Only brief mention is made to access to medicine being a human right related to SDG 3 in their Stewardship Report (2024, p. 113). All of this suggests that public health – including access to medicine – are not 'core' concerns of HSBC currently; not warranting the same elevated attention as biodiversity, human rights and DEI. Yet, given that public health was a core concern for HSBC in 2023, it also acts as a good example of how ESG priorities can change for investors from one year to the next, and how investor disclosures in one year may not always adequately capture the work they have done previously, or could do again in future, related to public health.

Beyond this, in HSBC's Responsible Investment Review (2024, p. 24), they highlight that of the 1,200 companies engaged on 2,000 occasions in 2023, that 10% of these engagements were on public health (including access to medicine) issues, but do not elaborate on this here. Further in their Stewardship Plan (2024, p. 22) they briefly mention that "*fair drug pricing*" would be one topic that they would support shareholder resolutions on, but also do not discuss this in any detail. And, in their Stewardship Report (2024), they highlight how they pay attention to the following social issues in their ESG analysis and rating of companies in the healthcare and pharmaceutical sector: "*the focus will be more on social dimensions such as access to medicines, prevention, and control of medicines' potential misuse*" (p.69), but again, do not substantiate this further.

Turning to the AMs classified as very low reporters – **Legal & General (L&G), Vanguard** and **Abrdn** – very little reference to and disclosure on access to medicine is made across their publicly available reports. To begin with, while **L&G** do have a specialised Health Policy, this focuses primarily on antimicrobial resistance (AMR) and nutrition: "*At Legal & General Investment Management (LGIM) we believe that two of the cornerstones of human health are access to healthy diets and modern medicine. These are undermined by malnutrition and the rise of antimicrobial resistance (AMR), which we ultimately believe affect the long-term returns of our clients' assets*" (LGIM, Health Policy, 2024, p. 3). While AMR and nutrition are fundamentally important issues for public health, this prioritisation appears to have undermined a focus on access to medicine per se in L&G's Health Policy and investment approach.[38] This is evidenced in the lack of (explicit) reference to access to medicine issues across their ESG integration, engagement and voting disclosures associated with their range of investment funds, as well as an associated lack of reporting on any relevant outcomes or impact of the same.

For their part, **Vanguard** refers to an engagement they had regarding patents and intellectual property with a range of international pharmaceutical companies[39] in their Annual Stewardship Report (2023). After reviewing management plans of these companies, Vanguard felt they had sufficient approaches to analysing and reporting on the impact of patents for their products to satisfy their risk appetites. However, the relationship between patents and access to medicine was not considered in these disclosures.

[38] It should be noted, however, that L&G state in their Health Policy (2024) that even though they have: "*initially prioritise*[d] *these two areas* [AMR and nutrition] *as 'sub-themes' within our overall 'health' theme. This does not prevent us from considering other areas that impact human health, that may also raise systemic risks, and that may potentially have a negative effect on our clients' assets*" (p.3). See also the discussion of L&G's additional work on health inequalities in the Housing theme (Theme 6) analysis.

[39] That is: AbbVie Inc., Eli Lilly &Co., Gilead Sciences Inc., Johnson & Johnson, Merck & Co. Inc., Pfizer Inc. and Regeneron Pharmaceuticals Inc.

When it comes to **Abrdn,** they highlight 'Access to healthcare and social care; Enhanced healthcare; and Drug development' as important sub-themes of SDG 3 for their investment activities in their SDG Position Statement (2021), but do not elaborate on this further here or across their recent reports. Similarly, in their (2020) Social Report they also highlight 'affordable healthcare services' as one of eight key themes for their then 'Global Impact Strategy'. It is not clear what the status of the latter is now, however, as it was not explicitly mentioned in their most recent 2023 to 2024 reports.

Finally, **BlackRock, Waystone** and **Fidelity** make no reference to access to medicine issues across their public disclosures.

Summary and Recommendations:

In summary, a range of disclosures and associated results have been found across the 10 investors under investigation, reflective of their varied attention and approach to access to medicine issues in their ESG analysis, investment decision-making and stewardship (engagement and voting) activities. In addition, quite interestingly, it should also be noted that while **Schroders, HSBC, L&G** and **Abrdn** are all included on the Access to Medicine Foundation website as some of the 145 investors who use the Access to Medicine Index in their investment decision-making processes, none of them reference this in their reports.[40]

Recommendations for Investors on Access to Medicine:

1. In instances where investors have made a clear commitment to access to medicine/healthcare, and may even have dedicated funds related to this, we would encourage them to develop specialised policies on access to medicine/healthcare, or, at the very least, to integrate these topics as prioritised ESG themes in their group-wide responsible/sustainable investment policies. We would also recommend these investors to improve the quality and cohesiveness of their disclosures on all of this, so as not to undermine some of the good work they are doing in this field; and to also avoid potential stakeholder confusion and associated accountability or reputational risks.

2. In instances where investors may have decided to no longer focus on access to medicine, and/or public health more broadly, as a key ESG theme, we would encourage them to be more transparent about their choices for this, as well as their considerations of the consequences of these decisions for public health.

3. If investors have yet to consider access to medicine as a potential ESG investment theme, we would encourage them to investigate the materiality of this for their investment portfolios, and whether it would be prudent to integrate access to medicine concerns into their ESG analysis, investment decision-making and stewardship activities; and to develop their policies and practices accordingly.

4. Furthermore, when investors are already supporters of the Access to Medicine Foundation and use the Access to Medicine Index to assist their ESG analysis and investment decision-making, we would recommend them to be more transparent about this. In particular, we would encourage them to outline what they view as the merits or (potential) shortcomings of the Index,

[40] For further details see (last accessed 11.10.2024): https://accesstomedicinefoundation.org/become-a-catalyst/for-investors.

so as to not only assist their peers (beginning to) work in this area, but also to assist the Access to Medicine Foundation to revise the Index if required.

5. Finally, we would encourage those investors who are actively working on access to medicine issues, to consider where they could engage with UK policy makers to enhance governmental – and corporate – action on these issues in both the UK and further afield. This is important considering, for example, the shortage of medicines in the UK in recent years, and the negative socio-economic impacts of this. Investor collaborative engagements with UK policy makers, and the mobilisation of relevant investee companies and their supply chains, may be able to accelerate how these shortages are addressed and/or avoided in future; thereby leading to shared benefits for all key stakeholders involved.[41]

3b. Antimicrobial resistance (AMR)

Investor Health-related Disclosures on Antimicrobial resistance (AMR) Results:

Asset Manager Name	**AMR Score: /5**	**Score Category***
Blackrock UK	**0**	**No Mention**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**5**	**High**
Vanguard Investments UK Ltd	**0**	**No Mention**
Royal London Unit Trust Managers Ltd	**2**	**Low**
Fidelity Worldwide Investment	**0**	**No Mention**
Abrdn Fund Managers Ltd	**0**	**No Mention**
HSBC Global Asset Management (UK) Ltd	**2**	**Low**
Baillie Gifford & Co Ltd	**2**	**Low**
Schroders (Unit Trusts) Ltd	**2**	**Low**

***Key: Scores out of 5:** High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

The results of the UK asset managers' (AMs) health disclosures on antimicrobial resistance (AMR) are very poor. Only one of the ten AMs can be classified as reporting on AMR and health to a 'high' level, receiving a score of 5 out of 5. Four AM's displayed 'low' AMR and health disclosures and the remaining five make 'no mention' of AMR and health-related matters.

Analysis:

The high reporter in this field – **Legal and General (L&G)** – has made AMR a key priority, along with nutrition, in their Health Policy (2024). Here, L&G lay out their commitment to engage, both individually and collaboratively with other investors, on AMR issues with a range of companies; including pharmaceutical, animal pharmaceutical, food (e.g. food production and animal husbandry), restaurant/out of home (e.g. fast-food companies), and water utility companies. L&G also outline their expectations of these companies to address their associated AMR risks, as well as their policy to escalate engagements

[41] For more information see, for example (last accessed 11.10.204): https://commonslibrary.parliament.uk/research-briefings/cbp-9997/.

with them via shareholder resolutions if these expectations are not met.[42] However, L&G do not explicitly state whether this health policy will be applied across all of their investment portfolios or a selection of the same.

In L&G's PRI Report (2023) and Active Ownership Report (2024), they provide case study examples of some of their AMR-related engagements with water utility companies since 2021, as well as with McDonald's since 2022, and other food companies from 2023. In the case of McDonald's, they outline in their Active Ownership Report (2024), how they co-filed a number of shareholder resolutions with fellow investors over the last two years, asking McDonald's to comply with World Health Organisation (WHO) guidelines on the use of 'medically-important antimicrobials' in food producing animals (including beef, chicken and pork) throughout its supply chain; and to improve their rate of response to investor demands on this. Here, they highlight how in late 2023, following another of these shareholder resolutions, McDonald's filed a 'no-action letter' at the U.S. Securities and Exchange Commission to omit the proposal from its AGM agenda. Subsequently, L&G state that they: "*will continue to engage with the company on the issue of AMR* [as it] *poses a systemic threat to the global economy* […]*"* (p. 68).

L&G's engagement work appears to be assisted by their membership of the 'Investor Action on AMR' group[43] and their collaborative efforts to, for example, support the UN General Assembly Call to Action on AMR (PRI Report, 2023, p. 164). Furthermore, they discuss individual engagements with other policy makers in their PRI Report (2023), highlighting how they wrote to 11 international organisations in 2022, asking them to (*inter alia*) make provision to include AMR in sustainable disclosure regulation for corporations and investors, as well as to monitor and enforce this, to stimulate market-wide improvements:

> *"Integrate AMR risks into sustainable finance, specifically regulation targeted at improving disclosure across the investment chain. LGIM* [Legal & General Investment Management] *recommends policymakers initially focus on regulation targeted at strengthening corporate disclosures across public and private markets, namely the IFRS International Sustainability Standards Board (ISSB) standards and activity-based classification regulations such as the EU and UK Green Taxonomies. Thereafter we recommend they move to disclosure regulation across the investment chain (similar to the European Union's Sustainable Finance Disclosure Regulation* [SFDR]*).*
>
> *[…] Implement robust enforcement mechanisms in cases of significant inaction. LGIM believes governments must strengthen their monitoring and enforcement mechanisms to improve transparency and implementation. We suggest policymakers should consider incentivisation or application of a penalty factor, for example, an 'AMR tax' on those taking no action."* (L&G PRI Report, 2023, p. 159).

Turning to the low reporters – **Royal London, HSBC, Baillie Gifford** and **Schroders** – none of them have a standalone policy or position statement on AMR, or have integrated it into their respective responsible/sustainable investment and/or ESG integration policies. However, it does appear to rank as an (emerging) engagement theme for all of them. For instance, all four are members of the investor network FAIRR (Farm Animal Investment Risk and Return)[44], and have been involved, in varying capacities, in collaborative engagements with them on AMR-related issues. For example, **HSBC** state in

[42] For more specific information see L&G's Health Policy (last accessed 03.10.2024): https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/dc-lgim-health-document.pdf.
[43] For more information see: https://amrinvestoraction.org/.
[44] For more details see: https://www.fairr.org/about.

their Stewardship Report (2024) that they participated in FAIRR-led engagements[45] involving: animal pharmaceutical companies, restaurant antibiotics (with the 12 largest US fast food companies) and protein diversification in 2023. In terms of outcomes or impacts of these engagements, they outline how these engagements are still ongoing, and more specifically: "*For the Animal Pharmaceuticals collaboration, at the time of FAIRR's 2023 progress report, no focus company had publicly recognised the material risk AMR could have on its business, but three of the companies had made progress in reporting revenue from antibiotics. [...] It is too early to report the findings and outcomes of the collaborations on Restaurant Antibiotics and Protein Diversification as these are still in the first phase.”* (Stewardship Report, 2024, p. 125).

For their part, **Schroders** also outline in their Engagement Blueprint (2024) that: "*Our* [engagement] *themes are underpinned by additional cross-cutting thematic priorities, such as business ethics and culture, and sector specific issues like antimicrobial resistance (AMR), cybersecurity, emerging technology and health*" (p. 8). Further in this report, they include the following as some of their 'desired short-mid-term actions' for their Human Rights engagement theme related to ‘Customers and Consumers’: "*Establish a policy on the responsible use of antimicrobials within animal husbandry and take action to improve value chain standards*" (p.23). However, no information is provided on specific (FAIRR-led) company engagements, or their associated outcomes, to substantiate this in their reports.

Royal London and **Baillie Gifford** also appear to be at early stages of their AMR engagement journey with FAIRR, and/or individually, as, apart from commitments to consider AMR in their engagement activities, there is a lack of disclosure on how they are enacting these commitments in their reports. However, it is noted that Royal London state in their Stewardship and Engagement Report (2024) that: "*We’ll continue to explore collaborative engagements and policy advocacy to determine how best to manage the risk of antimicrobial resistance and other systemic health issues*" (p. 30); which they have been actively doing most recently in relation to water issues as depicted in Theme 10.

In terms of the remaining AMs, while **Fidelity** and **Abrdn** reference that they are members of FAIRR, in their Sustainable Investment Principles (2022) and Deforestation Position Statement (2023) respectively, they do not make any mention of AMR in relation to this, or, throughout the rest of their reports. Finally, **Blackrock, Waystone** and **Vanguard** also make no mention of AMR in their public disclosures.

Summary and Recommendations:

In summary, while there is one AM who is displaying a strong commitment to the integration of AMR risks in their investment and stewardship (engagement and voting) action, public policy engagement, and reporting; the majority of the AMs analysed are not showing any consideration of AMR in their work, and only four are doing so in a nascent fashion.

Recommendations for Investors on AMR and Health:

1. We would encourage investors who have not considered the (financial) materiality of AMR to their investment portfolios to follow the lead of Legal and General Investment Management (and other relevant investors outside of our analysis, such as Aviva Investors) on how, *and why*, they have recognised AMR as a systemic risk to markets, human health the global economy; and have integrated it into their investment activities accordingly. Considering that AMR could

[45] HSBC are also listed as members of the Investor Action on AMR group on their website (https://amrinvestoraction.org), but HSBC do not mention this in their associated disclosures.

cause an estimated reduction in global output of 3.8% annually by 2050 (with total losses of US$6.1 trillion annually),[46] and that human deaths could rise to over 10 million annually by the same period;[47] it would appear prudent for investors to do so.

2. For those investors who are already integrating AMR into their stewardship policies and practices, we recommend them to improve the quality of their reporting on this. For instance, through the inclusion of more analysis of the outcomes, and ideally impacts, of their current AMR and public health-related stewardship work. Further, we would encourage these investors to consider whether some of their engagements with relevant companies may need to be escalated given, for example, recent research that suggests that none of the UK's large supermarket chains are ensuring their suppliers use antibiotics in the most responsible way.[48]

3. Beyond stewardship, we would also encourage investors to consider if there are other avenues to integrate AMR into their initial ESG analysis of companies, for example, in their asset selection progresses in the (re)construction of their investment portfolios.

4. We would also encourage investors new to the AMR topic, to seek the support of collaborative peer initiatives such as FAIRR or the Investor Action on AMR group to assist their work in this area. Yet, we simultaneously recommend them to report candidly on their experience with the same, to assist fellow investors, and broader stakeholders, to determine the relative benefit and impact of such initiatives over time.

5. Finally, we commend Legal and General (and associated investors outside our analysis) who have engaged with public policy representatives on the need to integrate AMR into extant, and emerging, corporate and financial sustainable disclosure frameworks and regulation, such as EU SFDR. We encourage other investors to support such initiative, which would not only assist their financial materiality assessment and investment decision-making on AMR, but also their understanding of the 'impact' (and hence the 'double') materiality of their investment action on AMR and public health; as well as their duties to be responsible and accountable for this.

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[46] For more information see: World Bank Group (2017), *Drug-resistant infections: A Threat to our Economic Future,* p. 17-19. Available at (last accessed 04.10.2024): https://documents1.worldbank.org/curated/en/323311493396993758/pdf/final-report.pdf.

[47] WHO (2019), *No time to Wait: Securing the future from drug-resistant infections*. Available at (last accessed 04.10.2024): https://cdn.who.int/media/docs/default-source/documents/no-time-to-wait-securing-the-future-from-drug-resistant-infections-en.pdf.

[48] For more information see: https://www.theguardian.com/environment/2024/sep/27/uk-supermarkets-antibiotic-misuse-farm-animals and Alliance to Save our Antibiotics (2024) *Resistance and Responsibility: Antibiotic use in Supermarket Supply Chains.* Available at (last accessed 04.10.2024): https://saveourantibiotics.org/media/2215/atsoa_supermarketreport2024_a4_2jd.pdf.

Theme 4: Employment

4a. Employment and Physical Health

Investor Health-related Disclosures on Employment and Physical Health Results:

Asset Manager Name	Emp. & Physical Health Score: /5	Score Category*
BlackRock UK	3	Moderate
Waystone Management (UK) Ltd	0	No Mention
Legal & General Investment Management Ltd	4	Relatively High
Vanguard Investments UK Ltd	1	Very low
Royal London Unit Trust Managers Ltd	3	Moderate
Fidelity Worldwide Investment	3	Moderate
Abrdn Fund Managers Ltd	4	Relatively High
HSBC Global Asset Management (UK) Ltd	4	Relatively High
Baillie Gifford & Co Ltd	2	Low
Schroders (Unit Trusts) Ltd	5	High

***Key: Scores out of 5:** High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

The results of the UK asset managers' (AMs) health disclosures on employment and physical health are more promising than some of the other themes under investigation. One AM was classified as a 'high' reporter scoring 5 out of 5 for this theme, while three more were classified as 'relatively high' reporters. Three further AMs were deemed 'moderate' reporters, one more as a 'low' reporter, another a 'very low' reporter, and finally one AM made no mention of employment and physical health in their public disclosures.

Analysis:

As a high reporter, **Schroders** publicly displays a consideration of health and safety (H&S) regarding both their own employees and that of their investee companies. Their Human Rights Position Statement (2023) outlines how they have an H&S policy for their employees, and have made H&S one of several human rights-oriented priorities for investee companies; in order to meet the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. Relatedly, they have identified H&S as a priority sustainability risk for their ESG analysis of investee companies across asset classes (e.g. listed equities; fixed income; alternatives – both public and private), and subsequently have also made it an engagement theme.

For instance, in their Listed Assets Engagement Blueprint (2024), Schroders include 'Health, Safety and Wellbeing' as a sub-theme of their 'Human Capital' engagement theme, and state that as: "*Almost 2 million people die from work-related causes each year. Employers have a duty of care to their workers; we therefore engage to encourage companies to provide safe and secure working environments for workers, in terms of both physical and mental health*" (p. 24). More specifically, they outline their short-to-mid-term engagement objectives for investee companies related to this as being to:

> "*1) Establish a health and safety policy and ensure it is implemented as intended: 2) Adopt a strong culture of safety in the conduct of business and have safety considered alongside all business strategy decisions; 3) Set measurable targets, using both lagging and leading indicators for safety and disclose progress; and 4) Assess the effectiveness of the health and safety measures*" (Schroders Listed Assets Engagement Blueprint, 2024, p.27).

They also link all of this to SDG 3: Good Health and Wellbeing and SDG 8: Decent Work and Economic Growth. While not considered, and referred, to as such by Schroders, these engagement priorities and objectives can be directly related to the social and economic determinants of health.[49]

Furthermore, Schroders provide a case study example of an engagement on paid sick leave with US Healthcare company and pharmacy retailer 'CVS Health' in their Active Ownership Report (2024, p. 47). They explain that they engaged with the company so that they would make sick leave available to all employees and not just those working over 30 hours; which was the company's policy. They mention how they escalated this engagement through co-filing a resolution on this matter with other shareholders in 2023, which received 26% support; and state that they are monitoring what the company will do to change its sick pay policy as a result.

Finally, while no explicit mention is made of public policy engagements on employment and physical health, they do highlight how they are members of relevant investor and broader stakeholder initiatives to assist and inform their company engagements in this space: "*Where appropriate, we have aligned our* ['Human Capital Management'] *engagement expectations with those of the collaborative initiatives we are part of, including the Workforce Disclosure Initiative (WDI)*[50] *and Human Capital Management Coalition (HCMC)*[51]" (Schroders Listed Assets Engagement Blueprint, 2024, p. 25).

Turning to the relatively high reporters – **Abrdn, HSBC** and **Legal and General (L&G)** – **Abrdn** do not explicitly mention H&S in their Labour and Employment Position Statement (2024), yet they do highlight the existence of a H&S policy for their own employees in their Sustainability and TCFD Report (2023, p.70). Previously in their Social Report (2020), they also stated: "*We will support the mental, physical and emotional wellbeing of our people*" (p.6), outlining how they had launched a physical and mental wellbeing service to do so; and aligning all of this work with SDG 3.

With regard to Abrdn's investee companies, 'Human and Labour Rights' were ranked as a 'Level 1' material issue for Abrdn in their 2023 materiality assessment (Sustainability and TCFD Report, 2023, p. 10). It is presumed that H&S is viewed as part of this as Abrdn's Listed Company ESG Principles and Voting Policies (2024) state: "*We expect companies to comply with all employment laws and regulations and adopt practices in line with the International Labour Organization's core labour standards as a minimum. In particular we expect companies to* [inter alia] *adopt strong health and safety policies and programmes to implement such policies*" (p. 19). Here, they also require investee companies to: "*Ensure policies are in place for a company's suppliers that promote decent labour standards, and programmes are in place to ensure high standards of labour along supply chains*" (Ibid). Further in this document, they present their engagement escalation policies – largely voting with the company Board – should the investee companies not met their engagement (monitoring) requirements. It is not made explicitly clear, however, whether Abrdn's labour, and by extension H&S, policies apply across all of their asset classes, beyond listed equities, yet as their Engagement Policy (2023) does, it is presumed that the associated H&S principles do also.[52] Finally, while Abrdn did state in their Social Report (2020) that they were applying to become members of the Workforce Disclosure Initiative

[49] As defined by the Health Foundation: "The social (or wider) determinants of health refer to the social, cultural, political, economic, commercial and environmental factors that shape the conditions in which people are born, grow, live, work and age" (see: https://www.health.org.uk/topics/social-determinants-of-health).
[50] For more information see: https://wdi.trust.org/.
[51] For further details see: https://www.hcmcoalition.org/.
[52] In addition, Abrdn's Sustainability Risk Integration Report (2024) states that identified sustainability risks are integrated across all asset classes, and as 'Human and Labour Rights' were ranked as a 'Level 1' material issue for Abrdn in their 2023 materiality assessment (Sustainability and TCFD Report, 2023, p. 10), it is presumed that H&S is part of that.

(WDI) in 2021, to (inter alia) assist their engagement work, there was no mention of that membership in their 2023-to-2024 disclosures.

Similarly, **HSBC** state in their Responsible Investment Policy (2024) how they seek their investee companies to: "*Promote the fair treatment, equal opportunity and health and safety of employees*" (p. 10), informed by HSBC's respect for ILO standards and UN standards on human rights. They also list 'Inclusive Growth and Shared Prosperity' as one of their key engagement themes in their Stewardship Plan (2024). This (inter alia) includes a focus on 'Working Conditions' and the need for companies to: "*Ensure robust steps are taken to protect the health and safety of workers*" (p. 21). They continue by outlining how they generally support shareholder resolutions in line with their inclusive growth and shared prosperity beliefs on (amongst other things) health and safety disparities and sick pay (HSBC Stewardship Plan, 2024, p. 22). However, as with Abrdn, it is not made explicitly clear if HBSC include H&S concerns across asset classes and investment portfolios.

In terms of collaborative engagements on this theme, HSBC mention in their PRI Report (2024, p.48) that they were involved in a collaborative engagement with WDI, and state in their Stewardship Report (2024) that: "*In 2023, we identified 20 corporates that we believed would benefit from WDI participation, which would thus benefit our investment research and investment cases for these names*" (p. 124). In addition, they highlight that they joined the Good Work Coalition in 2022, and state that: *"From a systematic stewardship perspective, improving working conditions for lower income workers is likely to improve economic growth and household resilience to shocks, as well as boosting consumer spending which benefits other holdings we have"* (HSBC Stewardship Report, 2024, p. 122). Whilst not overtly related to health (and safety) here, all of this work can also be (in)directly linked to the social and economic determinants of health.

When considering the outcomes and impacts of these H&S-related engagements, however, HSBC, and Abrdn alike, do lack commentary on this, though it is noted that many of HSBC's engagements on 'inclusive growth and shared prosperity' appear to be ongoing; as per their Stewardship Report (2024).

For their part, **Legal and General (L&G)** also have a H&S strategy for their own workers, as outlined in their Social Impact Report (2024), along with focusing on employee welfare and H&S as a stewardship theme for their investee companies, and in particular connected to executive compensation: "*We believe companies exposed to high levels of ESG risks should include relevant and clearly measurable targets within their directors' pay* [inter alia on]: *Health & Safety: In high-risk sectors, where the health and safety of employees is paramount (and potentially threatened), we expect a health & safety modifier (by way of malus) to ensure that directors are held accountable for loss of life within the workplace*" (L&G Active Ownership Report, 2024, p. 76).

Yet, what sets L&G apart to the other AMs is their focus on employee health in their real estate investment portfolio in particular. In 2022, L&G, in association with the Tavistock Relationships charity, launched a report on the health inequalities of 'hidden workers', that is, related to the sub-contracted workforce such as cleaning and security staff in buildings. Following this, they committed to: "*introducing sick pay policies, death in service benefit and access to virtual healthcare services for hidden workers across its extensive owned and operated real estate portfolio,*"[53] and in doing so, called

[53] For more information see (last accessed 07.10.2024): https://group.legalandgeneral.com/en/newsroom/press-releases/legal-general-addresses-health-outcomes-for-hidden-workers-as-it-commits-to-tackle-health-inequality-in-the-uk and Tavistock Relationships (2022), *Working Well: Delivering Better Outcomes for Hidden Workers*: https://group.legalandgeneral.com/media/svwf2poj/hidden-workers-report-release-web.pdf.

on the real estate industry to do the same to standardise their approach to hidden workers. Since then, the L&G 'Real Assets' Investment Team have led 'The Safe Sick Pay Campaign', working in partnership with the Centre for Progressive Change to help elevate the campaign for legislative change in this area; and have also worked with The Royal Institution of Chartered Surveyors (RICS) and peers such as Bruntwood, to establish new standards for the real estate industry in this field (L&G Active Ownership Report, 2024, p.63).

However, while L&G announced that: "*by the end of 2023, more than 90 percent (by value) of its supply chain, that's over 500 directly managed real estate assets, will be compliant with the new policies, and by 2024 it will have achieved 100% compliance"* (L&G Press Release, 2022), no clear update on this target was provided in their Active Ownership Report (2024, p.63). Yet, they do mention that they are continuing to support the campaign for changes to Statutory Sick Pay legislation to make improvements to public health and personal wellbeing related to: "*removing the earnings threshold for Statutory Sick Pay; ensuring Statutory Sick Pay is payable from the first day of sickness; and increasing the basic rate of Statutory Sick Pay*" (Ibid).

Moving to the moderate reporters on employment and health – **BlackRock, Royal London** and **Fidelity** – all three of these also display commitments to the integration of H&S concerns into their engagement and voting practices, similar to the aforementioned AMs. Yet, while they provide examples of these stewardship activities in their reports, there is little discussion about the outcomes and impacts of the same.

Finally, the low reporter – **Baillie Gifford** – mention that they seek their investee companies to respect internationally accepted human and labour rights in line with the United Nations Guiding Principles for Business and Human Rights; which at a minimum, should (inter alia) include maintaining health and safety systems (Ballie Gifford ESG Integration Approach, 2024, p. 3). Yet, they do not discuss this further, or provide examples of ESG integration or stewardship practices on this across their reports. Likewise, the very low reporter – **Vanguard** – makes brief reference to 'Labor standards and Employee Relations' as key considerations of their ESG investment products, but does not explicitly discuss employee H&S or welfare related to this in their public disclosures. While **Waystone** make no direct mention of employee H&S in their brief ESG disclosures.

Summary and Recommendations:

In summary, while the results of disclosures on employment and health have been more favourable than some of the other health themes under review, this is presumably indicative of the fact that health and safety (H&S) has been a standard aspect of investor ESG analysis and mandates of companies for many years; due to well-established international business standards incorporating H&S (e.g. ILO and UN human rights standards, and OCED Guidelines for Multinational Enterprises), as well as occupational H&S regulations in, for example, the UK. Yet, by the same token, higher overall scores may also have been expected as a result.

Recommendations for Investors on Employment and Physical Health:

1. As investors have already been integrating standard employee H&S risks into their ESG risk assessments and engagements with companies, we would encourage them to now look beyond this to broader or 'hidden' dimensions of employee health-related concerns across their investment portfolios. Here, we suggest they follow Legal and General's lead to explore this in relation to sick pay policies and access to healthcare services for hidden workers in their real

estate portfolio; to determine how they could follow suit or duplicate this across other relevant asset classes or (sector-specific) portfolios such as, for example, infrastructure.

2. Likewise we would recommend greater clarity and transparency in investor public disclosures on whether they are applying their employee health-related policies or thematic objectives across all of their asset classes and investment portfolios, or if they are confined to a selection of them.

3. In addition, we would also recommend that investors provide greater insight and commentary in their disclosures on the *impacts* of their employee health-related engagement and voting activities; as well as how this has, in turn, informed their ongoing ESG integration efforts, for example, in their portfolio (re)construction processes and/or their development of thematic ESG investment priorities.

4. Quite importantly, we encourage investors to think about all of their current, and future, work on employee health in the context of the social and economic determinants of health, as well as their role and responsibilities related to the same. To a large extent, many investors' actions on employment and health, and in particular those who have been ranked as high or relatively high reporters in this research, are already positively contributing to the social and economic determinants of health, but it is currently not been recognised or considered by them in this context. We believe that, if they are made aware of it, there is great potential for investors to be at the vanguard of the advancement of both corporate and public policy action on the social and economic determinants of health; which would also have positive material consequences for their own operations.

4b. Employment and Mental Health

Investor Health-related Disclosures on Employment and Mental Health Results:

Asset Manager Name	**Employment & Mental Health Score: /5**	**Score Category***
BlackRock UK	**3**	**Moderate**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**3**	**Moderate**
Vanguard Investments UK Ltd	**0**	**No Mention**
Royal London Unit Trust Managers Ltd	**4**	**Relatively High**
Fidelity Worldwide Investment	**1**	**Very low**
Abrdn Fund Managers Ltd	**2**	**Low**
HSBC Global Asset Management (UK) Ltd	**2**	**Low**
Baillie Gifford & Co Ltd	**0**	**No Mention**
Schroders (Unit Trusts) Ltd	**3**	**Moderate**

***Key: Scores out of 5:** High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

The results of the analysis of UK asset managers' (AMs) disclosures on employment and mental health are mixed. That is, one of the ten AMs was classified as a 'relatively high' reporter on this theme receiving a score of 4 out of 5; three other AMs exhibited 'moderate' reporting in this area; two were categorised as 'low' reporters; another was considered a 'very low' reporter; and three more AMs made 'no mention' of employment and mental health across their public disclosures.

Analysis:

While the relatively high reporter – **Royal London** – does not have a standalone policy on employment and mental health, they have made health, and in particular mental health, one of their core engagement priorities; with the latter being unique across the 10 AMs under investigation. They outline in their Stewardship and Responsible Investment Report (2024) that: "*Inspired by ShareAction's Long-term Investors in People's Health (LIPH) initiative, we have applied its framework for health by looking at it through three lenses: worker, consumer and community health*" (p. 30). They appear to have prioritised workforce mental health here, as they highlight that out of 142 health engagements they participated in, in 2023, that 86 were on mental health (p. 30 and p. 13).[54] This work was informed by their signature of the Churches, Charities and Local Authorities (CCLA)-led Investor Statement on Workforce Mental Health in 2022[55], and they discuss in their Stewardship and Responsible Investment Report (2024) how they participated in a collaborative engagement led by CCLA, with a coalition of investors representing $8.7 trillion of assets (as of September 2023), focusing on mental health in the workplace (p. 30). In particular, they explain how they led a CCLA collaborative engagement with Rentokil on their mental health practices; as the company had received the lowest ranking in the CCLA Mental Health Benchmark[56] (tier 5) in 2022 and a slight increase to tier 4 in 2023. They explain how they engaged to understand these dynamics and to discuss further (reporting) action required by Rentokil to improve their approach to employee mental health (p. 31). They outline how the Rentokil

[54] For further context, in 2023, Royal London voted on 44,477 resolutions at 3,572 meetings, and engaged with 443 companies. Of these, climate (transition risk), mental health and corporate governance were the top engagement themes (Royal London 'Investing Responsibly with Us' guide, 2004, p. 6).
[55] For more information see (last accessed 10.10.2024): https://www.ccla.co.uk/documents/global-investor-statement-workplace-mental-health/download?inline.
[56] For further details see: https://www.ccla.co.uk/mental-health.

Board was willing to engage and meet their demands, leading to some positive outcomes in the company, and how they will now monitor the company's progress going forward:

> *"Based on the recommendations from the* [CCLA] *Corporate Mental Health Benchmark, Rentokil expressed willingness to make a public CEO statement on mental health. It acknowledged the importance of line managers and country directors, in its decentralised structure, in achieving positive mental health in the workforce. The company was also open to improving disclosures around the number of managers trained, identifying case studies, and to consider industry initiatives or partnerships aimed at promoting mental health in the workplace."* […] *We provided Rentokil with resources and examples of standards and guidelines on workforce mental health, including WHO* [World Health Organisation] *guidelines and the ISO 45003 standard.*[57] *Rentokil welcomed our suggestions on improving disclosures, seeking examples of best practice and specific data and disclosure requirements from the collaborative engagement.*" […] *We'll reassess Rentokil's progress in the next annual* [CCLA Corporate Mental Health] *benchmark scoring update. We aim to see Rentokil advance from tier 4 to tier 3"* (Royal London Stewardship and Responsible Investment Report, 2024, p. 31).

In addition, they mention that they will: "*continue to explore collaborative engagements and policy advocacy to determine how best to manage the risk* [associated with …] *systemic health issues*" (Ibid, p. 30). However, beyond engagement, there is no explicit mention of how they might integrate mental health into their ESG analysis and related investment decision-making across their range of investment portfolios.

In terms of the moderate reporters – **BlackRock, Legal and General (L&G)** and **Schroders** – none of the three have a standalone policy/statement on employment and mental health, but focus on it as an engagement theme. For instance, BlackRock view mental health as part of the 'Employee Health and Safety' sub-theme of their 'Human Capital Management' engagement theme: "*Through our analysis of company disclosures and engagement with corporate leadership, we aim to understand the following, as appropriate and relevant to the particular company:* [...] *Health and safety. This includes safety management plans, as well as the workplace wellness programs a company offers to support workers' physical and mental health and safety (for example, paid parental and sick leave, personal counselling sessions, and compliance with occupational health and safety policies)*" (BlackRock, Approach to Engagement on Human Capital Management, 2024, p. 2).

Similarly, **Schroders**' Listed Assets Engagement Blueprint (2024) highlights mental health as a key engagement sub-theme under their overarching 'Human Capital Management – Health, Safety and Wellbeing' theme; with their long-term goal for this being to: "*Promote safe and secure working environments for all workers and promote mental health and well-being*" (p. 27). Their proposed short-to-mid-term engagement actions for investee companies on this are to: "*1) Acknowledge mental health as an important issue and disclose a commitment or policy to addressing poor workplace mental health; and 2) Assess and establish a strategy that addresses the root causes of poor mental health in the workforce and provides mental health resources and support for workers, including how the company assesses the effectiveness of such measures*" (Ibid). They also link this to SDG 3: Good Health and Wellbeing and SDG 8: Decent Work and Economic Growth. Yet, while Schroders also seem to have

[57] ISO 45003 is an international standard for psychological health and safety at work. See:
parties, and to promote wellbeing at work. https://www.bsigroup.com/en-GB/capabilities/health-and-safety/iso-45003-psychological-health-and-safety-at-work/.

signed the CCLA-led Investor Statement on Workplace Mental Health[58], they make no mention of this in relevant sections of their reports.

For their part, **Legal and General (L&G)** do not refer to mental health per se in their Health Policy (2024), but outline their approach to mental health with regard to their own employees, (real estate) investee companies and customers in their Social Impact Report (2024). In terms of their investee companies, most emphasis appears to be placed on ESG integration strategies related to their real estate investment portfolio. More specifically, they developed a 'Place-based Social Impact Toolkit' in 2022, the purpose of which was to: "*drive maximum economic, social and environmental benefits for the people and communities connected to the places where we invest, across our real estate portfolio*" (p. 20); which (inter alia) incorporates the social priority of: "*Physical and mental health: Supporting the health and wellbeing of people and communities influenced by places and buildings*" (Ibid). How they incorporate these themes into the investment analysis, decision-making and/or engagements with the real estate sector are not made clear, however. In addition, there are no engagement examples on mental health (and real estate) provided in their Active Ownership Report (2024).

In fact, for all three moderate reporters it is not made clear if they apply their commitments to mental health engagements across all of their asset classes and associated portfolios, nor is a lot of insight provided into the outcomes and impacts of these engagements across their reports.

In turning to the low reporters – **HSBC** and **Abrdn** – **HSBC** make brief reference to investee company employee mental health concerns in one of their engagement case studies in their Stewardship Report (2024); related to a European 'business service leader' who had experienced a number of employee-related controversies. HSBC subsequently requested the company to: "*Disclose more information on staff turnover, and mental health and wellbeing*" (p. 130). They state that as an outcome of this, the company included "*employee wellbeing metrics in its management metrics*" (Ibid). Interestingly, in terms of their own employees, HSBC Holdings (mother group to HSBC AM) state in their Annual Report and Accounts (2023): "*In our 2023 employee Snapshot survey, 83% of employees said their mental health was positive, while all measures of physical wellbeing (exercise, sleep, nutrition) have improved. For the second year running, HSBC has been ranked top tier for mental health in the global CCLA Corporate Mental Health Benchmark*" (p.24).

Likewise, **Abrdn** briefly highlight mental health and wellbeing as important issues regarding their own their employees in their Sustainability and TCFD Report (2023, p.66). Further, although not made a clear engagement theme, they also reference mental health in relation to mining sector engagements in their Stewardship Report (2024): "*Our key conclusion is that mining companies should* [amongst other things…] *apply the same rigour of existing health and safety regimes to psychological safety. Many mining companies have demonstrated a strong track record in improving health and safety, embedding aspects into all areas of their organisational cultures and business processes. We believe that employees' psychological wellbeing warrants a similar approach.* [...] *In line with our collaborative approach, we've garnered support from a number of mining companies and the ICMM* [International Council on Mining and Metals]. *We are encouraged by this support and will continue these discussions in our ongoing engagement*" (p.37).

Finally, the very low reporter – **Fidelity** – refer to the mental wellbeing of their own staff in their Corporate Social Responsibility Report (2023, p. 27), but nothing more beyond this across their reports. While **Waystone, Vanguard** and **Baillie Gifford** make no mention of employment and mental health

[58] See list of signatories at the end of the following (last accessed 10.10.2024): https://www.ccla.co.uk/documents/global-investor-statement-workplace-mental-health/download?inline.

in their reports. Given that Baillie Gifford scored 4 out of 5 for the Access to Medicine theme, and have a dedicated Health Innovation Fund, their lack of (explicit) attention to mental health in their public disclosures is somewhat surprising. This once more highlights the disparities not only *across* AM disclosures related to the various health themes under investigation, but also *within* individual AM approaches to the same.

Summary and Recommendations:

In summary, while employment and mental health appears to be gaining traction with some AMs - assisted in part by the CCLA Investor Statement on Workforce Mental Health and the associated corporate benchmark - the majority of the AMs in this research do not include a moderate level of reporting on mental health and employment issues, as well as the (double) materiality of this for their operations.

Recommendations for Investors on Employment and Mental Health:

1. In several instances we have noticed a conflation of investor approaches to ‘health and safety’ and mental health; *in at least* the manner in which they refer to and discuss these themes in their policies, stewardship strategies and public disclosures. We would therefore encourage investors to consider mental health concerns – regarding their own employees, that of their investee companies and, where appropriate, their customers/‘tenants’ – in a more individualised fashion, in order to afford mental health the attention it deserves. Subsequently, we recommend investors to develop either specialised – or update existing responsible/sustainable – investment policies, strategies and disclosures on mental health. Further, in instances where mental health has already been made an engagement theme, we would encourage these investors to consider, and be transparent about, how they might also integrate mental health into their initial ESG analysis and investment decision-making (prior to engagement) across their investment portfolios.

2. Relatedly, we would encourage investors to consider their approach to employment and mental health issues from a social and economic determinants of health perspective; to recognise their role and responsibilities to address this and, in particular, to leverage their influence on investee companies to make more concerted effort to do so in their own workforce. This would also make sense from a financial materiality standpoint as, for example, Deloitte estimate that the cost of poor workforce mental health to UK employers can be between £43–46bn per year, due to sickness absence, presenteeism and workforce turnover;[59] and yet only five of the 119 companies assessed in the most recent CCLA Corporate Mental Health Benchmark Global 100+ make the top two performance tiers of the Benchmark on company management of mental health.[60]

3. Consequently, we would also encourage those investors who are not already doing so to collaborate with their peers on employment and mental health issues via, for example, CCLA Corporate Mental Health Benchmark-related engagements with companies. Simultaneously, we recommend that they engage (collaboratively) with policy makers on the potential need for regulation on corporate action and disclosure on employment and mental health.

[59] See Deloitte (2020), *Mental health and employers: Refreshing the case for investment.* Available at (last accessed 11.10.2024): https://www.deloitte.com/uk/en/services/consulting/research/mental-health-and-employers-refreshing-the-case-for-investment.html.
[60] See, for example (last accessed 11.10.2024): https://ifamagazine.com/global-workplace-mental-health-benchmark-shows-leading-cos-performing-poorly-ccla/.

Theme 5: Financial Wellbeing and Gambling

5a. Financial Security and Wellbeing

Investor Health-related Disclosures on Financial Security, Wellbeing and Health Results:

Asset Manager Name	Financial Security & Wellbeing Score: /5	Score Category*
BlackRock UK	2	Low
Waystone Management (UK) Ltd	0	No Mention
Legal & General Investment Management Ltd	4	Relatively High
Vanguard Investments UK Ltd	0	No Mention
Royal London Unit Trust Managers Ltd	3	Moderate
Fidelity Worldwide Investment	3	Moderate
Abrdn Fund Managers Ltd	4	Relatively High
HSBC Global Asset Management (UK) Ltd	4	Relatively High
Baillie Gifford & Co Ltd	1	Very low
Schroders (Unit Trusts) Ltd	4	Relatively High

***Key: Scores out of 5:** High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

The results of the UK asset managers' (AMs) health disclosures on financial security, wellbeing and health are more encouraging than some of the other themes under investigation. Four of the AMs were rated as 'relatively high' reporters scoring 4 out of 5 for this theme. Two AMs were rated as 'moderate' reporters, one more as a 'low' reporter, another as a 'very low' reporter, and the final AM made no mention of financial security, wellbeing and health in their public disclosures.

Analysis:

With regard to the relatively high reporters – **Legal & General (L&G), Abrdn, HSBC** and **Schroders** – **L&G** outline their approach to income inequality and financial wellbeing in their UK Corporate Governance and Responsible Investment Policy (2024). Here, they rationalise their objectives for investee companies on the real living wage through the consideration for the social and economic determinants of health:

> "*We expect all companies to pay employees as a minimum the national living wage as mandated by law. However, we believe that to ensure employees avoid the poverty trap, which can create hardship, stress and health problems that may have an impact on the operational performance of the company, it is important that employers pay the real living wage as set by the Living Wage Foundation. A living wage should be sufficient to afford a decent standard of living for the worker and their family. Elements of a decent standard of living include: food, water, housing, education, health care, transportation, clothing and other essential needs such as provision for unexpected events* (p. 33).

They continue by also stating that financial wellbeing training of investee employees is equally as important as providing them with a real living wage: "*it is not only important to ensure that all workers are receiving a real living wage, but it is equally important that they receive guidance on issues such as money management and where to get financial help. We encourage all companies to provide their employees with training on this important topic*" (Ibid). Further, they state that companies should also: "*consider the long-term health and wealth of their employees and, where possible, to increase the non-contributory element of pension provisions*" (Ibid); should make themselves aware of any gender pensions gaps or ethnicity pay gaps in their organisation and take positive steps to reduce them; as well as encourage all companies to offer employees the opportunity to participate in equity ownership (Ibid).

In their Social Impact Report (2023), they reiterate this, by stating that they will: "*promote people's long-term and lifelong financial security by providing good value, simple, inclusive, accessible products and education for more people*" (p. 5). Here, they also make the connection between the physical, mental and financial health of their clients/customers and communities across their range of business activities:

> "*We know that financial difficulties can impact all aspects of human health, especially when unexpected challenges arise, such as cost-of-living pressures. As a leading insurance and retirement product provider, we are in a key position to influence people's long-term financial wellbeing. We're committed to creating a better financial future for the customers and the communities whom we serve, whatever their life stage or financial position*" (p. 10).

Relatedly, in this report they discuss the Financial Conduct Authority's (FCA) Consumer Duty to achieve better outcomes for all customers, especially those who exhibit characteristics of vulnerability.[61] They focus on the review of their products and services in 2023 to meet the FCA requirements, and present one example of a 'wellbeing framework' regarding some workplace financial products they provide. However, they do not present any tangible outcomes or impacts of this, or other products and services, for vulnerable customers thus far.

In addition, in their Active Ownership Report (2024), they refer to engagements they have undertaken in recent years to address income inequality and financial wellbeing, in particular related to the living wage. They outline that some of these engagements have been conducted collaboratively with the ShareAction Good Work Coalition and the Platform for Living Wage Financials, and that they: "*undertook 33 engagements with 22 companies on the living wage during 2023; eight of these were collaborative*" (p. 61). They highlight that this was informed by their newly launched: "*inaugural engagement campaign on this topic with specific vote sanctions against the re-election of the chair, the chair/CEO or president of companies that fail to meet our minimum expectations by the time of their 2025 AGM*" (Ibid).

They provide one case study example of this related to the international food retail sector which includes Sainsburys and Tesco in the UK. In terms of the outcomes or impacts of these latest engagements, they state that they are still in their early stages, but that some positive progress has already been observed: "*Sainsbury's said they were proud of their position as the first major grocery company to have paid the real living wage. They took this decision because they believe that only through investing in colleagues can they ensure a continuous improvement in the customer experience, which in turn will improve corporate performance*" (p. 62). All of which can be directly related to the economic determinants of health. Finally, they also state that these most recent engagements have highlighted a need for more proactive engagement on their part with policymakers in each jurisdiction they are focused on internationally, in order to create a more level-playing field and raise market standards on the living wage (Ibid).

For their part, **Abrdn** do not have a standalone policy on financial security and wellbeing, but they state in their Sustainability and TCFD Report (2023) that 'Financial Inclusion and Access to Services' are material issues for them (p.10). They highlight that their main focus here is on retail investors and customers via: the provision of pension adjustments (e.g. providing lower fees for personal pension pots under £50,000); financial capacity building for female investors (through a 'Finimize' information platform to address the gender investment gap); and an engagement hub for 'vulnerable customers' to

[61] The FCA recognise one driver of customer 'vulnerability' as being 'poor health'. For more information see (last accessed 11.10.2024): https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers.

meet associated FCA requirements (p. 68-69). Regarding the latter, they provide a case study example of how they: "*worked closely with the* [vulnerable] *customer to implement a process to enable account access following a disclosure of a cognitive decline diagnosis*" (p.88). Further, they also mention in this report that they "*work collaboratively with groups including ShareAction, the Living Wage Foundation, and the City of London Socio-Economic Diversity taskforce*" (p. 58), on living wage and living hours issues to promote job security. They do not, however, clarify if this is with regard to their own employees, or that of their investee companies, or both. Nevertheless, all of this is directly connected to the social and economic determinants of health.

In regard to **HSBC**, they also do not have a standalone policy on financial security and wellbeing, but they list 'Inclusive Growth and Shared Prosperity' as one of their key engagement themes in their Stewardship Plan (2024). This includes a focus on 'Fair Reward' and the need for investee companies to: *1)* "*Provide living wages to staff, working hours consistency and flexibility, and other meaningful benefits to workforces such as broad-based share ownership schemes; 2) Disclose and reduce gender and ethnicity pay gaps; and 3) Ensure executive team pay is reasonable within the company and societal context, particularly in relation to the median household income of the country where the leadership team is based*" (p. 22). They do not, however, link this directly to the social determinants of health. Further, they state in this Stewardship Plan (2024) that: "*We generally support [shareholder/voting] resolutions in line with our inclusive growth and shared prosperity beliefs, such as those related to; CEO-worker pay gaps, health and safety disparities, sick pay, labour rights, fair drug pricing, living wage provision for all employees, and fair lending practices*" (Ibid). Again, this has direct implications for the social and economic determinants of health, but HSBC do not explicitly discuss this here.

Furthermore, they provide case study examples of stewardship activities on the above topics. For instance, in their Responsible Investment Review (2024, p.23) they outline their engagement with, and voting against, a supermarket regarding their need to pay a living wage to all of their employees over 2022 to 2023; resulting in the supermarket doing so for a range of staff. Further, in their Stewardship Report (2024) they state that: "*In 2023, we engaged 13* [bond] *issuers in higher employment industries such as retail, food, capital goods, and business services* [...] *to discuss their progress on living wages, hours, and ethnicity pay gap reporting*. [...] *Impact: In 2023, almost 70% of engaged companies made positive progress, with the majority of companies we met committing to hold further meetings with us to understand more about living wage accreditation* […] *Into 2024, we will continue to hold calls with additional investee companies that we have identified as potentially benefiting from stronger employment practices*" (p. 131). This evidences that HSBC are operationalising their stewardship plans on 'Inclusive Growth and Shared Prosperity', which appear to be having some emerging positive impacts on investee company-employees' financial security and wellbeing.

When looking at the HSBC Holdings group more broadly, it is also interesting to note references to work on financial access, resilience and wellbeing in their banking and insurance arms. For example, in the HSBC Holdings Annual Reports and Accounts (2023), they refer to their (retail/commercial) banking as providing services that: "*help protect what people value most – their health, families, homes and belongings. We also build resilience by providing education so customers can understand how to manage their finances more effectively*" (p. 75). While the work that HSBC Life Insurance is leading with the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance on healthcare is also referenced in this report:

> "*In June* [2023], *under the United Nations Environment Programme Finance Initiative ('UNEP FI') Principles for Sustainable Insurance, HSBC Life co-led a team of insurance organisations to publish an industry position paper focused on the role and opportunity for life and health*

insurers to help build a more inclusive and preventative healthcare model. This included examples of good industry practice to: help insurers improve access to healthcare; close the health protection gap; drive better health outcomes across populations; and mitigate potential health risks due to climate change and other environmental factors"[62] (HSBC Holdings Annual Reports & Accounts, 2023, p. 51).

In addition, HSBC Life Insurance are currently involved in a two-year research fellowship with the Wellbeing Research Centre at the University of Oxford to examine the relationship between mental, physical and financial health, and its implications for overall wellbeing.[63] All of this serves as a good example of: a) how more health-related work may be going on in institutional investor institutions than depicted in their investment arm disclosures per se; and b) the importance of the insurance industry to help advance health-related action in the investment community.

More broadly, HSBC's have a 'Financial Technology Venture Strategy' (part of their 'ESG and Sustainable Investing Range – Alternative Solutions'), which is a venture capital fund that invests in companies (inter alia): "*promoting financial inclusion and access, combating inequalities in the workforce, promoting social inclusion or providing safe and adequately paid labour*" (Financial Technology Venture Strategy Factsheet, 2022, p. 2). Further, they state they wish these investments to align with specific SDGs including SDG 3: Good Health and Wellbeing, but no elaboration is made on this here.

Turning to **Schroders,** they also do not have a policy or position statement on financial security and wellbeing, but they focus on it as an engagement theme, and impact investing theme.

In their Listed Assets Engagement Blueprint (2024), they highlight how one of their engagement themes for customer and consumer human rights concerns access to, and affordability of, fundamental products and services such as: *"medicines, nutrition, technology/connectivity and finance*" for underserved and/or vulnerable communities including low-and middle-income countries (p. 23); which they also link to SDG 3: Good Health and Wellbeing. Moreover, within their 'Human Capital Management' engagement theme they prioritise 'Financial Wellness', with a long-term goal to: "*Foster a culture where all workers can afford a decent and secure standard of living for their families*" (Ibid, p. 26). They then introduce the following as example of short-to-mid-term engagement actions for investee companies to meet this goal:

> *"1) Assess the financial wellness of the company's workforce to understand how the company can support workers. One such measure could be disclosing the living wage deficit or an equivalent metric; 2) Commit to pay all direct employees a living wage (or equally valued equivalent) and in the mid-term, commit that all workers (including contractors in direct operations) are paid a living wage (or equally valued equivalent); 3) Disclose the paid time off and wider benefits, including sick pay, available to employees, and assess if the benefits provided by the company sufficiently support the financial wellness of employees*" (p.26).

They also state that, where appropriate, they have aligned these engagement expectations with those of the Workforce Disclosure Initiative (WDI) and Human Capital Management Coalition (HCMC), which they are part of (p. 25). Subsequently, in their Active Ownership Report (2024), they provide evidence of engagements related to these themes, especially regarding the UK cost of living crisis and its effect

[62] For more information and to access this report see (last accessed 11.10.2024): https://www.unepfi.org/industries/insurance/highlights-from-the-launch-of-health-is-our-greatest-wealth-how-life-health-insurers-can-drive-better-health-outcomes-and-address-the-protection-gap/.
[63] For more information see, for example: 'HSBC Announces Two-Year Research Fellowship With Wellbeing Research Centre' (last accessed 11.10.2024): https://www.wealthbriefing.com/html/article.php/HSBC-Announces-Two_dash_Year-Research-Fellowship-With-Wellbeing-Research-Centre-.

on low-wage employees in 2023, as well as: "*paid sick leave and other employee benefits which can result in positive impacts on the business*" (p. 42).

Finally, in their Impact Report (2024, p. 13), they state that: "*67,763* [people were reached] *with financial services*" in 2023 by their impact investment fund companies. They also provide two case study examples to support this related to a community bank in the USA, and a transport company in India who issued a social bond to support the financial inclusion of employees (p. 25 and 30); and link all of this to SDG 8: Decent Work and Economic Growth.

Once more, all of the above work Schroders are doing on various aspects of financial security and wellbeing are directly related to the social and economic determinants of health, yet, as with the other AMs, they are not reporting on it in this manner.

With regard to the moderate reporters – **Royal London** and **Fidelity** – **Royal London,** have no standalone policy on financial security and wellbeing, but '(Social and) Financial Inclusion' is one of their priority engagement themes for 2024 to 2026 (Stewardship and Responsible Investment Report, 2024, p. 16). Further, they refer to the link between financial security and health in their Annual Report and Accounts (2023): "*We also recognise the link between health and financial resilience, and in particular the significant emotional and financial impact of serious illness. Around one in two people in the UK, for instance, is likely to experience cancer in their lifetime, and in 2023 65% of our critical and serious illness claims were for cancer*" (p. 5). Hence, they outline that one of their ESG objectives is: "*Helping build financial resilience*" in order to: "*Ensure our customers do not have to worry about their finances in terms of ill health or bereavement*" (p.11). In addition, they also conducted independent research to understand financial challenges in society since 2022, focusing on the cost-of-living crisis and its impact, including on debt and mental health. Highlighting (inter alia) from the results that: "*Unsurprisingly, the cost-of-living crisis has taken a toll on people's mental health and wellbeing, with younger group[s] suffering higher levels of anxiety (43%) compared to the whole sample (34%)*" (Financial Resilience Report, 2024, p. 5). Relatedly, they highlighted that as the cost-of-living pressures caused more customers to withdraw from their pension income release products since 2022, that they: "*continued to invest in the digital experience, with tools to support customers to understand better their financial position and resilience*" (Annual Report and Accounts, 2023, p. 45), such as a "financial wellbeing health check" tool (Ibid).

Yet, while all of this is a good indicator of Royal London's level of understanding and concern regarding matters of financial inclusion, security and wellbeing, no explicit details of how all of how this is being integrated into their ESG analysis, investment-decision making and/or stewardship activities is provided. For instance, their Stewardship and Responsible Investment Report (2024) provides more insight into social inclusion, as opposed to financial inclusion engagements, and examples of the latter are also not included in their PRI Report (2023).

In terms of **Fidelity**, their Sustainable Investment Principles (2022) refers to the need for investee company's/bond issuer's fair treatment of workers to include decent wages (p. 25). Relatedly, in their Stewardship Report (2023), they refer to 'Workplace and Personal Financial Health' as one of their strategic stewardship priorities. Further, they refer to their own fair payment of suppliers in their Corporate Social Responsibility Report (2023, p.33). Yet, they do not focus upon these expectations of investee company on fair employee wages, their engagement priorities around this, or their commitments to their own employees, in the context of the social/economic determinants of health.

In their Sustainable Investing Report (2023), they refer to (written) engagements with 330 companies in 2022 on their fair wage response for lower paid workers regarding the cost-of-living and energy crisis

(p. 51). They also extend this in their Stewardship Report (2023) by highlighting that they now: "*intend to reflect upon our engagement, and the views expressed in our letter to companies, during the 2023 AGM season. In particular, we intend to withhold support from pay proposals for executives which we believe are misaligned with the experience of the company's lower paid workers. We will report on outcomes in our future stewardship reporting*" (p. 80). And while this is directly related to the social determinants of health, this is not recognised in these disclosures.

Turning to the low reporter, **BlackRock,** they appear to have made financial wellbeing a core strategy of their impact investment work. That is, in their Operating Principles for Impact Management (OPIM) (2024) report, they state that: "*BlackRock's purpose is to help more and more people experience financial well-being. We dedicate ourselves to looking after and growing the value of our clients' assets over the long-term. This includes a focus on sustainability. We have a platform of dedicated sustainable investment solutions that seek to align capital with positive social and environmental outcomes"* (p. 4). This is also mentioned in their Stewardship Report (2023), where they also state that: "*BlackRock is committed to helping more people in the communities in which we operate, including through programs that promote financial inclusion and unlock economic opportunity"* (p. 23). Beyond impact investment per se, BlackRock's interpretation and focus on 'financial wellbeing' appears to primarily relate to providing stability for their clients' finances, which may in turn enable their clients' wealth to benefit their communities and wider economies; as opposed to also explicitly focusing on this with regard to, *for example*, the financial and (mental or physical) wellbeing of the employees of the companies they invest in: "*BlackRock's investments on behalf of clients help fuel more resilient and inclusive economies. Through our objective of delivering risk-adjusted returns for clients, they, in turn, are able to meet their long-term investing goals, whether that is to save for retirement, start businesses, or support their communities"* (Stewardship Report, 2023, p. 23).

With regard to the very low reporter, **Baillie Gifford**, they briefly refer to 'Deepening Financial Inclusion' as one of their ESG focus areas in their Sustainability Report (2023), and list the names of some of their 'Sustainable Growth Fund' investee companies who are addressing this theme in the body and Appendix of the report; linking these to SDG 1: No Poverty; SDG 8: Decent Work and Economic Growth; and SDG 10: Reduced Inequalities. However, they provide no substantial information here, or across their reports, with regard to all of this, and how they may be integrating these issues into their ESG analysis and/or engagements with relevant companies, and what the outcomes or impacts of this may be with regard to financial, physical and/or mental wellbeing.

Lastly, **Waystone** and **Vanguard** make no reference to financial security and wellbeing across their public disclosures.

Summary and Recommendations:

In summary, several of the AMs under investigation, and in particular those rated as relatively high reporters for this theme, are making a concerted effort to address financial security-related topics, and are recognising and acting upon the link between financial, physical and mental wellbeing in the process. Yet, apart from L&G, the majority of them are not doing so with explicit consideration of, or reference to, the social and economic determinants of health. Furthermore, across the active AMs in this area, emphasis appears to be placed on engagement and voting with investee companies on this topic, as opposed to possible ESG screening or integration of investee companies that could also take place regarding this theme. Furthermore, transparency on the outcomes and impacts of AM work in this area is also currently poor.

Recommendations for Investors on Financial Security and Wellbeing:

1. We encourage those investors who are not currently working on financial security and wellbeing topics to consider the materiality of these issues not only from a financial risk perspective to their (investee companies') operations, but also from an interrelated social impact perspective (double materiality approach); and the reciprocal nature of this. In turn, we recommend that they, as well as relevant investors already working on these topics, create policies or position statements on financial security and wellbeing accordingly.

2. Furthermore, we recommend all of these investors to consider, and be more transparent about, how the interrelated topics of financial, physical and mental health can be integrated into their ESG screening and/or analysis of companies in their initial asset selection and portfolio construction processes, as opposed to just using stewardship strategies to address these issues with investee companies.

3. In addition, we would welcome more transparency from investors on the outcomes and impacts of their financial security and wellbeing-related engagements and, in particular, on whether any of these have improved the physical and/or mental health conditions of, for example, investee company employees or their own clients/customers.

4. Finally, we would encourage investors to consider participation in more (collaborative) engagements with policy makers on financial security and wellbeing matters, on, for example, any improvements in legalisation that may be needed surrounding corporate disclosures on these issues; which would act to benefit their work on points 1 to 3 above.

5b. Gambling and Mental Health

Investor Health-related Disclosures on Gambling and Mental Health Results:

Asset Manager Name	**Gambling & Mental Health Score: 5**	**Score Category***
BlackRock UK	**2**	**Low**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**0**	**No Mention**
Vanguard Investments UK Ltd	**0**	**No Mention**
Royal London Unit Trust Managers Ltd	**2**	**Low**
Fidelity Worldwide Investment	**0**	**No Mention**
Abrdn Fund Managers Ltd	**0**	**No Mention**
HSBC Global Asset Management (UK) Ltd	**2**	**Low**
Baillie Gifford & Co Ltd	**2**	**Low**
Schroders (Unit Trusts) Ltd	**0**	**No Mention**

Scores out of 5: High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

The results of the analysis of the UK Asset Managers' (AMs) disclosures on gambling and health are very low. Four AMs are rated as 'low', scoring 2 out of 5, and the remaining six do not make any clear reference to gambling, and especially not in the context of health, across their public reports.

Analysis:

All four low reporters – **BlackRock, Royal London, HSBC** and **Baillie Gifford** – exclude gambling activities from some of their specific ESG/sustainable/ethical or impact funds. However, in the associated disclosures on this, none of them refer to the potential harms from gambling, in terms of financial security or mental health.

With regard to **BlackRock,** they state in their Operating Principles for Impact Management (2024) that gambling companies are excluded from two of their ten impact investment funds. Yet, no further detail is provided on how this is done, and it is not clear if the other impact funds take any action on gambling.

Royal London state in their Ethical and Sustainable Investment Policy (2023) that their ESG funds do not have absolute exclusions on gambling companies, but that: "*in house expertise is utilised to provide in depth analysis to identify and exclude companies with inadequate policies or systems*" (p. 3) in this sector. However, they do not clarify what they mean by 'inadequate policies or systems' here. Further, their Ethical Bond Fund Policy (2023) states they will exclude companies that generate over 10% of their revenues from gambling (i.e. from the operation of betting shops, casinos or amusement arcades); explaining that the 10% threshold enables them to invest in companies who: "*are transitioning towards practices that do not breach the fund's ethical criteria*" (p. 2). However, it is unclear why there are different approaches taken to gambling in their sustainable equity and ethical bond funds. Nor do Royal London discuss the ESG integration analysis they may conduct on gambling companies in their asset selection and portfolio construction processes for their other funds, or any stewardship activities with said companies.

In terms of **HSBC**, they do not refer to gambling exclusions in their Responsible Investment Policy (2024), but state in their Responsible Investment Review (2024) that they screen out gambling companies from their specialised Islamic Investing fund, based on 'Shariah law' principles. However, they do not appear to apply gambling exclusions to other ESG funds, and again do not provide any information on their ESG analysis, investment decision-making and/or stewardship activities with any gambling companies across their ESG or broader funds.

Baillie Gifford report in their Investment Funds II ICVC Prospectus (2024) that they exclude companies that generate more than 10% revenue from gambling from one of their five ESG funds. It is interesting to note that while threshold exclusions for tobacco, fossil fuels, coal and weapons apply across all five sustainable funds, gambling does not. Also, as with the other low reporters, they provide no information on how gambling companies may be dealt with in their ESG analysis, investment decision-making and/or stewardship activities across their broader funds; and if any of this is associated with mental health. Furthermore, in their ESG Integration Approach (2024), they state that they: "*expect all our holdings to operate their businesses in a way that takes account of all relevant legal and regulatory guidelines and supports good stakeholder relations. Relevant practice areas include* [inter alia]: *Responsible marketing* […]" (p. 4). Yet, they do not explicitly link this responsible marketing to any relevant industry, such as gambling.

Finally, the other AMs make no mention of gambling across their public reports, and it is unclear to what extent each AM invests in any companies generating revenues from gambling. It should also be noted that individual fund fact sheets may outline gambling exclusions, but these have not been collated into these AMs' core responsible/sustainable investment policies or reports. Also, as previously mentioned, wider ESG analysis and stewardship on gambling may be taking place, but this is not explicitly stated in these AMs' reports, and no examples of stewardship action were identified across their reports.

Summary and Recommendations:

Overall, our analysis suggests that there is a significant lack of focus on gambling, and in particular its relationship with mental health, in the public disclosures of the AMs under investigation. This could be seen to stand in stark contrast to many of the statements these AMs make in relation to positively supporting financial security and wellbeing throughout their reports. The 'Gambling Harms: Evidence Review' (Public Health England, 2021), identifies the way gambling can contribute to financial crisis for families and a range of mental health harms.[64] Yet, such evidence is not reflected in the AM reporting in this research.

Recommendations for Investors on Gambling and Mental Health:

1. We recommend that investors develop a policy on their approach to gambling investments, given public health concerns and growing governmental attention on this. These policies should ideally consider evidence of the harms of gambling to individuals and society, alongside financial materiality considerations. A wealth of evidence has identified the potential mental health and social harms of gambling (e.g. Abbot, 2020;[65] Marioneau et al., 2023[66])[67], and how

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[64] For more information see (last accessed 11.10.2024): https://lordslibrary.parliament.uk/public-health-england-gambling-related-harms-review/ and https://www.gov.uk/government/publications/gambling-related-harms-evidence-review/gambling-related-harms-evidence-review-summary--2.

[65] Abbott, M.W. (2020). The changing epidemiology of gambling disorder and gambling-related harm: public health implications. *Public Health*, *184*, pp. 41-45.

[66] Marionneau, V., Egerer, M. and Raisamo, S. (2023). Frameworks of gambling harms: a comparative review and synthesis. *Addiction Research & Theory*, *31*(1), pp.69-76.

[67] See also 'Gambling poses huge global threat to public health, experts warn' (last accessed 24.10.2024): https://www.theguardian.com/society/2024/oct/24/gambling-poses-huge-global-threat-to-public-health-experts-warn-lancet-commission.

this is related to wider health equalities, with disproportional impact on marginalised and vulnerable groups (Abbot, 2020; Raybould et al., 2021).[68] There is also wide-ranging evidence on the economic impacts of gambling, and the way this interacts with government revenue and expenditure as well as that of other industries (e.g. Williams et al., 2011).[69] Although this presents a mixed picture, consideration of this evidence is currently not portrayed in the public reports of the AMs under review in this research.

2. In addition, we recommend that investors make clear the size of their portfolios that are investing in companies that generate revenue from gambling, in comparison to those funds that may exclude such companies. At present, this is not a specific field within, for example, the UN PRI reporting framework, and investors do not appear to provide this information within their additional reports. Such information is vital for external stakeholders to determine how effective investor (threshold-based) exclusions on gambling may be, especially when considering the implications for public health.

3. Furthermore, we recommend that investors who may have exclusions on other 'sin stocks' such as alcohol or tobacco, but not on gambling, make clear why this is the case. Relatedly, the rationale to exclude gambling from some, but not all, ESG funds is also not clarified in investor reports. And there is also the need to disclose whether, and if so how, mental health is being integrated into the investor ESG analysis of gambling companies in their asset selection and portfolio construction processes, as well as stewardship activities with gambling-related (investee) companies.

4. Finally, we would encourage investors to engage (collaboratively) with policy makers on the need to review current legislation regarding, for example, gambling company marketing campaigns on mental health grounds.

[68] Raybould, J.N., Larkin, M. and Tunney, R.J. (2021). Is there a health inequality in gambling related harms? A systematic review. *BMC Public Health*, *21*, pp.1-17.
[69] Williams, R.J., Rehm, J. and Stevens, R.M.G. (2011). *The Social and Economic Impacts of Gambling*. *Final Report prepared for the Canadian Consortium for Gambling Research*. March 11, 2011.

Theme 6: Housing and Infrastructure

6a. Housing and Health:

Investor Health-related Disclosures on Housing Results:

Asset Manager Name	**Housing Score: /5**	**Score Category***
BlackRock UK	**2**	**Low**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**4**	**Relatively High**
Vanguard Investments UK Ltd	**0**	**No Mention**
Royal London Unit Trust Managers Ltd	**4**	**Relatively high**
Fidelity Worldwide Investment	**0**	**No Mention**
Abrdn Fund Managers Ltd	**2**	**Low**
HSBC Global Asset Management (UK) Ltd	**0**	**No Mention**
Baillie Gifford & Co Ltd	**0**	**No Mention**
Schroders (Unit Trusts) Ltd	**3**	**Moderate**

***Key: Scores out of 5:** High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

The results of the analysis of the leading UK Asset Managers' (AMs) disclosures on housing and health are quite poor. Two of the AMs who were rated as 'relatively high' reporters received scores of 4 out of 5, and another was deemed a 'moderate' reporter in this area, yet the majority of the AMs provided either 'low' or no information on housing and health in their public disclosures. However, it should be noted that, according to their most recent Principles for Responsible Investment (PRI) reports (as per August 2024), **Vanguard**, **Fidelity, HSBC** and **Ballie Gifford** have no internally managed funds directly invested in residential real estate.

Analysis:

The two relatively high reporters – **Legal and General (L&G)** and **Royal London** – provide dedicated information on housing and health.

To begin with, although housing and health is not made a thematic priority in **L&G's** Corporate Governance and Responsible Investment Policy (2024), Health Policy (2024) or Engagement Policy (2020),[70] it is a core part of their current real estate investment strategy. The latter has been informed by L&G's partnership with the Institute of Health Equity (University College London) and Professor Sir Michael Marmot, since 2021, which was developed to explore the role of business in reducing health inequalities in the UK.[71] One key aspect of this work has been a focus on the important role played by good quality and affordable housing as a social determinant of health and health inequalities. For instance, the co-produced Marmot Review for Industry (2022)[72] report states: "*A supply of good quality and affordable housing is essential for health. Poor quality housing which is in disrepair, overcrowded, damp or cold increases mortality and ill health*" (p. 33). Relatedly, L&G state in their Social Impact Report (2024) that: "*Over 1 million people across Britain lived shorter lives than they should have*

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70 This is the most recent one available online.
71 For further information on this and the associated 'UK Health Equity Network' see: https://healthequitynetwork.co.uk/.
72 See for example (last accessed 11.10.2024): https://www.instituteofhealthequity.org/resources-reports/the-business-of-health-equity-the-marmot-review-for-industry.

because of the social determinants of health (i.e. not NHS primary provision, but housing, diet, poverty, etc.)" (p. 27); making them the only AM under investigation to directly refer to the social determinants of health in their disclosures.

Consequently, L&G have developed strategies to address these concerns in their real estate portfolio, emphasising the social impact they can have as major residential real estate investors and developers: *"As one of the UK's largest real estate investors* [and housebuilders], *we are well-placed to create better places for people to live and work, by ensuring that we invest in ways which generate positive social impact"* (Ibid, p. 20). More specifically, L&G developed a 'place-based' social impact model in 2022 – their 'Social Impact Toolkit' – that they state is applicable throughout the lifecycle of a real estate investment from design and construction to the asset's final impact on end users and surrounding communities (Ibid p.19). As outlined in their Active Ownership Report (2024):

> "*Across our real estate equity portfolios, our Real Assets team takes a place-based impact approach to investment and asset management. This entails taking an impact-led lens at asset and portfolio level as to how we can intentionally contribute to, deliver and catalyse positive economic, social and environmental outcomes. When looking at social impact, we believe it is essential we understand and address local needs, support greater community integration, and reinforce local economic resilience – which we believe drives better long-term value and return for investors*" (p. 71).

They also highlight that due to the diversity of their real estate portfolio, the manner in which the toolkit is applied varies by business, fund or joint venture and can also be applied at different stages of the investment lifecycle (Social Impact Report, 2024, p. 20). However, both their Social Impact Report (2024) and/or Active Ownership Report (2024) would have benefited from a case study example to elaborate on this, as well as any (engagement-related) outcomes or impacts of the toolkit on the social determinants of health.

Beyond this, L&G discuss in their Social Impact Report (2024) their work to address affordable housing needs in the UK through the 'Legal & General Affordable Homes (LGAH)' business, which builds a combination of shared ownership, social, and affordable rented homes across the UK. As part of this activity in 2023, they also developed a hardship fund for customers "*offering grants to those experiencing financial hardship due to ill health or major life events"* (p. 24). In terms of outcomes of this work, they state they increased their total number of homes by 80% in 2023 (bringing the total number to 3,032), and rents for their occupied homes are on average below and/or at local market and Local Housing Allowance rates (Social Impact Report, 2024, p.24). This work is now also being advanced through "*ambitious plans to deliver 3,000 homes per year in the medium-term across the UK*" (Ibid, p. 25), through a commitment of £1 billion to build new affordable housing (Ibid, p.24), as well as the recent launch of a specific Affordable Housing Fund (coupled with a £125m commitment from the Local Government Pension Scheme).[73]

Finally, in their Social Impact Report (2024), L&G also outline how their 'Inspired Villages Group' business provides housing for older people, including programmes for improving social-connection and reducing loneliness, which are stated to be "*a key contributor to ill health"* (p. 25); and also describe a partnership with Manchester City Council, alongside other institutions, to fund a homelessness hub in the city (Ibid).

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[73] For more information see the press release for L&G Affordable Housing Fund. Available at (last accessed 11.10.2024): https://group.legalandgeneral.com/en/newsroom/press-releases/legal-general-launches-new-fund-to-deliver-affordable-housing-across-england.

In terms of **Royal London**, they also do not have a standalone policy or position statement on housing and health, but their Responsible Property Investment Report (2024) states that Health and Wellbeing are part of their ESG analysis of property investments and engagements. Royal London's dominant focus with regard to residential properties appears to be social housing in their corporate fixed income (e.g. bond) portfolio, and they state that: "*As part of our ongoing credit* [i.e. fixed income/bond] *research, we regularly meet and engage with social housing bond issuers and the Regulator of Social Housing, and we are acutely aware of the sector's challenging outlook*" (Net Zero Social Housing Report, 2023, p. 2). Their most recent research involved a partnership with the Friends Provident Foundation, where they conducted a collaborative engagement with eight housing associations and the largest lender in the UK social housing sector, to investigate decarbonisation in social housing and the challenges this presents for the sector to achieve a just transition to net zero. Throughout the associated Net Zero Social Housing Report (2023),[74] consideration is paid to the costs and risks associated with decarbonisation of the social housing sector, which (inter alia) could have negative impacts on the supply of social housing; and thus, though not explicitly stated in the report, on public health. They do directly state however, that: ""[they] *want to ensure that* [...] *all vulnerable residents are at the heart of any decarbonisation efforts, as the required energy transition represents a once-in-a-generation opportunity to eliminate fuel poverty and lower fuel bills, while creating more comfortable homes*" (p. 1); and they also identify residents' health and safety as one of the key priorities for a 'just transition' approach to funding social housing (p. 3). All of which is linked to the social determinants of health.

Relatedly in the same report, they mention a previous engagement with housing associations on other health-related matters: "*in December 2022*, [we] *wrote to over 50 Housing Associations, requesting they addressed concerns on potential damp and mould build-up*" (Net Zero Social Housing Report, 2023, p. 9). They do not provide an overview of the outcome of this engagement, but highlight that more governmental intervention is needed in this area, as well as governmental funding and regulation related to the decarbonisation of the social housing sector. Consequently, they mention that they will continue their collaborative engagement with other investors in this vein: "*With other investors, through the Financing the Just Transition Alliance and the London School of Economics' Grantham Institute,* [we will] *write to the UK government's newly founded Energy Efficiency Taskforce to ensure social housing features prominently in the implementation of their stated aim of reducing energy demand in buildings by 15% over the next eight years, against 2021 levels*" (Ibid, p. 8).

Simultaneously, they also recommend housing associations (HAs) to use the Sustainability Reporting Standard (SRS) for Social Housing, and outline the benefits of doing so: "*Investors, regulators, supply chains and residents want to know what progress HAs are making. Being transparent and signposting any known uncertainties will be appreciated by wider stakeholders. The Sustainability Reporting Standard (SRS) for Social Housing is a useful tool to achieve this and is seeing frequent refinement to optimise its efficiency*" (p. 8).

More broadly, in their Responsible Property Investment Report (2023) they also outline their desire for all new commercial office developments to be designed according to the 'WELL Building Standards',[75] and provide a case study of Earnshaw offices in London with regard to this: "*A key part of the sustainability and occupier strategy for The Earnshaw was a focus on health and wellbeing, with a*

[74] Royal London Asset Managers, Friends Provident Foundation and Grantham Research Institute on Climate Change and the Environment (London School of Economics). 2023. *Net zero social housing: a just transition through a perfect storm*. Available at (last accessed 11.10.2024): https://www.rlam.com/uk/intermediaries/our-views/2023/net-zero-social-housing-a-just-transition-through-a-perfect-storm/.
[75] For more information see: https://standard.wellcertified.com/well.

target of achieving a WELL Gold rating. Achieving WELL certification is a stringent process with health and wellbeing benefits for occupiers including a focus on improving air quality, enhancing natural daylight, promoting indoor comfort via enhanced acoustic performance, internal temperature and humidity controls, encouraging connection to nature and restorative spaces, and providing opportunity for relaxation and positive physical and mental wellness" (p. 33).

Turning to the moderate reporter **Schroders,** the majority of their real estate portfolio is commercial, with only 3% residential (Schroders PRI Report, 2024), and hence more attention is paid to the health and wellbeing of commercial building occupants in their reports (e.g. Schroders PRI Report, 2024; TCFD Report, 2024). However, their Impact Report (2024) provides a case study of one of their US impact investment fund companies, Cavco Industries, who manufactures affordable housing for households with less than $40,000. They highlight that the company has provided: "*19,376 households* […] *with affordable housing and $178 million worth of affordable mortgages* [were] *provided via consumer loan originations*" (p. 31). The provision of affordable housing appears to be a strategy that Schroders is beginning to explore in more detail for their impact investing funds, accordingly to their Q1 Sustainable Investment Report (2024). Here, they also refer to the connections between housing, public health, and economic productivity:

> *"When we build homes in areas with the highest demand, we know we are delivering new housing that has a positive impact on the lives of these residents and improve their ability to work, study and be healthier. Our investments include the delivery of more affordable and social housing as well as the improvement of existing town centres […] all of which support increased local footfall and spend, resulting in successful tenants and a virtuous cycle of economic productivity.* […] *Therefore, we believe there is both a financial and impact motivation to deliver new homes and regeneration which deliver solutions to the specific needs of communities"* (Schroders Q1 Sustainable Investment Report, 2024, p. 17).

Yet, more case study examples related to this in the UK context would have been helpful in their reports.

With regard to the low reporters – **BlackRock** and **Abrdn** – both of these AMs also refer to the provision of affordable housing in their reports, via impact investments in the case of BlackRock, and investment in social bonds in the case of Abrdn. However, none of this work is explicitly related to public health in anyway throughout their disclosures. Finally, the five remaining AMs – **Waystone, Vanguard, Fidelity**, **HSBC** and **Ballie Gifford** make no mention of housing and health across their reports. Yet, as noted earlier Vanguard, Fidelity, HSBC and Ballie Gifford have no internally managed assets in residential real estate.

Summary and Recommendations:
In summary, some AMs are making a concerted effort to recognise the relationship between housing and health, and the highly influential role they play in directing investment in the real economy to improve health and wellbeing; which can in turn strengthen society and the economy. Yet, there remains much work to be done to mobilise other investors to follow suit.

Recommendations for Investors on Housing and Health:

1. For those investors who are already working on housing and health, and in particular, doing so from a social determinants of health perspective, we would encourage them to integrate commitments to this either in their existing responsible/sustainable investment, health and/or specialised real estate policies; or to create new policies or position statements on this theme. This would allow for more cohesive communication from these investors, and act to elevate the status of housing and health as an ESG investment and stewardship priority in their organisations.

2. We would also recommend that the aforementioned investors provide more insight into the operationalisation, outcomes and impacts of their extant work on housing and health in their public disclosures. For instance, beyond access and affordability, issues of build quality, material use, ventilation, surrounding air quality, access to green space, proximity to community and health facilities and access to transport, are all known to shape health outcomes (e.g. Gibson et al., 2011).[76] We would like to see more transparency on how these factors inform investor decision-making, relevant investee company engagements and monitoring, and desired impacts on housing and health.

3. For those investors who are active in residential real estate across, *for example*, public and/or private equity, fixed income, alternative or impact investment portfolios, and who are not already considering public health matters, we would encourage them to consider the materiality of tenant/occupier health for these portfolios. Simultaneously, we would encourage them to also review this from a social determinants of health perspective; and to develop investment policies/position statements and stewardship strategies accordingly. There is a wealth of international research on housing access and affordability, and its relationship to health, which may assist investors new to this field.[77]

4. Finally, we would encourage those investors who are active in residential real estate and who are not already doing so, to participate in collaborative engagements with the corporate sector and/or policy makers on relevant housing and health topics; such as, for example, (social) housing provision and its relationship to the social and economic determinants of health.

[76] Gibson, M., Petticrew, M., Bambra, C., Sowden, A. J., Wright, K. E., & Whitehead, M. (2011). Housing and health inequalities: a synthesis of systematic reviews of interventions aimed at different pathways linking housing and health. *Health & Place*, *17*(1), pp. 175-184.

[77] For example see: The OECD Affordable Housing Database (2023), available at (last accessed 11.10.2024): https://www.oecd.org/en/data/datasets/oecd-affordable-housing-database.html and World Health Organisation (WHO) Housing and Health Guidelines (2018), available at (last accessed 11.10.2024): https://www.who.int/publications/i/item/9789241550376.

6b. Infrastructure and Health

Investor Health-related Disclosures on Infrastructure and Health Results:

Asset Manager Name	**Infrastructure & Health Score /5**	**Score Category***
BlackRock UK	**1**	**Very low**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**3**	**Moderate**
Vanguard Investments UK Ltd	**0**	**No mention**
Royal London Unit Trust Managers Ltd	**3**	**Moderate**
Fidelity Worldwide Investment	**0**	**No Mention**
Abrdn Fund Managers Ltd	**1**	**Very low**
HSBC Global Asset Management (UK) Ltd	**1**	**Very low**
Baillie Gifford & Co Ltd	**0**	**No Mention**
Schroders (Unit Trusts) Ltd	**3**	**Moderate**

***Key: Scores out of 5:** High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

The results of the analysis of the UK leading Asset Managers' (AMs) disclosures on infrastructure and health are poor. Three AMs were rated as 'moderate' reporters scoring 3 out of 5 each, but the majority of the AMs were rated as 'very low' reporters or did not provide any information on infrastructure and health across their public disclosures.

Analysis:

We refer to 'infrastructure' as including physical infrastructure such as roads/motorways, railways and other public transport; digital infrastructure; utilities (e.g. telecommunications and energy); and for the purpose of this research, we also refer to 'social infrastructure' which is related to the provision of physical and mental healthcare such as primary healthcare facilities.

The three moderate reporters – **Legal and General (L&G), Royal London** and **Schroders** – refer to infrastructure and health in varying capacities. Firstly, while **L&G** do not refer to infrastructure and health in their Corporate Governance and Responsible Investment Policy (2024), Health Policy (2024) or Engagement Policy (2020), it appears to be part of their current infrastructure investment strategy. As with housing, this seems to have been informed by L&G's work with the Institute of Health Equity (University College London) and Professor Sir Michael Marmot on the social determinants of health. For instance, in their co-produced Marmot Review for Industry Report (2022) they state:

> *"Improved infrastructure, including local roads and decent housing, can not only contribute to economic prosperity, which brings a health dividend, but also tackle health directly. Regeneration and new infrastructure projects can provide good jobs that provide income and support health as well as improving the physical quality of homes and neighbourhoods and their environmental sustainability. All of these will improve health"* (p. 35).

Here, the importance of a specific 'placed-based approach' has been emphasised in terms of investor, and broader stakeholder, action on infrastructure and public health:

> "*Companies should work with local and central government to identify underserved regions and ensure infrastructure development reaches more deprived areas, both urban and rural. They should then seek to engage communities in establishing the aspirations of the community and to build on existing local assets that support health, in partnership with local public and voluntary sector organisations.* […] *Key equity concerns include sustainability, with a need to focus on*

> *'green' rather than 'grey' infrastructure; the provision of transport infrastructure that supports active and hybrid travel and restricts traffic, particularly in deprived areas; and reducing digital exclusion, particularly in rural areas*" (Ibid, p. 35).

Yet, while L&G have developed strategies to integrate the above place-based health concerns into their 'built infrastructure' investment portfolios and businesses, via their previously discussed Social Impact Toolkit for property developments (see Theme 5a: Housing and Health), as well as their social infrastructure (healthcare facilities) developments; it is less clear from their disclosures how they have done so for their other infrastructure portfolios which encompass the energy (e.g. renewables), transportation (e.g. rail) and digital (e.g. data centres) sectors.[78] For instance, they state on their website that they: "*Invested in regional economies around the UK to revive communities and deliver sustainable affordable housing, transport and digital infrastructure* [by] *£32bn*",[79] and present examples of some of these town and city regeneration projects in their Social Impact Report (2023), but do not discuss the transport or digital infrastructure around this in any detail, and in particular, not in the context of health. Further, they provide a map of their UK climate change-oriented infrastructural investments in this report (and their website),[80] but do not link any of this work directly to the social determinants of health.

Regarding the healthcare infrastructure they have been involved with, in their Social Impact Report (2023) they provide a case example of a public, private and civil society partnership associated with their investment in The Dolphin Shopping Centre, in Poole. Here, they refer to the development of the first NHS outpatient assessment clinic in a shopping centre in UK, and provide some positive impacts of the same: "*From opening in 2021 through to the end of the first quarter of 2023, the clinic saw 15,535 patients. Dermatology capacity tripled from pre-pandemic levels to accommodate 96 patients an hour, while orthopaedic speciality experienced a 92% reduction in people waiting over 78 weeks for an appointment*" (p. 22).

Similarly, **Royal London's** Responsible Property Investment Report (2024) describes their 'healthcare strategy' launched in 2022, which includes investment in: *"15 healthcare assets, of which 13 are standing assets and two are ongoing*" (p. 21). They discuss how they conduct ESG assessment and ongoing monitoring of these assets through the application of their 'Sustainable Development Brief (SDB)' to new healthcare developments, as well as a 'Sustainable Asset Management Brief (SAMB)' when acquiring existing healthcare assets. This is to, especially in the case of the latter: "*outline* [their] [sustainability] *strategy as well as* [their] *approach to the ongoing reporting* [requirements] *of all operational assets and their continuous improvement plans*" (p. 21). Interestingly, they state in their Stewardship and Responsible Investment Report (2024) that this specific approach is used in recognition of the healthcare sector's: "*slower integration of sustainability practices"* (p. 81). However, neither of these reports explain clearly what their healthcare 'assets' are. One reason for this may be concerns related to negative commentary on private investment in NHS related infrastructure.[81] In addition, Royal London also refer to the integration of 'Health and Wellbeing' in their ESG analysis and stewardship of their broader property funds (including office, commercial, industrial, retail and

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[78] See for example (last accessed 11.10.2024): https://www.lgim.com/test-page/jon/asia-infrastructure/ or https://www.lgim.com/uk/en/real-assets/investment-solutions/private-credit/infrastructure-debt/.
[79] See (last accessed 11.10.2024): https://group.legalandgeneral.com/en/our-purpose.
[80] See (last accessed 11.10.2024): https://group.legalandgeneral.com/en/newsroom/multimedia/building-an-inclusive-society.
[81] For example, see (last accessed 11.10.2024): https://www.thelondoneconomic.com/news/meet-the-asset-firms-buying-our-nhs-179024/.

leisure assets), but there is no explicit discussion of other forms of infrastructure and health across their reports.[82]

Schroders is the final moderate reporter. Although Schroders do not have a policy or position statement on infrastructure and health, Health and Safety is identified as a sustainability risk for their (renewable) infrastructure investments, and as an associated engagement theme. For instance, they provide a case study example of the latter in their Active Ownership Report (2024), in which they describe an engagement with a US telecommunication company surrounding the health risks associated with lead cables: “[we engaged] *to determine the amount of lead-clad cables across the network and what steps were being taken to remediate the potential hazard to human health*" (p. 37). In particular they state that they: “*asked for more detailed information about the training provided to employees and the company's practices around limiting exposure to lead*” (Ibid). In terms of outcomes or impacts from this engagement, they outline that while the engagement is ongoing, that it: “*affirmed our view that the company is working to address the potential pollution caused by lead-clad cables and is committed to providing more information as it becomes available*" (Ibid). More broadly, Schroders also have a Digital Infrastructure Fund, with an objective to have at least 80% of its equity investments deemed 'sustainable'. These are: "*investments that contribute towards more environmentally resilient, socially inclusive and/or innovative digital infrastructure”,* however, they do not explicitly link any of these objectives to public health. In addition, their impact investing funds also have the following engagement themes: ‘Inclusive Digital Infrastructure; Clean and Safe Transportation, and Green Buildings’, which they also do not link to the social determinants of health.

In turning to the very low reporters – **BlackRock**, **Abrdn** and **HSBC** – **BlackRock’s** Operating Principles for Impact Management (2024) report mentions that some of their impact investment fund strategies focus on: *“Infrastructure and Digital Connectivity: Investments that provide core infrastructure and/or promote digital connectivity serving undercapitalized racial and ethnic communities*” (p. 13). However, explicit connections between the latter and the social determinants of health are not made in their disclosures.

For their part, three of **HSBC’s** infrastructure funds, the 'Floating Rate Infrastructure Strategy', 'Global Infrastructure Debt Strategy' and 'Senior Global Infrastructure Debt Strategy', state that they will prioritise investments in companies that are (inter alia) contributing to SDG 3: 'Good Health and Wellbeing' and SDG 11: 'Sustainable Cities and Communities'. However, no substantial elaboration on this has been provided in the fund documentation[83] or across their additional reports. They also emphasise the importance of decarbonisation of infrastructure in their Stewardship Report (2024), as well as in their ‘A Just and Inclusive Climate Transition’ Report (2023); to ensure a “*cleaner, greener and equitable future*” (Ibid, p.16). Yet, they make no reference to health or health inequalities related to these disclosures. Further, they briefly mention being a founding member of the FAST Infrastructure Initiative[84] to support the sustainable transition in their Stewardship Report (2024, p.34), but once more, do not make any links to health-related issues here. Similarly, **Abrdn** refer to improving the

[82] This may be because their PRI Report (2023) states that they have no internally or externally managed assets under management in infrastructure (p. 10). Infrastructure is defined by PRI as “*An asset class that includes direct or indirect exposure to physical or real assets. This includes electricity distribution systems, road and rail transportation, telecommunication systems or pipelines*. (see: https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article). However, given that Royal London do mention investments in energy, water, transport and technology in their reports, it may be the case that these are part of their, *for example*, (public and/or private) equity or fixed income investment portfolios.
[83] For more information see, for example: https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/capabilities/esg-and-ri-strategies/sustainability-related-disclosures.
[84] See: https://fastinfragroup.org/.

environmental sustainability of their infrastructure investments. For instance, they state in their Fossil Fuels Position Statement (2023): "*We have increased our investment in green infrastructure, such as renewables, and have committed to net-zero-carbon-emission buildings by 2050 in all our real estate investments"* (p. 3); but also have not linked this to (air pollution) and health.

Finally, **Waystone**, **Vanguard**, **Ballie Gifford** and **Fidelity** make no reference to infrastructure and health in their public reports. It should be noted here, however, that according to their recent PRI reports (as per August 2024), **Fidelity** and **Baillie Gifford** have no investments in infrastructure assets (as defined by the PRI).

Summary and Recommendations:

In summary, while some effort is being made by investors to: address health and wellbeing related to property infrastructure; develop or acquire healthcare-specific infrastructure; improve the environmental sustainability of transportation and utility infrastructure; and consider the social inclusivity of digital infrastructure; more still needs to be done by investors to relate all of these infrastructural developments to the social and economic determinants of health.

Recommendations for Investors on Infrastructure and Health

1. In instances where investors are already considering the (double) materiality of public health for their infrastructure portfolios, we would encourage them to develop specific policies or position statements on this. In doing so, we recommend these policies/position statements incorporate all forms of infrastructure – that is, beyond various types of real estate, and also across different asset classes where appropriate – to outline the intra-and-inter-relationship between physical, utility, digital and social infrastructure with the social determinants of health.

2. Relatedly, as current investor discourses on infrastructure and health lack substance, we recommend the aforementioned investors to be more transparent about how they are implementing (new) investment policies and strategies on this topic. This could entail providing an overview of the integration of health issues into their ESG analysis, investment decision-making and stewardship activities for their infrastructure portfolios; as well as the related outcomes and impacts this has on their public health-related objectives and targets for infrastructure investments.

3. For those investors who we have yet to consider the materiality of the public health matters for their infrastructure portfolios, we would encourage them to understand the implication of the social and economic determinants of health for the same; and perhaps seek out the advice of investor peers, such as Legal and General Investment Management, who have begun their journey in this field.

Theme 7: Nutrition and Obesity

Investor Health-related Disclosures on Nutrition and Obesity Results:

Asset Manager Name	Nutrition & Obesity Score: /10	Score Category*
BlackRock UK	**1**	**Very low**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**9**	**High**
Vanguard Investments UK Ltd	**0**	**No Mention**
Royal London Unit Trust Managers Ltd	**0**	**No Mention**
Fidelity Worldwide Investment	**1**	**Very low**
Abrdn Fund Managers Ltd	**1**	**Very low**
HSBC Global Asset Management (UK) Ltd	**2**	**Very low**
Baillie Gifford & Co Ltd	**1**	**Very low**
Schroders (Unit Trusts) Ltd	**4**	**Low**

***Key: Scores out of 10:** High: 9-10; Relatively High: 7-8; Moderate: 5-6; Low: 3-4; Very low: 1-2; No Mention: 0.

The results of the analysis of the UK Asset Managers (AMs) disclosures on nutrition, obesity and health are not very encouraging. Only one AM was rated as a 'high' reporter, scoring 9 out of 10. Of the other nine AMs, one was rated as a 'low' reporter, five were rated as 'very low', and the other three do not mention how their investments may relate to nutrition or obesity and health across their public disclosures.

Analysis:

The high reporter, **Legal and General (L&G),** have a dedicated Health Policy (2024) that has prioritised nutrition as one of two key themes (the other being antimicrobial resistance; see Theme 3b), to guide their current investment activity related to health. Within this they state:

> *"Nutrition is an important topic for investors because it has a significant impact on the health and well-being of individuals, communities and societies. Poor diets generate more disease worldwide than physical inactivity, alcohol and smoking combined. There is a clear link between poor diets/malnutrition and chronic health conditions, such as obesity, heart disease and diabetes (non-communicable diseases). These conditions can in turn lead to increased healthcare costs and decreased productivity, both of which will have negative impacts on the economy. On the other hand, good nutrition can promote health and well-being, contributing to a high and productive workforce and a healthy economy"* (LGIM Health Policy, 2024, p. 4).

They continue by outlining the material economic cost of obesity, undernutrition and micronutrient deficiencies as an estimated 5% of global income, or US$3.5 trillion, per annum; the subsequent reputational, litigation and regulatory risks for food and beverage companies with high revenue exposure to unhealthy products; and hence the associated material risks to investors.[85] They thus argue that "*tackling malnutrition is an economic imperative*" (Ibid).

[85] More specifically they state: "*Several governments around the world have implemented, or are considering implementing, regulation related to front-of-pack food labelling, advertising of unhealthy food products, taxation and more. This potentially presents a material risk for investors with holdings in global food and beverage manufacturers, as companies with a product portfolio with a high proportion of foods that are high in fat, salt and sugar (also known as HFSS foods) could see negative impacts from increasing regulation*" (LGIM Health Policy, 2024, p. 4).

To address this, they state they require their investee companies from the food and beverage sectors to: 1) "*disclose their nutrition strategy and demonstrate progress on its implementation;* [2] *Commit to disclosing the share of their company's portfolio and sales* [are] *associated with healthy food and drink products; and* [3] *Set targets to increase the proportion of sales from healthy foods*" (Ibid, p. 7). In addition, they recommend companies in other sectors, such as food retailers and restaurants, to consider how they and their supply chains can also take these expectations into account (Ibid). However, they do not explicitly state whether this nutrition policy will apply to food and beverage manufacturers and retailers across all of their relevant investment portfolios (across asset classes), or just a selection of them.

The primary manner L&G appear to have operationalised this policy is through their stewardship activities with investee companies, as they do not clarify in their reports if/how it may inform initial ESG screening or integration analysis of companies in, for example, portfolio construction processes.[86] They have, however, been very active with regard to the number and type of engagements and shareholder resolutions they have participated in related to nutrition and health. For instance, in their PRI Report (2023), they refer to one of the collaborative engagements they co-led with another investor under the auspices of the Access to Nutrition Initiative (ATNI).[87] This involved a Mexican food multinational, Grupo Bimbo, who scored 4.2/10 and ranked 9th out of 25 organisations in the previous iteration of the ATNI Index. In terms of the outcome of this engagement, while L&G state that it and monitoring of the company is ongoing, they outline some positive results to date:

> *"Following written communications with the company and follow-up meetings, the company stated that it will benchmark its own nutrient profiling system against the Health Star Rating NPM* [nutrient profiling model] *which is also the NPM employed by ATNI. Grupo Bimbo further disclosed that it will be reporting the percentage of its sales which are attributable to healthy products as defined by HSR* [Health Star Rating]. *The company also indicated that it will undertake a third-party audit of the nutrition aspects reported in its annual report. In our most recent meeting in September 2022, the company had set targets for products which will improve regional micronutrient deficiencies* […] *and set a price point which will enable 'accessibility and affordability' for the targeted population. Grupo Bimbo also specified that it will increase its public disclosure around its responsible marketing practices"* (PRI Report, 2024, p. 56-57).

Most recently, L&G co-filed a shareholder resolution at Nestlé's AGM in April 2024, as part of their work with ShareAction's Healthy Markets Initiative.[88] This resolution was an escalation of previous engagements with Nestlé on the nutritional targets of their products, and the proportion of their food that could be classified as 'healthy' according to an external nutrient profiling model (NPM). L&G and associated partners were disappointed with the company's level of response to their previous engagement requests (LGIM Active Ownership Report, 2024, p. 70), and hence the new resolution requested the company to*: "1) Set new key performance indicators (KPIs) regarding the absolute and proportional sales figures for food and beverage products according to their healthfulness, as defined*

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[86] If ESG screening and/or integration is not possible for some of their investment portfolios due to their passive asset management approach, that is via (e.g. listed equity) Indices where the initial ESG analysis of companies is conducted by the Index providers, then this should be made clear in relevant investment policies and documentation.

[87] For more information on the Access to Nutrition Initiative (ATNI) see: https://accesstonutrition.org/.

[88] See L&G press release on Nestlé resolution (2024). Available at (last accessed: 20.09.2024): https://blog.lgim.com/categories/esg-and-long-term-themes/crunch-time-were-asking-nestle-to-do-more-to-support-healthy-food-choices/.

by a government-endorsed Nutrient Profiling Model; and 2) Provide a timebound target to increase the proportion of sales derived from these healthier products.'[89]

This resolution did not pass, however, due in large part to other Nestlé shareholders' reservations to support it, as shareholder proposals in Switzerland require amendment to companies' articles of association.[90] Yet, the resolution did gain significant media attention and led to wider public debate on the responsibilities of food corporations to improve their activities with respect to health.[91] It also appears that both L&G and ShareAction will continue to engage with Nestlé on these matters.

Finally, L&G have been at the forefront of several nutrition and health-related initiatives, with a member of their Investment Stewardship Team acting as Co-Chair of ATNI's Investors in Nutrition and Health group (Health Policy, 2024),[92] as well as relevant policy-oriented engagement activities as a founding member of the Investor Coalition for Food Policy (Health Policy, 2024).[93]

With regard to the low reporter, **Schroders**, they do not have a policy or position statement on nutrition, obesity and health, but acknowledge nutrition as an (indirect) engagement theme related to nature and food. That is, in their Listed Assets Engagement Blueprint (2024) they state: "*The world's food system must transform to meet population growth, and address malnutrition and other health risks.* [...] *We engage to promote a food and water system that is more environmentally sustainable, protects the marine environment, respects animal welfare, and is better able to meet the needs of a growing population*" (p. 16). Further, in this report, they discuss their human rights engagement theme, and refer to the following as some of their 'desired short-mid-term actions' for investee company engagements regarding customer and consumer rights: "*Develop clear strategies for access to and affordability of fundamental products and services for underserved and/or vulnerable communities including low-and-middle-income countries, for example, medicines, nutrition, technology/connectivity and finance*. [And] *disclose the nutrient profile of products and portfolios and set targets to increase the share of healthier products and improve food safety*" (p. 23). They also link all of this to (inter alia) SDG 3: Good Health and Wellbeing. This implies a concern for nutrition and health, however, they have not provided any engagement case studies directly related to this in their most recent Active Ownership Report (2024) or their PRI Report (2023) to substantiate this. They are also listed as signatories of ANTI on the ANTI website,[94] but they do not refer this in their reports. Furthermore, they state in their Active Ownership Report (2024) that: "*In 2023, we co-signed a collaborative letter with FAIRR* [The Farm Animal Investment Risk and Return Initiative] *on company policies on antimicrobial resistance and antibiotics*" (p. 28), but there is no explicit connection made to nutrition (and health) here.

Turning to the very low reports – **BlackRock, Fidelity, Abrdn, HSBC,** and **Baillie Gifford** - **BlackRock's** only clear mention of nutrition and health is in their Global Voting Spotlight (2024). This describes how, in contrast to L&G, they did not back the shareholder resolution for Nestlé to improve

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[89] See L&G press release on Nestlé resolution (2024). Available at (last accessed: 20.09.2024): https://blog.lgim.com/categories/esg-and-long-term-themes/crunch-time-were-asking-nestle-to-do-more-to-support-healthy-food-choices/.

[90] See for example, 'Nestlé shareholders reject AGM resolution on healthier products.' Available at (last accessed 11.10.2024): https://www.just-food.com/news/nestle-shareholders-reject-agm-resolution-on-healthier-products/?cf-view.

[91] For example, Hosking, P. (2024). 'Legal & General adds weight to drive for healthy food from Nestlé' *The Times*, 14/03/2024. Available at (last accessed 09.10.2024):https://www.thetimes.com/article/legal-and-general-adds-weight-to-drive-for-healthy-food-from-nestle-zz6rfrpd2.

[92] See: https://accesstonutrition.org/investor-signatories/.

[93] For more information see: https://foodfoundation.org.uk/initiatives/investor-coalition-food-policy.

[94] See (last accessed 11.10.2024): https://accesstonutrition.org/investor-signatories/.

nutritional targets or nutritional labelling of products. They state that: "*we found that amending the company's AOA* [articles of association] *was an unnecessarily prescriptive course of action, and in our view, the company currently has robust reporting related to its portfolio. Moreover, the strategic changes sought by the proponent (an increased focus on healthy products) are decisions best left to management's discretion*" (p. 35). While the rationale for their position is clearly stated, BlackRock do not appear to consider the potential for harm caused by poor nutrition to health in this case or across their disclosures. Given that they are currently the largest AM in the world, this is somewhat concerning.

Of the remining four AMs that are rated as very low reporters, all of them make minor, implicit reference to nutrition-related issues and health. For instance, **HSBC** are also members of FAIRR, and state in their Stewardship Report (2024) that they have undertaken collaborative engagements with FAIRR in association with: a) fast food chains on their actions to combat antimicrobial resistance (which could indirectly be related to nutrition and health); and b) food manufactures around alternative forms of protein (although the explicit rationale for the latter is for planetary rather than human health) (p. 125). Yet, HSBC do also mention an initiative to improve the healthy food options available at their own workplaces (HSBC Holdings Annual Report and Accounts, 2023).

For their part, **Baillie Gifford's** 'Responsible Global Equity Income Fund' web pages provide information about (inter alia) weight loss drugs produced by some of their investee companies such as Novo Nordisk.[95] Due to their lack of explicit attention to nutrition and health here, and across their other disclosures, as well as the fact that Baillie Gifford mention some food and drink manufacturers (e.g. Nestlé) and retailers (e.g. Starbucks) in their Stewardship (2024) and Sustainability (2023) reports respectively; this might suggest that their focus is more on cure rather than prevention of food and drink-related ill health. They also mention they are members of FAIRR, but provide no details on any (nutrition-related) action they may have taken in connection with this network (Stewardship Report, 2024).

In terms of **Abrdn**, the only relevant statement related to nutrition and health appears in their Palm Oil Position Statement (2024) when they state: "*It is widely believed that palm oil is healthier than other oils, as it is naturally trans-fat free, while fortified palm oil can combat vitamin-A deficiencies [...] Most palm oil is used in food production, however, it is also used in cosmetics, chemicals, pharmaceuticals, and animal feed*" (p. 1). This does suggest a concern for nutrition and health, but this is not made explicit here or across Abrdn's reports, nor is there any information provided on how they are addressing these concerns if so. With regard to **Fidelity**, they are also members of FAIRR and mention in their Voting Policy (2021) that they will vote: "*against directors where there are material concerns or failures with practices related to sustainable protein*" (p. 42), but do not specify what they mean by 'protein', 'sustainable protein' or 'material concerns or failures' here, and also do not relate this to nutrition and health per se.

Finally, **Waystone, Vanguard** and **Royal London** do not mention nutrition and health in their most recent reports. It should be noted that in previous years, **Royal London** identified 'Health and Healthy Foods' as one of their six engagement themes for 2022 to 2024, following client consultation (Royal London Stewardship and Engagement Report, 2022, p.27). However, there is no mention of 'healthy foods' in their 2023 or 2024 Stewardship reports, and while mental health is currently a core engagement

[95] For example, see: "Investing in a new recipe for weight loss: the rise of GLP-1 drugs". Available at (last accessed 11.10.2024): https://www.bailliegifford.com/en/uk/individual-investors/insights/ic-article/2024-q1-a-new-recipe-for-weight-loss-10044047/.

theme of theirs, no explanation has been provided across their reports as to why 'healthy foods' is no longer a focus of their engagements.

Summary and Recommendations:

Overall, the above analysis highlights that for the majority of AMs in this investigation, information linking their investments to nutrition, obesity and health is poor or scarce. In contrast, L&G's disclosures provide comparatively high levels of information on their approach to nutrition and health, demonstrating a willingness to actively engage companies on this issue in order to stimulate real-world impacts for public health.

Recommendations for Investors on Nutrition, Obesity and Health:

1. For those investors who are not currently integrating nutrition and obesity risks into their ESG analysis and investment decision making, we would encourage them to review both the financial risk and social impact (hence 'double') materiality of these themes for their investment portfolios. That is, we encourage investors to not only consider the aforementioned economic (and potential regulatory) risks and impacts of poor-quality diets on their investment returns, but to simultaneously consider the societal impacts of their investments in food and beverage companies whose products are causing ill health in the first place. The latter also encourages investors to consider their social responsibilities to address these economic and commercial determinants of health.

2. In turn, we would recommend that these investors develop policies on nutrition, obesity and health, informed by recognised World Health Organisation (WHO) standards,[96] to guide their ESG integration analysis, investment decision-making and stewardship activities with food and beverage companies across their investment portfolios. Relatedly, we recommend that these investors report on how they are operationalising these policies.

3. Further, we would encourage both new and experienced investors in this area, to consider how nutrition, obesity and health issues intersect across their investment portfolios, and to address this more cohesively. For instance, Legal and General Investment Management's Health Policy (2024) recognises nutrition as an ESG priority for their investments in food and beverage manufacturers and retailers; while they are also currently integrating health concerns into their real estate and infrastructure portfolios (see Theme 6); and have stated in their PRI Report (2023) that: "[they] *are members of the ShareAction Healthy Markets Initiative, which is specifically focused on improving children's health by improving access to healthy, affordable food*" (p. 69). However, there appears to be a lack of connectivity of these health priorities and issues across L&G's investment strategies, as currently depicted in their public disclosures. For example, there is little, if any, discussion of how L&G's city regeneration projects are considering the availability, proximity to and/or marketing of (un)healthy foods for children (and adults) in these infrastructural projects. Similarly, there is no discussion of how L&G are considering the preservation, or inclusion, of green spaces in their real estate

[96] For example, see the WHO Nutritional Guidelines. Available at (last accessed 09.10.2024): https://www.who.int/news-room/fact-sheets/detail/healthy-diet.

and infrastructural developments, and how that can help to address (child) obesity.[97] Hence, we recommend more cohesive consideration of nutrition, obesity and health issues across investor approaches and disclosures.

4. Finally, we would welcome greater investor transparency on how their ESG (screening or integration) analysis, engagement and voting with food and beverage investee companies compares to their level of ESG analysis, investment and stewardship with pharmaceutical companies producing anti-obesity drugs. That is, it would be useful to know the percentage of individual investor portfolios that are invested in the food and beverage sector in comparison to the pharmaceutical sector (and vice versa), to help determine, *for example*: 1) their scale of investments in both sectors, and hence, the potential effectiveness of their nutrition and health policies across sectors; and 2) if comparatively (more/less) attention may currently be paid to investment in drugs to address (chronic) health conditions caused by poor nutrition and obesity, as opposed to addressing the initial manufacture and sale of unhealthy foods. Given the UK Government's recent support for the introduction of anti-obesity medication to facilitate the return to work of unemployed people suffering from obesity, in order to stimulate broader economic growth,[98] it may be an opportune time for investors, policy makers and other key stakeholders to engage in more extensive (ethical) consideration and discussion of how institutional investors might be (better) catalysed to assist more preventative, as opposed to curative, measures to address these economic determinants of health.

[97] For example, see; "Alarming lack of access to green space fuelling UK child obesity crisis, doctors warn." Available at (last accessed 11.10.2024): https://www.theguardian.com/environment/article/2024/jun/18/alarming-lack-of-access-to-green-space-fuelling-uk-child-obesity-crisis-doctors-warn.

[98] See for example: "Unemployed could be given weight-loss jabs to get back to work, says Wes Streeting". Available at (last accessed 15.10.2024): https://www.theguardian.com/society/2024/oct/14/unemployed-could-be-given-weight-loss-jabs-to-get-back-to-work-says-wes-streeting.

Theme 8. Technology

Investor Health-related Disclosures on Technology and Health Results:

Asset Manager Name	Technology Score: /10	Score Category*
BlackRock UK	1	Very low
Waystone Management (UK) Ltd	0	No mention
Legal & General Investment Management Ltd	4	Low
Vanguard Investments UK Ltd	0	No mention
Royal London Unit Trust Managers Ltd	6	Moderate
Fidelity Worldwide Investment	3	Low
Abrdn Fund Managers Ltd	3	Low
HSBC Global Asset Management (UK) Ltd	4	Low
Baillie Gifford & Co Ltd	6	Moderate
Schroders (Unit Trusts) Ltd	3	Low

***Key: Scores out of 10:** High: 9-10; Relatively High: 7-8; Moderate: 5-6; Low: 3-4; Very low: 1-2; No Mention: 0.

The results of the analysis of the UK Asset Managers (AMs) disclosures on technology and health are poor. Only two AMs were rated as 'moderate' reporters (scoring 6 out of 10), and the remaining eight AMs include five 'low' reporters, one 'very low' reporter, and two AMs who make no mention of technology and physical and mental health across their public reports.

Analysis:
Neither of the moderate reporters – **Baillie Gifford** and **Royal London** – have a policy or position statement on technology and health, but in the case of **Baillie Gifford**, they launched a 'Health Innovation Fund' in 2018 which is aimed at improving health through technological and pharmaceutical advancement. As introduced previously in 'Theme 3a: Access to Medicine', the fund is dedicated to having at least 90% of its total investment "*in shares of companies that have the potential to deliver substantial improvements to human health, lengthen lifespans and reduce healthcare costs. The companies that the Sub-fund invests in will bring innovation to human health through increasing understanding and detection of disease, and by improving treatments, devices and operational efficiencies"* (Baillie Gifford Innovation Fund Prospectus, 2024, p. 68). Baillie Gifford also offer investment commentary of health technologies in 'Insight' (opinion) pieces on the fund's webpages. These focus on the analysis of technological advancements in: 1) detecting, treating and preventing heart disease; 2) dealing with cancer, autoimmune diseases and dementia; 3) the costs of technological innovation and the role of investors in this; and 4) the potential for artificial intelligence (AI) in healthcare.[99] Yet, while information on the potential positive impacts of the fund's (technology) companies on physical health is provided on its website, and in Baillie Gifford's Sustainability Report (2023) and Stewardship Report (2024), no information is provided on how they may have facilitated this beyond investing in the companies. For instance, no engagement case study examples with the technology companies in this fund (or additional investment portfolios), on health have been provided across Baillie Gifford's reports.

It should also be noted that the overall tone of Baillie Gifford's disclosures favours technological advancement for health benefits, and there does not appear to be the same level of consideration of the potential harm of new technology on health, for example, related to digital technologies and mental

[99] For more information see (last accessed 11.10.2024): https://www.bailliegifford.com/en/uk/individual-investors/funds/health-innovation-fund/.

health as critiqued elsewhere (see e.g. Shon et al., 2019).[100][101] Relatedly, while the multinational technology conglomerate Meta appears to be one of their investee companies (Stewardship Report, 2023, p. 98), no consideration of mental health (litigation) scandals surrounding that company's social media platforms,[102] and how they might have engaged with the company as a result, was featured in their most recent Stewardship Report (2024).

Royal London in contrast, emphasise the need to address the potential harms of digital technologies in their investment activities, and have made '(Innovation) Technology and Society' one of their six engagement themes for 2024 to 2026. In their Stewardship and Responsible Investment Report (2024), they state: "*In a rapidly evolving digital world, we support several initiatives to strengthen cyber resilience and the ethical application of technology in the companies we invest in*" (p. 32). More specifically, this report provides case studies of voting conducted in 2023 with US technology companies on the impact of digital technology on society, which outline that:

> *"It can be difficult to engage directly with major technology companies. This is where we can rely more on voting to express our views and try to influence change. Our 2023 interactions with the largest US technology companies – or 'Big Tech' – Meta Platforms, Alphabet and Amazon, focused on asking for greater disclosure, transparency and accountability for managing the social risks and impacts related to newer and emerging technologies that may carry more unknown risks"* (Ibid, p. 33).

With regard to Meta, this included the submission of shareholder proposals to the company on the need for improved transparency around content moderation of their social media platforms, and the need: "*to assess the impact of content on child mental health and safety*" (Ibid, p. 33). These proposals were not passed, however, and it is worth noting that Royal London was in a small minority of shareholders supporting them. For example, only 16% of shareholders voted in support of the proposal regarding child mental health and safety impacts (Ibid).

Further, in their PRI Report (2023), Royal London describes an ongoing (three-year) collaborative engagement with the Council on Ethics of the Swedish national pension funds related to human rights and technology issues. The aim is to engage selected technology companies to: *"1) take concrete measures to strengthen their approach to operational and systemic human rights risks and impacts pertaining to their products and services; and 2) report on the related challenges and activities more transparently*" (p. 133). While the latter case is not explicitly linked to (mental) health issues, these examples of Royal London's engagement and voting activities with technology companies are indicators of their current concern for, and action on, digital technology and mental health. Nevertheless, more clarity is needed in Royal London's documentation regarding which investment portfolios their 'Technology and Society' engagement theme is applicable to; for example, if it is only related to their ESG/sustainable funds or otherwise.

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[100] Sohn, S.Y., Rees, P., Wildridge, B., Kalk, N.J. and Carter, B. (2019). Prevalence of problematic smartphone usage and associated mental health outcomes amongst children and young people: a systematic review, meta-analysis and GRADE of the evidence. *BMC Psychiatry*, 19, pp.1-10. Available at (last accessed 11.20.2024): https://doi.org/10.1186/s12888-019-2350-x.

[101] In addition, no explicit information on any ESG screening or integration analysis of the technological companies included in the fund is provided in the fund documentation or website. Yet, it is noted that a TCFD report (2024) is provided regarding the carbon emissions of the general holdings (including more than technological companies) of the fund. Available at (last accessed 11.10.2024): https://www.bailliegifford.com/en/uk/individual-investors/funds/health-innovation-fund/.

[102] See for example: "Instagram sued over harm to young people's mental health", available at (last accessed 11.10.2024): https://www.bbc.co.uk/news/business-67207829.

Turning to the five low reporters – **L&G, Fidelity, Abrdn, HSBC**, and **Schroders** – their disclosures display: limited consideration of the potential harms of new technology on health; lack of information on how their current health-related technology investments are having a positive impact on public health; a focus on the importance of digital access/inclusion, without sufficient discussion of the implications of this for physical or mental health; and lack of cohesion with regard to how technological advancement on environmental issues (for example, pollution or climate technologies) could also have (positive) impacts on health.

With regard to **L&G**, they identified digitalisation as one of their six stewardship 'super themes' in their Active Ownership Report (2024, p. 83). They state their main focus here is on how companies are managing the risks and opportunities of artificial intelligence (AI) and improving their transparency related with this. They outline their expectations of companies as (inter alia) to: "*conduct product safety risk assessments across the business cycle, including on human rights" and "provide reasonable paths to give feedback or seek remediation if AI systems cause harm"* (Ibid). Yet, they do not link these requirements in any explicit way to health concerns in this report or in a related website blog where they discuss how they will "press for safe AI".[103] Elsewhere on their website,[104] however, they discuss a range of UK infrastructural projects on technology and life science that they have developed in partnership with property developer Bruntwood ('Bruntwood SciTech'); through the provision of lab, office and hub space. They outline that these regional innovation projects involve corporate, local government, university and large hospital NHS Trusts, and (will) support research and development on, for example, cancer research, drug discovery and development, medical technologies, diagnostics, and digital health and AI.[105] But, L&G do not explore the latter theme in any detail here either, nor has any information on the public health impacts these projects may have had to date been provided.

More broadly, in their Active Ownership Report (2024), L&G state that they also engaged technology and telecommunications companies in 2023 on their poor progress to meet L&G's climate requirements, but none of this appeared to be concerned with climate-related health issues in anyway (p. 35).

Similarly, **HSBC** have made 'Trusted Technology and Data' one of their prioritised engagement themes for 2024 (Stewardship Report, 2024), but this is focused on data and privacy rights, and security and protection, with no reference made to technology and physical or mental health. Also, as mentioned in 'Theme 5: Financial Security and Wellbeing', HSBC's 'Financial Technology Venture' fund (inter alia) seeks to promote: "*More specific investments* [to] *improve the availability of and access to financial and health services"*, which they also seek to align with SDG 3 on Good Health and Wellbeing.[106] Yet, no elaboration on these 'health services' is made in the fund documentation or in their additional reports. Further, in their PRI Report (2024), they mention the exploration of opportunities for technology to be used for 'environmental and social practices', such as 'de-pollution' technologies (p. 23), but again, no connection to public health issues is made here.

In terms of **Fidelity,** a brief link is made between technology and health in their Sustainable Investment Principles (2022), in relation to the importance of medical devices: "*our* [SDG analysis] *model treats*

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[103] See (last accessed 11.10.2024): https://blog.lgim.com/categories/esg-and-long-term-themes/how-well-press-for-safe-ai/.
[104] As well as partially in their Social Impact Report (2023, p. 22).
[105] For more information see (last accessed 11.10.2024): https://group.legalandgeneral.com/en/our-purpose/harnessing-technology/6-cities-at-the-heart-of-innovation.
[106] The 'Financial Technology Venture Strategy' document can be found at (last accessed 11.10.2024): https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/capabilities/esg-and-ri-strategies/sustainability-related-disclosures.

products such as medical devices as having a more material and deliberate contribution to SDG 3 (Good Health and Wellbeing) than an operational contribution such as providing a safe working environment for employees, which is considered as a minimum standard for appropriate corporate behaviour"(p. 18). Yet, none of this is elaborated on in any detail.

Fidelity also consider the issue of digital inclusion within their Sustainable Investment Principles (2022), stating that: "*We expect issuers* [investee company bond issuers] *to adhere to high standards of digital ethics and to promote digital inclusion, in the transition to a more digital economy*" (p. 25), but they prioritise data protection and cyber security here, and do not mention digital wellbeing or mental health and/or digital financial inclusion matters. In addition they state: "*We also expect issuers to deploy responsible use of digital artificial intelligence, which protects against discriminatory practices which could lead to greater inequality and unintended consequences*" (Ibid), but once more, they do not explicitly refer to digital wellbeing/mental health. Relatedly, they state in their voting policy (2021) that they will vote against company directors who have failed to meet their data privacy, cybersecurity or digital ethics (2021), but again make no explicit link to mental health with regard to this. Further, in their Sustainable Investing Report (2023), they mention they lead the Investor Group in the Collective Impact Collection (CIC) on digital ethics, inclusion and 'ethical AI',[107] and provide an overview of collaborative engagements on this in their Stewardship Report (2023, p. 92). Yet, nothing is specifically mentioned on, for example, technology and/or financial digital inclusion and mental health across these disclosures.

Meanwhile, **Abrdn** identify 'Health and Biotech' as one of the "*megatrends that are set to shape the global economy and our investment approach*" (TCFD Report, 2023, p. 6). They elaborate on this in their Strategic Report and Financial Highlights (2023) by stating: "*In October 2023, Abrdn completed the acquisition of the healthcare fund management capabilities of Tekla Capital Management, a specialist healthcare investment adviser. With the global healthcare sector grappling with an ageing population and increasing rates of chronic illnesses, such as diabetes and cancer, the healthcare technology industry has grown rapidly*" (p. 22). This *perhaps* displays a focus on more curative than preventative approaches to health, as, for example, it is also noted that Abrdn do not have any exclusions on tobacco and alcohol, and display a very low level of reporting on nutrition and air pollution. Beyond this, as mentioned in 'Theme 5: Financial Security and Wellbeing', Abrdn's Sustainability and TCFD Report (2023), discusses the use of technology to address financial inclusion for, for example, their vulnerable customers, but they do not explicitly link this to customers with health conditions.

In terms of the remaining low reporter, **Schroders** identify accessibility and affordability to fundamental products and services such as (inter alia) technological products and services as part of their 'human rights' engagement theme (Schroders Listed Assets Engagement Blueprint 2024, p. 23). However, in doing so, they do not stipulate connectivity to, for example, digital health services. Relatedly, they highlight engagements on human rights with a number of technology companies – including Meta – at the back of their Q1 Sustainable Investment Report (2024), but do not clarify what the specific topics of engagement were, and if any of these were related to mental health. In addition, in their Impact Report (2024), Schroders claim that 11,081,099 medical devices were supplied by international companies in their impact investment funds in 2023, but do not provide any specific information on the types of devices and the technologies involved. Nor do they clarify if, or how, their, for example, engagement activities with these companies may have changed or enhanced these impact numbers in any way.

[107] For more information see: https://www.worldbenchmarkingalliance.org/engagement/collective-impact-coalitions/.

Regarding the very low reporter, **BlackRock**, their Operating Principles for Impact Management (2023) report highlights how their Impact Investing Opportunities Team focuses on ‘Infrastructure and Digital Connectivity’ to: “*promote digital connectivity serving undercapitalized racial and ethnic communities*” (p.13). However, BlackRock do not explicitly link this digital connectivity to health and/or financial services, and no clear information is provided in their publicly available disclosures on how this objective is operationalised.

Finally, **Vanguard** and **Waystone** make no mention of technology and health in their public disclosures.

Summary and Recommendations:

Overall, this analysis suggests that the AMs under investigation pay more attention to the potential benefits of new technology for physical health diagnosis and treatments, as well as for the healthcare industry more broadly, in their health-related investments and disclosures. While this may be expected, there is scant consideration of potential harms to health, and in particular mental health, which could possibly arise from ongoing technological advancement. General social risks of technology are widely acknowledged – in particular related to AI – in the investor disclosures, but these are rarely linked directly to (mental) health throughout the investor reports. Royal London appears to be an exception in this area, with mental health becoming a priority engagement theme of theirs, as reflected in their documented willingness to engage with, and vote against, technology companies on this issue.

Recommendations for investors on Technology and Health:

1. We encourage investors to create, or update, any existing policies or position statements on technology and health. We recommend that these policies or statements should clearly distinguish between physical and mental health, and outline investors’ proposed (interrelated) approach to the integration of both physical and mental health into their ESG investment analysis, decision-making, and stewardship activities.

2. As part of the above, we recommend that investors consider the potential harms to both physical and mental health from technological advancement, and to adjust their investment analysis and strategies accordingly. To assist this, investors could, for example, engage with emerging evidence on the risks to mental health and quality of life associated with pervasive digital technology, particularly for children and young people (see e.g. Girela-Serrano et al. 2024).[108]

3. Relatedly, we would also encourage investors to consider, and do a materiality assessment of, the intersection of risks and opportunities associated with technology and health across their various investment portfolios; *for example*, their public and private equity, real estate, and infrastructure portfolios. In turn, we recommend they develop a more cohesive, as opposed to ‘siloed’, approach to addressing technology and health across these portfolios.

[108] Girela-Serrano, B.M., Spiers, A.D., Ruotong, L., Gangadia, S., Toledano, M.B. and Di Simplicio, M. (2024). Impact of mobile phones and wireless devices use on children and adolescents’ mental health: a systematic review. *European Child & Adolescent Psychiatry*, *33*(6), pp.1621-1651.

4. Furthermore, we recommend that investors improve the quality and clarity of their public disclosures on their (new) approach to technology and health; incorporating more substantial information on all of the above points (1-3) than their current level of reporting does.

5. To support all of the above, we recommend that investors engage with relevant multistakeholder initiatives, such as for example 'Ranking Digital Rights',[109] and/or investor-led initiatives, such as the Interfaith Centre on Corporate Responsibility (ICCR) Health Equity and Technology network.[110] We also encourage them to engage with policy makers regarding (the need for new) regulation for technology and physical health (e.g. to tackle AMR), and for technology companies regarding their approach to, and disclosure of, how they are addressing mental health. The latter may also be an increasingly material issue for investors, as, for example, several countries are considering new legislation to protect vulnerable consumers from the impact of digital technology.[111]

[109] For more information see: https://rankingdigitalrights.org/.
[110] See: https://www.iccr.org/health-equity-technology/ .
[111] See for example: 'France to trial ban on mobile phones at school for children under 15', available at (last accessed 11.10.2024): https://www.theguardian.com/world/article/2024/aug/27/france-to-trial-ban-on-mobile-phones-at-school-for-children-under-15.

Theme 9. Tobacco

Investor Health-related Disclosures on Tobacco Results:

Asset Manager Name	Tobacco Score /10	Score Category*
BlackRock UK	3	Low
Waystone Management (UK) Ltd	0	No mention
Legal & General Investment Management Ltd	3	Low
Vanguard Investments UK Ltd	3	Low
Royal London Unit Trust Managers Ltd	5	Moderate
Fidelity Worldwide Investment	5	Moderate
Abrdn Fund Managers Ltd	0	No mention
HSBC Global Asset Management (UK) Ltd	4	Low
Baillie Gifford & Co Ltd	4	Low
Schroders (Unit Trusts) Ltd	4	Low

***Key: Scores out of 10:** High: 9-10; Relatively High: 7-8; Moderate: 5-6; Low: 3-4; Very low: 1-2; No Mention: 0.

The results of the analysis of UK asset managers' (AMs) health-oriented disclosures on tobacco identify low levels of reporting. None of the ten AMs have been deemed (relatively) high reporters on tobacco and health, and only two AMs were rated as 'moderate' reporters with scores of 5 out of 10. The majority of the AMs were rated as either 'low' reporters (six AMs), or, make 'no mention' of tobacco in their public disclosures, and especially not in the context of health (two AMs).

Analysis:
Regarding the two moderate reporters – **Royal London** and **Fidelity** – they both have exclusion policies for tobacco companies for specific sustainable/ESG/ethical funds, yet make no explicit reference to whether the rationale for these exclusions pertains to public health. In addition, their disclosures lack transparency regarding if and how tobacco companies are analysed for inclusion in their broader investment portfolios.

Royal London's series of exclusionary policies for tobacco apply to their sustainable equity, fixed income (bond), and money market instrument (e.g. cash, bank deposits or short-term fixed interest securities) funds. Firstly, their Ethical and Sustainable Investment Policy (2023) states that: "*For all Royal London Sustainable labelled funds* […] *a 0% revenue tolerance is applied to the following sectors and activity* [including] *tobacco manufacturing*" (p. 2-3). Secondly, their Ethical Bond Fund Policy (2023) states that: "*Companies that generate over 10% of their turnover from any one of the following six sectors are excluded from Ethical Bond Fund investment*: […] *Tobacco* [including] *growing, processing or sale of tobacco products*" (p. 2). Here, they explain that: "*by having a 10% threshold, it also enables us to invest in companies who are transitioning towards practices that do not breach the fund's ethical criteria*" (p. 2); yet, do not elaborate on this. Finally they also state that: "*Money market instruments, such as cash, bank deposits or short-term fixed interest securities are assessed similarly* [to fixed income/bond funds]. [T]*these funds are prohibited from making cash investments in any company which generates more than 10% of its revenue from tobacco, armaments, or fossil fuel extraction"* (Stewardship and Responsible Investment Report, 2023, p. 83). Beyond the latter, it is not made explicitly clear why these tobacco exclusions do not apply to additional investment portfolios that are not labelled as 'sustainable' or 'ethical' funds. It is noted that Royal London state across their reports that they apply ESG analysis to all of their investment portfolios (across asset classes), but, as Royal

London do appear to be investing in tobacco companies,[112] it would be helpful to have clarity on what ESG analysis processes apply to tobacco companies in 'non-sustainable/ethical' funds, and what deems these companies adequate for inclusion in these investment portfolios. Furthermore, no information is provided on any engagements or voting with tobacco companies on health-related grounds, throughout Royal London's reports.

Similarly, **Fidelity** apply tobacco exclusions to what they refer to as their 'Sustainable Family' range of funds[113] (Sustainable Investment Principles, 2022, p. 12), which cover: "*All tobacco producers, and distributers/retailers/suppliers/licensors with more than 5% of the revenues coming from tobacco sales*" (Ibid, p. 13). Further, they mention in their Sustainable Investment Principles (2022) that their 'Sustainable Development Goal (SDG) Analysis Tool', includes tobacco as one of their criteria to determine which activities could *"harm the achievement of the SDGs*" (p. 18), but they do not elaborate on this in the context of health per se. In addition, they list tobacco as one of their 'negative screening' criteria for their private credit (fixed income/bond) investments in their Stewardship Report (2023, p.51). Yet, it is worth noting that Fidelity's general Exclusions Policy (2022) for all of their investment funds, does not mention tobacco, but only exclusions related to controversial and nuclear weapons. Relatedly, as with Royal London, they do not clarify whether they conduct ESG screening or integration analysis of tobacco companies regarding their 'non-sustainable family' of funds, and how this may be related to public health matters. They also make no reference to any stewardship activities with tobacco companies on health issues.

In terms of the six low reporters – **HSBC, Baillie Gifford**, **Schroders** (all rated 4/10), **L&G, BlackRock** and **Vanguard** (all rated 3/10) – **HSBC** do not mention tobacco exclusions in their Responsible Investment Policy (2024), but they do have a specialised Islamic investment fund, which screens out a set of 'Shariah law' exclusions, that (inter alia) include tobacco (HSBC Responsible Investment Review, 2024). In addition, in their Sustainable Investment Methodology developed for SFDR compliance, they refer to exclusions in their investment analysis to meet the 'do not significantly harm' principle, and state that: "*Tobacco production revenue > 0%*" is amongst other criteria they use to categorise a 'sustainable investment'. Yet, they do not clarify which investment portfolios this applies to, and also do not discuss any of this in the context of health.

For their part, **Baillie Gifford** also have tobacco exclusions for certain ESG funds, namely the 'Baillie Gifford Sustainable Growth Fund', which excludes companies that derive more than 10% of their revenue from tobacco (amongst other criteria), and the 'Baillie Gifford Sustainable Income Fund' which (inter alia) excludes companies which derive more than 5% of revenue from tobacco (Baillie Gifford Investment Funds II ICVC Prospectus, 2024). However, they do not make clear why these different exclusion thresholds apply for tobacco revenues across these funds. Additionally, as with the other AMs, they do not clarify how they are approaching the ESG analysis of tobacco companies across their broader investment portfolios, and if this is related to health. The latter is perhaps extra noteworthy for Baillie Gifford given their dedicated 'Health Innovation Fund' and their commitment to medical and technological advancements to improve health (as discussed in Theme 3a and 8). Finally, in their ESG Integration Approach (2024), they state that they: "*expect all our holdings to operate their businesses*

[112] For example, Royal London refer to British American Tobacco as an investee company in their Stewardship and Responsible Investment Report (2023, p. 39), and Stewardship and Responsible Investment Report (2024, p. 100).

[113] Including those that they have classified as Sustainable Finance Disclosure Regulation (SFDR) 'Article 8 funds' (i.e. those 'promoting environmental and social characteristics') and 'Article 9' (i.e. 'sustainable') funds. For more information see (last accessed 11.10.2024): https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en.

in a way that takes account of all relevant legal and regulatory guidelines and supports good stakeholder relations. Relevant practice areas include [inter alia]: *Responsible marketing* […]" (p. 4). Yet, they do not explicitly link this responsible marketing to any relevant industry, such as tobacco.

Similarly, **Schroders'** Sustainable Investment Policy (2024) highlights how tobacco exclusions are applied to some of their sustainability-oriented funds (classified as SFDR Article 8 and 9 funds), as well as those meeting regulatory requirements in other jurisdictions such as Australia.[114] Yet they do not provide information on, for example, the exclusion thresholds for tobacco companies in their UK or European funds, and none of these exclusions are directly linked to health. Schroders also mention in their Listed Assets Engagement Blueprint (2024) that a 'Human Rights' engagement objective for their investee companies is to: "*Establish and implement a responsible approach to sales and marketing which considers potential adverse impacts on vulnerable populations, such as children*" (p. 23), but do not directly associate this with any relevant sector or industry, such as the tobacco industry.

Perhaps the most surprising of the low reporters is **L&G**, given its range of action on health as previously discussed in this report. Firstly, L&G's Health Policy (2024) makes no reference to tobacco, despite other public pronouncements in, for example, their co-produced Marmot Review for Industry (2022), with Institute of Health Equity (UCL), which states: *"Some industries are inherently harmful to health, perhaps most obviously tobacco* […] *Investors who are prioritising health may well wish to divest completely from these industries*" (p. 35). Yet, L&G, do not appear to have chosen to divest from tobacco companies completely, as the exclusions most widely applied across their investment portfolios are their controversial weapons and coal policy exclusions (L&G Sustainability Policy, 2022, p. 5). Instead, L&G offer a series of 'tobacco free' investment funds, tailored to meet, for example, particular pension fund client preferences and requests. One of these is the 'World Developed Tobacco Sector Exclusions Equity Index Fund', which while excluding tobacco and cannabis-related companies: "*doesn't exclude other companies which may generate revenue from these industries.*"[115] Another is a new Islamic investment fund option, which (inter alia) excludes tobacco companies to assist UK pension schemes better serve Muslim members' Shariah-compliant investment preferences, yet this fund is in fact managed by HSBC.[116] All of this serves to underline that L&G's (bespoke) 'tobacco free' portfolios may largely be an indicator of a desire to meet customer needs, as opposed to an indicator of L&G's general concerns about the tobacco industry per se. While this is not dissimilar to the approach taken to tobacco by the other AMs under investigation here, and it is acknowledged that all AMs have a fiduciary duty to fulfil their (asset owner) clients' demands, the (apparent) lack of activity by L&G beyond this on tobacco is unexpected given their prioritisation of health matters in other areas of their business. Further, it is also noted that as part of their portfolio is passively managed, L&G would have less control over the ESG-informed composition of many of the Index funds they invest in, and thus, they appear to favour stewardship as the best mechanism to inform investee company action for some of their investment portfolios (see e.g. Engagement Policy 2020, p.4) However, in this instance, L&G's

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[114] For example, their Australian arm (SIMAL) state the following in their Group Exclusions Policy (2024): " *Aligned with Australian industry standards and client expectations, SIMAL's policy is to exclude securities issued by companies that derive more that 10% of their revenues from the production of tobacco products, nicotine alternatives and tobacco-based products. This exclusion does not apply to companies generating revenue from the sale and distribution of tobacco, such as supermarkets*" (p. 3-4).

[115] For more detail see (last accessed 11.10.2024): https://fundcentres.lgim.com/en/uk/institutional/fund-centre/PMC/World-Developed-ex-Tobacco-Equity-Index-Fund/.

[116] For more information see (last accessed 11.10.2024): https://group.legalandgeneral.com/en/newsroom/press-releases/l-g-launches-islamic-investment-proposition-for-dc-members.

most recent public disclosures also provide no information on any engagements or voting with tobacco companies on health-related matters.

Turning to the final two low reporters – **BlackRock** and **Vanguard** – **BlackRock** does not appear to have an exclusion policy per se, but do state that some of their impact investment funds exclude: *"certain sectors, products or services including controversial weapons, certain fossil fuels (producers and users), civilian firearms producers, tobacco producers and/or UN Global Compact violators"* (Operating Principles for Impact Management Report, 2023, p. 52).[117] However, they do not provide specific information on the exclusionary thresholds applied for tobacco. Further, they also do not discuss if they conduct ESG analysis of tobacco companies for other investment portfolios beyond impact funds, nor do they elaborate on this in the context of health, across their disclosures. Given BlackRock are the largest AM in the world, this lack of attention to tobacco is concerning.

Similarly, **Vanguard's** Responsible Investment Policy (2023) states that: "*For investors who want to limit their exposure to certain industries or business activities that pose heightened ESG-related risks or conflict with their ESG preferences, we offer products that avoid or reduce exposure to specific industries (such as firearms, tobacco, or fossil fuels) while tracking broadly diversified indexes in various markets"* (p. 2). The products appear to be largely ESG equity and fixed income funds similar to the other AMs (Vanguard ESG Screening Approaches, 2021), yet Vanguard's publicly available reports provide little information on how many of their ESG funds exclude tobacco, the exclusionary thresholds for this, or if they conduct ESG analysis of tobacco companies for their other investment portfolios.

Lastly, **Abrdn** and **Waystone** do not make any mention of tobacco in their disclosures. It should be noted, however, that **Abrdn** did have a number of 'tobacco-free' investment funds in the past as, for example, referred to in their Social Report (2020): "We *increased the number of tobacco-free investment funds we offer to clients, including in our Ethical and SRI Fund ranges. As a discretionary fund manager, Aberdeen Standard Capital choose not to invest directly in tobacco companies in their funds and model portfolios*" (p. 15). Yet, they do not state in their most recent reports (as per August 2024) if, or how, these tobacco exclusions may still apply.

Summary and Recommendations:

In summary, of those AMs who have mentioned tobacco in their public disclosures: 1) there is a remarkable lack of explicit reference to health when they do so, and in particular, health as a key rationale for the exclusion of tobacco companies from some of the AMs' sustainable/ESG funds; 2) no AM appears to favour complete exclusions on tobacco across their investment portfolios, not even those who have currently made health a core ESG-investment priority (i.e. L&G and Royal London); and 3) there is a noticeable lack of transparency on any engagement or voting activity that may be taking place with tobacco companies across AMs' investment portfolios, and especially whether this may concern public health. Relatedly, no reference was made to any public policy engagements regarding, for example, regulation on the marketing and retailing of tobacco products. Finally, it is also worth noting that none of the AMs under investigation appear to be supporters of/involved with the Tobacco Free Portfolios[118] initiative.

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[117] These include their Global Impact, Impact Bond, Emerging Markets Impact Bond, China Impact, and Impact Municipal strategies. It is not clear from BlackRock's disclosures whether (some of) the exclusions mentioned here may also apply to (a selection of) their ESG funds.
[118] For more information see: https://tobaccofreeportfolios.org/.

Recommendations for Investors on Tobacco and Health:

1. Due to the strength, and widespread public acceptance, of the evidence on how harmful tobacco is for human health,[119] we recommend that all investors develop exclusionary policies on tobacco. Given how lucrative tobacco investments continue to be,[120] we recognise that it may not be practical to apply tobacco exclusions to all investment portfolios beyond ESG funds in the short-term. However, due the ever-increasing social and regulatory risks associated with tobacco,[121] we encourage investors to strongly consider doing so over the medium to long-term. This will be especially important if investors do not wish to be left with tobacco-related 'stranded assets'[122] should, for example, anti-tobacco legislation become more prevalent in the near future.

2. In the meantime, we recommend that investors: a) be more transparent about the rationale for their varying exclusionary thresholds for tobacco companies across ESG funds; b) apply World Health Organisation standards[123] to their ESG screening and/or integration analysis of tobacco companies for their portfolios which do not apply tobacco exclusions; and c) be transparent about the latter selection criteria of tobacco companies in their portfolio construction and maintenance processes. Relatedly, it would be helpful for investors to explicitly disclose the size of their investment funds that do exclude tobacco-related companies in compassion to the funds that do include them.

3. In addition, we recommend investors to be more transparent about (the nature of) their stewardship activities with tobacco manufacturers and retailers, and the implications of this for public health. We would also encourage them to engage with policy makers on, *for example*, the 'responsible' marketing and sale of tobacco (to children) associated with their investee companies. The latter may also be in their own best interest regarding their on-going materiality assessments of, and management of their exposure to, tobacco-related risks.

4. Finally, we would encourage investors to consider supporting relevant campaigns and networks focused on tobacco and health to assist their above efforts, such as the Tobacco Free Portfolios or the Tobacco Transformation Index.[124]

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[119] For example, see Bullen, C. (2008). Impact of tobacco smoking and smoking cessation on cardiovascular risk and disease. *Expert Review of Cardiovascular Therapy*, *6*(6), pp.883-895. Cummings, K.M. and Proctor, R.N. (2014). The changing public image of smoking in the United States: 1964–2014. *Cancer Epidemiology, Biomarkers & Prevention*, *23*(1), pp.32-36. Doll R., Peto R., Boreham J., Sutherland I. (2004). Mortality in relation to smoking: 50 years' observations on male British doctors. BMJ. 26;328(7455):1519. West, R. (2017). Tobacco smoking: Health impact, prevalence, correlates and interventions. *Psychology & Health*, *32*(8), pp.1018-1036.

[120] See, for example, 'Global Tobacco: Emerging Trends and Risks Posed to Investors' (last accessed 11.10.2024): https://insights.issgovernance.com/posts/global-tobacco-emerging-trends-and-risks-posed-to-investors/.

[121] For example see (last accessed 11.10.2024): https://www.smokefreeaction.org.uk/smokefree-generation.

[122] For a general explanation of this term - which has to date been used in the context of climate change - see, for example (last accessed 11.10.2024): https://www.lloyds.com/strandedassets.

[123] See 'WHO report on the global tobacco epidemic' (last accessed 11/10/2024): https://www.who.int/initiatives/mpower.

[124] For more information see: https://globalactiontoendsmoking.org/about-us/.

Theme 10. Water Pollution

Investor Health-related Disclosures on Water Pollution Results:

Asset Manager Name	Water Score: /10	Score Category*
BlackRock UK	3	Low
Waystone Management (UK) Ltd	0	No Mention
Legal & General Investment Management Ltd	7	Relatively High
Vanguard Investments UK Ltd	3	Low
Royal London Unit Trust Managers Ltd	7	Relatively High
Fidelity Worldwide Investment	4	Low
Abrdn Fund Managers Ltd	5	Moderate
HSBC Global Asset Management (UK) Ltd	6	Moderate
Baillie Gifford & Co Ltd	3	Low
Schroders (Unit Trusts) Ltd	6	Moderate

***Key: Scores out of 10:** High: 9-10; Relatively High: 7-8; Moderate: 5-6; Low: 3-4; Very low: 1-2; No Mention: 0.

The results of the analysis of UK asset managers' (AMs) disclosures on water pollution and health display some positive elements. Two AMs were rated as 'relatively high' reporters (with scores of 7 out of 10), and three more as 'moderate' reporters on this issue. Four other AMs were rated as 'low' reporters, and one did not mention water pollution and health across their public disclosures.

Analysis:

With regard to the relatively high reporters – **L&G** and **Royal London** – **L&G** have a dedicated Water Policy (2024) that conveys a concern for the implications of poor water quality on human health, the environment and economy:

> "*Water quality is continuing to deteriorate, threatening human health, ecosystem functioning and restricting economic growth […] According to the United Nations, 44% of global household wastewater is not treated safely, impacting ecosystems and human health*" (p. 5).

Both in this policy, and their UK Corporate Governance and Responsible Investment Policy (2024), L&G outline the material risks water pollution presents to their investee companies, global markets, and hence investors such as themselves: "*In its current form, the water system presents a long-term systemic market risk that will impact LGIM* [Legal and General Investment Management] *the markets that we invest in and our investment returns, and ultimately our clients*" (UK Corporate Governance and Responsible Investment Policy, 2024, p. 31). They subsequently outline how they (propose to) integrate water issues into their ESG analysis, development of investment products, and engagements with companies. For example, they state:

> "*Where relevant and available, nature and water-related metrics are incorporated into tools that are used to support investment analysts and fund managers, develop new investment solutions, assist the Investment Stewardship team in its engagements with companies and help clients understand more about the ESG profile of portfolios*" (LGIM Water Policy, 2024, p. 5).

However, L&G do not clarify how health-related matters are integrated into the aforementioned approach to water analysis, investment and stewardship in their Water Policy (2024), or in their overview of water-related objectives for investee company engagements in their UK Corporate

Governance and Responsible Investment Policy (2024).[125] Nor do they specify which investment portfolios their water policy is applicable to, for instance, if it is for all, or a selection, of their asset class investment strategies, or, just for ESG-related funds.

L&G do provide case study examples of engagements on water issues, as part of their prioritised 'Nature' stewardship theme, in their Active Ownership Report (2024). These engagements have been prominently with UK water companies, their shareholders and industry regulators. One example[126] focuses on an ongoing engagement with Thames Water, where L&G: "*demand*[ed] *progress on pollution and leakage metrics among other topics*" (p. 53), but they do not explicitly link these or the 'other topics' to public health. L&G do outline, however, that as a result of the lack of progress made by Thames Water on their engagement concerns and objectives that they: "*downgrad*[ed] [their] *internal relative value score for the company*" and "*remain cautious in adding to* [their] *investment in Thames Water across* [their] *active credit portfolios, but retain limited selective* [investment] *exposure*" (Ibid).[127]

Further in this report, L&G also highlight their involvement in a collaborative engagement led by the Investor Forum[128] in 2023, with corporate and public policy actors, on short-medium-and long-term concerns regarding the UK water system (p. 52). In addition, they refer to becoming a signatory of the Ceres investor-led 'Valuing Water Finance Initiative',[129] which aims to: "*engage water users and polluters to address water risks and protect this essential natural resource*" (Ibid). Yet, once more, neither of these activities were explicitly related to public health in this report.[130]

While all of the above indicates a strong concern for water-related issues, and in particular water pollution, across L&G investment activity, the implications of this action on human health are not explicitly considered or discussed throughout their public disclosures.

In terms of **Royal London**, they do not mention water or water pollution in their Ethical and Sustainable Investment Policy (2023), Ethical Bond Fund Policy (2023) or 'Investing Responsibly with Us' (2024) guide. However, water is discussed as an engagement concern as part of their prioritised 'biodiversity' engagement theme, as per their Stewardship and Responsible Investment Reports (2023) and (2024).

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125 More specifically they state: "*LGIM* [Legal and General Investment Management] *will focus engagement activities on key areas of the water system, i.e. water scarcity and security, and water quality. LGIM's expectations of companies will be expanded, and include: strengthening disclosures on approach to impact on water quantity and quality; whether a commitment, strategy and policy is in place across the value chain; explanation of how the strategy is embedded, targets and progress; board level oversight; protection and regeneration of nature and ecosystems; and lobbying activities*" (p. 31).

126 They provide another case study example in their Climate and Nature Report (2023) of their involvement in financing marine conservation in Ecuador, but also do not link this to any health-related matters.

127 They supplement this with a blog on: 'How active credit investors can help flush out UK sewage pollution' (last accessed 11.10.2024 at): https://blog.lgim.com/categories/esg-and-long-term-themes/how-active-credit-investors-can-help-flush-out-uk-sewage-pollution/.

128 For more information see: https://www.investorforum.org.uk/.

129 For further details see: https://www.ceres.org/water/valuing-water-finance-initiative.

130 In their PRI Report (2023), they also highlight a collaborative engagement they were involved with led by First Sentier Investors to put pressure on the UK Government to take action on microplastics entering the water system. This involved co-signing an investor letter for, and meeting with, DEFRA (UK Department for Environment Food and Rural Affairs) to request legislation for the inclusion of microfibre filters in washing machines. Here, they do not stipulate if this engagement considered the (potential) negative impacts of microplastics to human health. More broadly, in their PRI Report (2023), *as with Royal London below*, they state that they: "*ensure the protection of surface water, groundwater and aquatic ecosystems by controlling and retaining construction pollutants*" (p. 107) during construction projects, but also do not directly link this to health.

In their Stewardship and Responsible Investment Report (2023), Royal London outline how they have been engaging with water companies since 2018: "*focusing on pollution, approach to water management, adaption to physical climate risk and the impact this has on end customers given the ongoing cost of living crisis"* (p. 20); although they do not link any of this directly to 'end-user' health. Here, they provide a case study example of their engagements with Severn Trent over the course of 2022, and praise the company for its advancements in urban drainage systems: "*Severn Trent's Mansfield project was the first sustainable urban drainage system of its scale in Europe. Through planting trees, creating green spaces, and using permeable paving in the city it aims to help with wastewater and reduce flash flooding to protect customers for the next 40 years*" (p. 20). Yet, Royal London make no reference to the ongoing raw sewage scandals Severn Trent was (as with Thames Water and other UK water companies) embroiled in at the time.[131]

In their following year's (2024) Stewardship and Responsible Investment Report, Royal London offer some rationale for their ongoing investment in several of the aforementioned water companies; related to the essential public services they provide and their long-term sustainability performance potential. In addition, they also indicate taking a stronger line with other water companies who may not be progressing in the manner they would like on sustainability issues, such as Southern Water:

> "*While UK water companies perform well versus international peers,[132] our sustainable mandate means we avoid companies we deem to have weaker social or environmental practices, such as Southern Water. We will scrutinise and recognise signs of improvement, even where companies have underperformed historically so we can take a long-term, holistic view of overall sustainability performance*" (p. 75).

Royal London supplement the above discussion of their ESG assessment and investment-decision making surrounding the UK water sector in online statements,[133] and in their 'Understanding Best Practices in UK Water' (2023) report. Approaches for monitoring water use and wastage are also described in their Task Force on Climate-related Financial Disclosures (TCFD) Report (2023). However, Royal London appear to place most explicit attention on water pollution and health in the context of antimicrobial resistance (AMR) in their most recent public disclosures. That is, in their Stewardship and Responsible Investment Report (2024, p. 30), they refer to water in the context of 'community health' when they discuss their current collaborative engagements with other asset managers and owners on AMR risks in the UK water sector; as informed by their signature of the Investor Action on AMR (IAAMR)'s Statement.[134] They extend this commentary with further calls to action on AMR by water companies in a recent press release,[135] as well as in a new report entitled:

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[131] See for example (last accessed 11.10.2024): 'Severn Trent fined £2 million for 'reckless' pollution' https://www.gov.uk/government/news/severn-trent-water-fined-2-million-for-reckless-pollution and 'BBC uncovers 6,000 possible illegal sewage spills in one year': https://www.bbc.co.uk/news/articles/c4nn46rjej6o

[132] This relates to financial performance.

[133] See for example (last accessed 11.10.2024): 'The importance of engagements within water investment' https://www.rlam.com/uk/intermediaries/our-views/2024/the-importance-of-engagement-within-water-investments/ and 'ESG integration in UK water companies': https://www.rlam.com/uk/intermediaries/our-views/2023/esg-integration-in-uk-water-companies/.

[134] This calls for global action to combat drug resistance. The IAAMR initiative was founded by the FAIRR Initiative, the Access to Medicine Foundation, and the UK Department for Health and Social Care. For more information on the statement, see: https://www.fairr.org/investor-statements/investor-action-on-amr-public-investor-statement.

[135] See (last accessed 24.10.2024): 'Royal London Asset Management calls for water companies to help protect public health against the risks of antimicrobial resistance' (September, 2024): https://www.royallondon.com/about-us/media/media-centre/press-releases/press-releases-2024/september/royal-london-asset-management-calls-for-water-companies-to-help-protect-public-health/.

"Antimicrobial resistance among the top 10 threats for global health. Can water utilities help?" (2024).[136]

Turning to the moderate reporters – **Abrdn, HSBC** and **Schroders** – **Abrdn** have a dedicated Water Position Statement (2023). This states that: "*Human life is wholly dependent on access to water*" (p.1), and elaborates on the risks associated with water supply, quality and sanitation: "*water resources are under growing pressure from increased urbanisation, power-generation, food-production, pollution, and climate change"* (Ibid). Here, Abrdn outline how they: "*as investors* [..] *have the potential to allocate capital to provide solutions to the global water crisis and support climate-resilient strategies, where this makes financial sense for* [their] *customers*" (Ibid). They use this position statement to explain how they will integrate the material risks and opportunities related to the water sector into their ESG analysis, investment decision-making and stewardship activities. Yet, while Abrdn's position statement seeks to align their work with SDG 6: Clean Water and Sanitation, no explicit reference is made to how they will address water access or pollution in the context of public health across this document or their additional reports. Moreover, there is insufficient transparency related to how Abrdn are implementing this position statement in practice. For instance, while they state that they conducted "17 water-waste management" engagements in 2023 in their Stewardship Report (2024, p.20), they do not provide any details of these engagements, or their relationship to health, in this report, or in their PRI Report (2023).

For their part, **HSBC** do not have a standalone policy or position statement on water (and health), but water is mentioned as one of their biodiversity-related engagement themes in their Stewardship Plan (2024), and Voting Guidelines (2024). The connection between biodiversity/nature and human health is also briefly mentioned in their Biodiversity Policy (2023, p. 2). In addition, HSBC provide several water pollution-related engagement examples in their Stewardship Report (2024). One of these relates to an (unnamed) UK water company where they acknowledge that: "*regulatory pressure is rising on the company and industry due to increased public awareness of the health risks, and the ecological impact of sewage storm water overflows"* (p. 103). HSBC outlined they had several meetings with the company between 2022 and 2023, as well as Ofwat (UK water regulator), and voted against the board director at the 2023 AGM on environmental management grounds, as well as against the company's renumeration report for being excessive. In terms of outcomes from this stewardship activity, they state the company is making a range of improvements to its environmental management procedures including (inter alia): "*committing to faster installation of sewage monitors*" (Ibid, p. 104). They also mention they will continue to monitor the progress the company is making going forward.[137]

Similarly, **Schroders** do not have a policy or position statement on water (and health), but water also forms part of their nature and biodiversity engagement themes and impact investing themes. In their Listed Assets Engagement Blueprint (2024), they outline that their short-term to mid-term objectives for investee companies regarding water-related engagements are to: "*Take action to reduce and avoid pollution into marine and coastal environments, including excess nutrient runoff and abandoned equipment*" and "*regularly consult with local communities on the impacts of water management practices*" (p.18). While public health is not explicitly mentioned here, they do align this theme (inter alia) with SDG 3 on Good Health and Wellbeing. Furthermore, they outline in their Active Ownership

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[136] Available via (last accessed 24.10.2024): https://www.rlam.com/uk/intermediaries/our-views/2024/antimicrobial-resistance-among-the-top-10-threats-for-global-health.-can-water-utilities-help/.

[137] In this report, they also refer to a collaborative engagement as part of the FAIRR initiative to encourage: "*ten publicly listed pork and chicken producers and two fertiliser companies to address the biodiversity risk driven by nutrient pollution from animal waste*" (HSBC Stewardship Report, 2024, p.125). Yet, they do not explicitly relate this to public health.

Report (2024) that they were also involved in a collaborative engagement in 2023, led by the Investor Forum, with three UK companies (Severn Trent, United Utilities and Southwest Water) and Ofwat, related to wastewater overflows, amongst other issues. They explain that this engagement: "*highlighted that any solution to reduce CSO* [combined storm overflow] *discharges will come with a large cost, take decades and be carbon intensive*" (p.36), but that: "a*s long-term investors in UK water utility companies we will continue to work with their management teams to encourage robust management of environmental risks"* (Ibid). No direct reference to human health it made here, however. On a more positive note, Schroders do state in their Impact Report (2024), that their (global) impact investment funds provided "*308,624* [people] *with improved access to water and basic services*" (p. 13) in 2023, which has direct, positive implications for the social determinants of health. Lastly, Schroders also have a Global Sustainable Food and Water fund, but based on the fund factsheet (2024), this is more directed at environmental, and not combined health, issues.

In terms of the low reporters – **BlackRock, Vanguard, Fidelity** and **Baillie Gifford** – **Fidelity** acknowledges water as a biodiversity concern in their Sustainable Investment Principles (2022) and Voting Policy (2021). For example, they state in the latter that they will vote against companies that have: "*failed to properly manage the sourcing of water, failed to mitigate potential water scarcity risks, or are accountable for failings resulting in material pollution or contamination*" (p. 42). Yet, there is a lack of discussion across their disclosures on how these commitments are being operationalised, and if any of their water-related stewardship activities have been informed by public health issues. Meanwhile, neither **BlackRock, Baillie Gifford** or **Vanguard,** acknowledge water as a priority responsible investment or engagement theme, yet it is noted that all three have conducted water-related engagements; even if there is no direct reference in their reports to how these might be associated with human health. Finally, **Waystone** make no reference to water, and health, across their disclosures.

Summary and Recommendations:

In summary, it is encouraging to see that many of the AMs under investigation are integrating water pollution in some capacity into their ESG analysis, investment decision-making or stewardship activities. Yet, while this may be positive from an environmental standpoint, the implications of the same for human health have rarely been articulated, and have been predominantly indirectly implied, across their reports.

Recommendations for Investors on Water Pollution and Health:

1. For investors who have existing water policies and position statements, we would encourage them to develop their commitments to public health therein. That is, to make their specific objectives and targets regarding investee company action on water supply, quality and pollution clearer from a social determinants of health, and not just environmental, perspective.

2. In turn, we recommend greater transparency in investor reports regarding how the aforementioned water and health-related objectives and targets inform investor ESG analysis, investment decision-making and stewardship activities with relevant investee companies across investment portfolios. In particular, we welcome clarity on: a) investment screening and/or integration processes of investee companies on water and health (also beyond sewage-related matters); b) when company water-related engagements or voting may be triggered and enacted on public health grounds; and c) the health-related outcomes and impacts of all of this.

3. For those investors who currently do not have policies or position statements on water, we recommend they consider the materiality of water and public health issues for their investment

portfolios, and to develop ESG investment policies, strategies and stewardship procedures according to the aforementioned recommendations (point 1-2). It would also be in investors' best interest to do so given, for example, the ever-increasing public pressure and regulatory risks associated with UK water company investments.[138]

4. Finally, for those investors who have yet to participate in collaborative engagements in this area, we encourage them to consider joining relevant networks such as the FAIRR Investor Action on AMR group. We also encourage investors to consider the merit of certain tools to assist their (individual or collaborative) company engagements on water and health, such as, the CDP Water Watch[139] or the Chemical Footprint Project.[140]

[138] See, for example: 'New commission may ban English water companies from making a profit' (last accessed 22.10.2024): https://www.theguardian.com/environment/2024/oct/22/new-commission-may-ban-england-water-companies-from-making-a-profit.
[139] See: https://www.cdp.net/en/investor/water-watch-cdp-water-impact-index.
[140] See: https://chemicalfootprint.org/.

CHAPTER 5: FINAL DISCUSSION & RECOMMENDATIONS

Introduction and Summary of Results

This research sought to examine investor action on health and health inequalities. The aim was to critically analyse whether and how investor action on health is, or could be, effective for society and economy. In particular, in recognising the factors that influence investor action on environmental, social and governance (ESG) issues (see Chapter 2: Literature Review), this research sought to investigate: a) whether and how investors are acting on health as an ESG issue; b) how effective this has been to date; and c) what internal and external investor mechanisms could be used to have the maximum impact on health?

These research questions were addressed by conducting a detailed assessment of the top ten UK asset manager's (AMs)[141] public ESG disclosures to determine if they are integrating health-related matters into their responsible investment activities and if so, what the impacts of this have been, or currently are, for public health. The ultimate objective being to use this critique of investors' health-related disclosures as an indicator of the current state of (broader) investor action on health; and hence to develop a set of evidence-based recommendations for institutional investors, policy makers and broader stakeholders on how to advance such action.

The results of the analysis of the investor health-related disclosures presented in the previous chapter will now be summarised and discussed with the aforementioned objective(s) in mind, while simultaneously presenting recommendations for future multi-stakeholder work in this field.

Collating and Unpacking Investor Health-Related Disclosures:

Table 3: AM Health-related Disclosures Overall Scores:

Asset Manager Name	Overall Score	Score Category*
BlackRock UK	**26**	**Low**
Waystone Management (UK) Ltd	**0**	**No Mention**
Legal & General Investment Management Ltd	**50**	**Moderate**
Vanguard Investments UK Ltd	**11**	**Very low**
Royal London Unit Trust Managers Ltd	**51**	**Moderate**
Fidelity Worldwide Investment	**20**	**Low**
Abrdn Fund Managers Ltd	**24**	**Low**
HSBC Global Asset Management (UK) Ltd	**40**	**Moderate**
Baillie Gifford & Co Ltd	**28**	**Low**
Schroders (Unit Trusts) Ltd	**48**	**Moderate**

***Key:** No Mention/Very low: **0-20**; Low: **20-40**; Moderate: **40-60**; Relatively High: **60-80**; High: **80-100**

[141] Representing approximately £584 billion assets under management (AuM) total, and approximately 40% of all managed funds in the UK, as per Investment Association data, July, 2024 (Available 09.07.2024 at: https://www.theia.org/industry-data/fund-statistics/monthly-company-rankings/2024/total/1).

Table 4: AM Health-related Disclosures Overall Thematic and Final Scores:

AM NAMES	HEALTH THEMES														TOTAL SCORES
	Air Pollution	Alcohol	Acc. to Med.	AMR	Emp. & Physical Health	Emp. & Mental Health	Financial Wellbeing	Gamb. & Mental Health	Housing & Health	Infrast. & Health	Nutrition	Tech. & Health	Tobacco	Water Pollution	
BlackRock	3	2	0	0	3	3	2	2	2	1	1	1	3	3	26
Waystone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
L&G	3	0	1	5	4	3	4	0	4	3	9	4	3	7	50
Vanguard	2	1	1	0	1	0	0	0	0	0	0	0	3	3	11
Royal London	5	4	3	2	3	4	3	2	4	3	0	6	5	7	51
Fidelity	0	0	0	0	3	1	3	0	0	0	1	3	5	4	20
Abrdn	1	0	1	0	4	2	4	0	2	1	1	3	0	5	24
HSBC	4	3	2	2	4	2	4	2	0	1	2	4	4	6	40
Baillie Gifford	0	3	4	2	2	0	1	2	0	0	1	6	4	3	28
Schroders	5	3	3	2	5	3	4	0	3	3	4	3	4	6	48
	/10	/10	/5	/5	/5	/5	/5	/5	/5	/5	/10	/10	/10	/10	/100

KEY:

Scores out of 5: High: 5; Relatively High: 4; Moderate: 3; Low: 2; Very low: 1; No Mention: 0.

Scores out of 10: High: 9-10; Relatively High: 7-8; Moderate: 5-6; Low: 3-4; Very low: 1-2; No Mention: 0.

Total Scores: No Mention/Very low: **0-20;** Low: **20-40;** Moderate: **40-60;** Relatively High: **60-80;** High: **80-100**

The above tables highlight several interesting factors with regard to the status of investor health-related disclosures, and therefore by extension, current investor action on health.

Firstly, based on the evaluative criteria used in this research, none of the AMs under investigation were rated as (relatively) high reporters on health (see Table 3). Only four AMs were rated as moderate reporters on health – **Royal London (51/100), Legal and General (L&G) (50/100), Schroders (48/100)** and **HSBC (40/100);** four were rated as low reporters – **Baillie Gifford (28/100), BlackRock (26/100), Abrdn (24/100)** and **Fidelity (20/100)**; one as a very low reporter – **Vanguard (11/100)**; and finally, **Waystone (0/100)** made no mention of health-related matters across their public disclosures (see further explanation on the latter in Chapter 3: Methodology).

Secondly, when considering these overall scores in more granular detail across health themes (Table 4), it is interesting to note that none of the AMs are reporting on, and therefore presumably acting on, all of the 10 (14 total) health themes under investigation in a consistent fashion. Even the highest overall scorers – **Royal London, L&G, Schroders** and **HSBC** have variant (higher/lower) scores across all themes, which is particularly noteworthy for **L&G** and **Royal London** who have both made health one of their current ESG thematic priorities.

Thirdly, when focusing on the health themes per se, they are, *on average,* being reported (and therefore presumably acted) upon by the AMs in the following manner:

- Moderately but in need of further attention: Employment and physical health; financial security and wellbeing; and water pollution;
- Low and in need of ethical attention: Alcohol; tobacco; and technology and physical health;
- Low and in need of further attention: Access to medicine; employment and mental health; nutrition and obesity; housing and health; and infrastructure and health;
- Very low and in need of urgent attention: Air pollution; AMR; gambling and mental health; and technology and mental health.

Finally, in terms of internal responsible investment mechanisms being used by AMs in this research to address health-related matters, the dominant responsible investment strategy appears to be stewardship, entailing engagement and voting with investee companies. There is also evidence of negative screening (exclusions) and impact investing. There is far less clarity and transparency in the AM's public disclosures with regard to how health issues may form part of their ESG integration efforts in their asset selection and portfolio construction processes.

Overall, our detailed analysis in the previous chapter has evidenced that while a lot of progress is being made to integrate health-related matters into AMs' ESG analysis, investment decision-making and stewardship activities, this is currently falling far short of what is required if public health is to be truly recognised and addressed as a material, systemic risk for the investment industry and broader economy.

We believe there is great potential for investors to address these gaps through the following (interrelated) action: 1) adopting a more cohesive and transparent approach to the development and implementation of health-related investment policies; 2) assessing investment portfolios through the 'lens of health' and setting short-, medium- and long-term strategic goals related to this; and 3) creating, (in association with standards bodies and regulators) and utilising a standardised health-related disclosure framework.

In doing so, investors have the opportunity to place themselves at the vanguard of social, economic and commercial determinants of health reform, by catalysing a 'theory of change' for better health outcomes and impacts through their, and their investee companies', activities. We now discuss all of this in more detail in the following sections.

Advancing Investor Action on Health

1. Cohesive and transparent approach:

Our analysis suggests that a more cohesive approach should be taken in both investor action on health, as well as their transparency and disclosure on the same. To begin to address this, investors currently working on, or soon to be working on, health could formally recognise this in specialised health policies, or as part of core responsible/sustainable investment policies to guide their work in this field. It would be beneficial if these policies could explain why particular health themes may be prioritised for attention over others, especially if priority ESG themes are changed on an annual basis. In turn, it would be useful for these health policies to outline: a) how the chosen health themes will inform investor ESG (screening/integration/other strategic) analysis, investment decision-making, asset selection and portfolio construction processes; b) whether the latter will apply to all (active and/or passively managed[142]) investment portfolios across all asset classes, or just a selection of (ESG) funds; c) what associated health-related stewardship (engagement and voting) triggers, objectives and targets will apply to the health themes, and in turn how the outcomes of these stewardship efforts will inform their ongoing ESG integration efforts; and d) a commitment to be responsible and accountable for all of this from a material social impact as well as financially material (i.e. a 'double materiality') perspective.

Subsequently, investors could work to better assess the interception, and alignment, of health themes across their portfolios, and apply/update their health policy(ies) and procedures accordingly (see Sections 2a and 2b below).

This need for cohesion and clarity in investment approach and disclosures is important, especially if we look at the example of Legal and General (L&G) who are the only AM in this research that has a dedicated health policy. As discussed in the previous chapter, L&G have been at the forefront of a range of health-related work on: employment and physical health (beyond traditional H&S), financial security and wellbeing, housing, infrastructure, technology and water; as also informed by their research on the social determinants of health in partnership with the Institute of Health Equity (University College London), and Prof. Sir Michael Marmot. These health themes and associated work are, unfortunately, not referred to in their health policy. Instead, L&G's health policy prioritises nutrition and AMR themes only, without explanation as to why their extant work and achievements on other health themes have not been equally mentioned or prioritised.[143] In addition, L&G's health policy emphasises their proposed engagement approach with investee companies on nutrition and AMR, yet there is less specific detail on how these themes may be integrated into L&G's initial ESG analysis of (potential) investee companies, in particular, for their actively (as opposed to passively) managed investment portfolios. It could also be seen as surprising that there is an absence of consideration of harmful health commodities,

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[142] As a reminder of what passive and active asset management are, see the UN PRI glossary of investment terminology for further information (last accessed 11.10.2024): https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article.

[143] L&G do mention in their health policy that: "*[t]his does not prevent us from considering other areas that impact human health, that may also raise systemic risks, and that may potentially have a negative effect on our clients' assets*" (LGIM Health Policy, 2024, p. 3). However, they elaborate upon this by stating in a footnote that: "*In Q4 2023, LGIM joined the Investor Initiative on Hazardous Chemicals (IIHC). Further, we explore and consider the interlinkages between health and our other strategic priority themes such as climate change and nature*" (Ibid); making no reference to their other health-related work and themes mentioned above.

activities and themes – namely alcohol, tobacco,[144] gambling and air pollution[145] – in L&G's health policy, as well as additional reports. These points do not seek to solely critique L&G, but rather act as an illustrative example of the current inconsistencies in reported investor action and disclosures on health which are common across all the AMs under review.

The above can have a number of damaging effects for investors and broader stakeholders alike. In the first instance, investors run the risk of being accused of 'cherry picking' certain health themes to actively promote publicly, such as nutrition and AMR, while deflecting attention away from other (commodity) investments that may be causing significant harm to health. There is also the risk that poor health-related disclosures do a disservice to those AMs who are taking positive steps to address certain dimensions of investment and health. One such example is Baillie Gifford who have a specialised health innovation fund yet make no mention of health being a material social issue of concern to them in their core ESG/responsible investment documentation. In turn, disjointed health-related policies and disclosures prevent external stakeholders, such as public health representatives, from gaining a clear, complete and accurate picture of the true nature of the range of activities investors are involved with related to health.

All of this points to the need for two simultaneous courses of action for investors, in addition to the production of consistent health policies, to ensure a more comprehensive approach to, and reporting on, health: a) investors need to look at their investment portfolios through the 'lens of health'; and b) a specialised health-related financial disclosure framework is necessary to assist them to do so.

2. Looking at investor portfolios through the lens of health:

As outlined in detail in the previous chapter, many of the AMs' investment activities have a direct, and often positive, link to and impact on the social, economic and commercial determinants of health, yet the majority of the AMs in this research are not considering their work in this context, and thus, not reporting on it in this capacity. Therefore, investors need to be (made) aware of and understand the interrelationship between, and implications of, their activities on public health, not just in terms of the financial materiality of public health risks on their investment returns, but also the social (and hence 'double') materiality of their investments on public health; as well as the ongoing reciprocal nature of this.

Some investors are already beginning to do this, such as L&G and Royal London (and HSBC and Schroders in a less explicit way), but both they and other AMs who are not as active on health currently,

[144] According from L&G'S Health Policy: "*Poor diets generate more disease worldwide than physical inactivity, alcohol and smoking combined*" (LGIM Health Policy, 2024, p. 4), however, this does not detract from the fact that tobacco is considered to be the leading preventable cause of death and illness in the world by the World Health Organisation (see https://www.who.int/europe/health-topics/tobacco#tab=tab_1). Relatedly, we question whether L&G's work on the other prioritised health themes in this research may be strong enough to negate tobacco investments and the tangible harm this has for public health. This question also applies to all of the other AMs in this research as it appears, despite some threshold exclusions in ESG/ethical funds, that they are all still investing in tobacco-related companies; for example, it is noted that none of them are currently signatories to the 'Tobacco Free Portfolios' Pledge (see, last accessed 25.10.2024: https://tobaccofreeportfolios.org/the-pledge/). However, to be able to answer this question, further research is needed to determine the actual percentage of investors' portfolios that may be invested in tobacco-related companies, in comparison to that which is not; and then further compared against the percentage of other portfolio activities that may be having a more positive impact on health.

[145] For instance, recent research estimates that (inter alia) almost 2000 children die from air pollution a day. See (last accessed 11.10.2024): https://www.theguardian.com/environment/article/2024/jun/18/almost-2000-children-die-every-day-from-air-pollution-report-finds.

will need to utilise different internal and external mechanisms to support a (more) comprehensive approach to their work in this area going forward.

Hence, to begin with, we suggest that a practical, staged approach to health-oriented scanning, mapping and goal-setting across investment portfolios could be undertaken. More specifically, this could entail strategic short-, medium- and long-term action, utilising and building upon extant internal investment mechanisms and capacities in the first instance, and then advancing this through the support of external mechanisms over the medium-to-long term. We now discuss this further below.

2a. Short-term action:

While all investor activity could (arguably) be linked to the social, economic and commercial determinants of health, some activities are more directly linked than others. For example, investments related to employment, housing, nutrition and access to medicine have more obvious, tangible connections to the outcomes of investment activity on public health, than perhaps the provision of online financial services for vulnerable customers.

In this instance, investors could review their current public and private equity, fixed income and alternatives (e.g. real estate and infrastructure)[146] investment portfolios, and especially those beyond specialised ESG funds, through a health lens; to determine where they may already be addressing key social and economic determinants of health through the ESG work they are doing, and where they might be able to enhance or extend this. In doing so, we suggest investors consider the list of recommendations presented for each key health theme in the previous chapter.

In addition, we encourage investors not to review their different portfolios in isolation from one another during this process, but to assess the (potential) intersection of their health-related work across investment portfolios (as, *for example*, discussed in the investor recommendations for Theme 7: Nutrition), to facilitate a more comprehensive approach overall to their action on health.

2b. Short-to-medium term action:

The latter point above will also require investors to better recognise health as a systemic issue that cuts across and affects all of their investment portfolios, in the same manner as they are doing for climate change, and more recently nature. This may require a shift in mindset for some investors, and here we suggest that, *as a starting point*, these investors could lean into the existing investment industry narrative and understanding surrounding the 'Just Transition' to low carbon economies. For example, as stated by Royal London in their 'Investing Responsibly with Us' (2024) guide, the: "*Just transition:* [means] *putting the social transition at the heart of the climate transition*" (p. 14). Yet, investors have not been extensively considering health as one of the fundamental 'social' issues that needs to be addressed as part of their just transition (scenario) risk assessment, planning and management to date; as also discussed at the Conference of the Parties (COP) 28 Summit in 2023.[147] Hence, investors could expand the scope of their climate change and just transition work to assist them to understand and address health as an interrelated systemic risk.

[146] As a reminder, see the UN PRI glossary of investment terminology for further information: https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article.

[147] For some insight see, for example (last accessed 11.10.2024): https://www.cop28.com/en/news/2024/02/COP28-UAE-advances-climate-and-health-financing-efforts-at-World-Governments-Summit.

There is also precedent for this, in terms of the recent work investors have done to connect climate and nature in a similar capacity. This is reflected in, for example, L&G's statement in their UK corporate governance and responsible investment policy (2024, p.31) that: *"Globally, we need a 'Just Transition' to economies that are both net zero and nature-positive, and in which ecosystems are restored*" (p. 31). This has inevitably been directly influenced by both the Task Force on Climate-related Financial Disclosures (TCFD), and newer sister Task Force on Nature-related Financial Disclosures (TNFD) frameworks that investors have been mandated to report against in the case of TCFD, and are currently still voluntarily reporting against in the case of TNFD, in the UK. There is no reason why this could not be expanded to include a climate-nature-health nexus, where 'health positive' portfolios could be an interrelated goal to achieve with net zero and nature-positive portfolios, other than simply a Task Force on Health-related Financial Disclosures (THFD) that has yet to be developed (see further discussion on this in the following section).

In the interim, investors could look to make these connections themselves across their investment activities and portfolios. For instance, water is a key element and connecter in their TCFD and TNFD work, which also, as discussed in Theme 10 in the last chapter, has direct public health implications. Furthermore, air pollution (also beyond GHG), is another neglected theme by investors currently (as discussed in Theme 1), which is a very good example of a systemic, interrelated nature-climate-health theme that could be focused upon. Or finally, the decarbonisation of the social housing sector, as Royal London are currently focusing upon (see Theme: 6), is another suitable interrelated climate/nature-health topic incorporating real estate and infrastructure portfolios.

Such work would also bring more weight to investor statements such as those made in Fidelity's 2023 Stewardship Report that: "*Healthy capital markets rely on a healthy economy, society and environment"* (p.26).

3. Medium-to-long-term action: A health-related disclosure framework:

In the medium to long-term there will be the need for external (regulatory) mechanisms to support the above investor action on health, and we believe that the only way to get investors to address all of the health issues covered here in a cohesive, systematic manner, *and hence to drive a health-oriented theory of change across the socio-economic system via their investee companies*, is to require them to produce health-related financial disclosures. A health-oriented reporting framework would act as a standardisation mechanism and tool for investors to produce a comprehensive report on all of their health-related action. Thus acting as a more efficient way to be accountable to, and be held to account by, a range of key stakeholders such as (asset owner) clients, regulators, public health representatives, advocacy groups and broader society.

In the first instance, the existing TCFD and TNFD frameworks could be revised to include reporting indicators on health. However, if health is truly going to be elevated to the same systemic status as climate change, then it does merit and require a specialised disclosure framework of its own. It is also noted that the TCFD and TNFD frameworks solely take a financial materiality, as opposed to double materiality, approach to their disclosure requirements on climate and nature respectively; when the recommendations we have made for investor action on the health throughout the previous chapter support a double materiality approach. The recently launched Taskforce on Inequality and Social-related Financial Disclosures (TISFD)[148] in September 2024 is therefore a positive development in this respect. However, it is yet to be seen how the TISFD will address health and health inequalities, and what reporting approach it will endorse within its proposed disclosure framework for corporate and financial

[148] For more information see: https://www.tisfd.org/.

actors. The health-related disclosure indicators that were developed to conduct this research (see Appendix 1), could perhaps inform aspects of the TISFD development process.

Beyond this, there is the simultaneous need for existing sustainable finance regulation to be expanded to include health-related considerations and requirements. In particular, the EU Sustainable Finance Disclosure Regulation (SFDR), currently does not address any health issues directly, apart from including health and safety as one of the regulation's mandatory 'Principle Adverse Impacts (PAI)' that financial market participants (FMPs) need to report against. The SFDR does, however, stipulate that FMPs should take a double (financial risk and sustainability impact) materiality approach to their reporting against SFDR requirements, and hence, the SFDR could facilitate the integration of more robust health-related reporting indicators into its current structure. It is also noted that several of the AMs under investigation in this research, with operations in Europe/European domiciled funds, are currently obliged to meet SFDR reporting requirements.

In the UK, the SFDR equivalent is the Sustainability Disclosure Requirements (SDR) which is currently informed by the TCFD framework, and thus neither integrates social issues such as health, nor supports a double materiality approach, in its current reporting requirements for institutional investors. Given the SDR has just recently begun to be implemented in the UK, since May 2024,[149] as well as the fact that the newly formed Labour Government has (inter alia) called for multistakeholder input into how health provision and broader action in the UK could be improved[150]; the time may be right to present policy recommendations to the Financial Conduct Authority (FCA) who are responsible for the implementation of the SDR,[151] and/or the UK Sustainability Disclosure Policy and Implementation Committee (PIC),[152] about the need to integrate social, but in particular, health-oriented disclosure requirements into the SDR. The detailed investor recommendations presented in the previous chapter, as well those made throughout this chapter, could act as the starting point for the same.

More broadly, other aspects of investor reporting frameworks also need to be addressed in order to facilitate their disclosures of the impacts of any health-related (or for that matter broader ESG) work they do. That is, both the current UN PRI reporting framework (obligatory for PRI signatories) and the UK Stewardship Code (obligatory for Code signatories) reporting frameworks, only require institutional investors to report on the '*outcomes*' of their ESG activities, as opposed to the '*impacts*' of the same. Thus making it difficult for external stakeholders to often get a good sense of the real-world impacts of investor (health-related) ESG activities if they do not voluntarily include that in these reports or broader disclosures; and especially if they are not involved in impact investing per se. It should also be noted that, on several occasions, more discussion of investor (health) impacts in our analysis of AM disclosures, did come from those who had active impact investing activities; for example, Schroders.

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[149] For some industry commentary on this see, *for example* (last accessed 11.10.2024): https://www.ocorian.com/insights-news-press-releases/navigating-uks-new-sustainability-disclosure-requirements-sdr-what.

[150] See for example (last accessed 11.10.2024): https://www.theguardian.com/politics/2024/sep/12/keir-starmer-labour-radical-public-health-drive-junk-food-ads-energy-drinks-nhs.

[151] For more information see, for example (last accessed 11.10.2024): https://www.gov.uk/government/publications/sustainability-disclosure-requirements-implementation-update-2024.

[152] The PIC is comprised of UK government and regulator representatives to coordinate the implementation of any UK Sustainability Reporting Standards. For more information on these governmental and regulatory representatives see (last accessed 11.10.2024): https://www.gov.uk/guidance/uk-sustainability-reporting-standards.

Limitations and Future Research

While this research has succeeded in producing rich insights into the current state of investor disclosures, and by extension action, on health by leading UK asset managers (AM), there have also been a number of limitations to this research which could be addressed in future projects.

Firstly, only the top 10 UK asset managers (as per May 2024 data) were included in this research. Future research could extend the number of AM disclosures being examined, and also include a selection of 'ethical' or specialised impact investors in the UK to compare/contrast their health-related activities and disclosures with those of mainstream AMs. Secondly, as this research was solely based on the public disclosures of the UK AMs chosen for this research, and due to the disjointed nature of these disclosures across various reports and websites, it is possible that: a) some relevant information may not have been captured in the course of our research; b) we may have misinterpreted some of the disclosures that were gathered; and c) more/less action on health may currently be taking place, or could have taken place in the past, or take place in future, on health-related matters than has been documented in recent AM disclosures. Here, it is worth noting once more that we have predominantly researched the AMs' reports for one year of their activity between 2023 and (August) 2024, which has thus only provided a 'snapshot' of their health-related work.[153] In addition, it would also be useful to gain more clarity, than is currently depicted in investor disclosures, on the overall size of investment portfolios that may be invested in harmful health commodities or activities, in comparison to those that are screening out or avoiding them to have a more positive impact on health. Due to all of this, we would recommend conducting follow-up interviews with the AMs in this research in order to verify and/or correct our current empirical analysis, as well as to gain more in-depth insights into, and understanding of, the actual state of these investors' health-related activities.

In addition, we recommend that not only asset managers, but also asset owners (e.g. pension fund representatives), and insurance sector representatives, be included in the new interview-based research, in order to capture their valuable perspectives as important actors in the 'investment value-chain'. Furthermore, it would be very useful to enlist relevant UK public policy representatives (access permitting) in this new qualitative research. This research should also be supplemented with more extensive documentary analysis of the relative success of sustainable finance disclosure regulation, and reporting frameworks such as TCFD and TNFD, as effective mechanisms to advance investor action on ESG issues. This would accommodate further analysis of the potential need for, and merits of, a THFD.

More broadly, all of this research could also be expanded to an international context, which could (inter alia) seek to inform, for example, EU and/or international standards and policy frameworks that (directly/indirectly) affect investor action on health, such as, the World Health Organisation Programmes on the social, economic and commercial determinants of health.

[153] It should also be noted that Fidelity issued some new responsible investment policies after the initial data gathering and analysis period for this research in August 2024, which have also not been captured in this report.

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APPENDIX 1: UK Asset Manager Health-Related Disclosures Assessment Framework

Health Themes*	Indicators & Explanation	Reports Assessed	Score	Illustrative Quotes
1. Air pollution** ** Commitments throughout all health themes should also include alignment to relevant SDGs* ***SDG 3: Good Health & Wellbeing (3.9.1)*** ***SDG 7: Affordable & Clean Energy*** ***SDG 11 (11.6.2): Sustainable Cities & Communities*** ***SDG 13: Climate Action*** *****May overlap with investor approach to climate change***	This indicator provides an assessment of the existence and quality of investors' action on air pollution and health. A high reporting approach will include the following: **1.1** Policy/statement on &/or thematic prioritisation of air pollution **1.2** Clear connection made between air pollution & health in the above **1.3** Commitment* to reduce air pollution for health purposes via investment strategies & allocated responsibilities for this **1.4** Application of these health commitments/objectives/targets across all investment portfolios (beyond ESG-funds & across asset classes) **1.5** Commitment to monitor investee company air pollution reduction (& health) targets & performance via investee company engagements **1.6** Commitment to promote air pollution reduction as a health (risk) priority via public policy engagements **1.7** Membership of industry &/or other initiatives on air pollution & health e.g. ShareAction's LIPH/ Clean Air Fund; awareness/use of Nature Benchmark **1.8** Evidence of positive impacts on health as a result of any of the above **NB Additional: Do investor climate-related (/energy efficiency) policies, investment strategies & engagements include health & any evidence of impact?**	List of reports & (web) pages where disclosures made:	High: 9-10 Relatively high: 7-8 Moderate: 5-6 Low: 3-4 Very low: 1-2 No mention: 0	
2. Alcohol **SDG 3: Good Health & Wellbeing (3.5)**	This indicator provides an assessment of the existence and quality of investors' action on alcohol and health. A high reporting approach will include the following: **2.1** Exclusions policy/statement on alcohol **2.2** If no exclusion policy, a 'responsible' alcohol policy/statement & commitment to guide investment strategies; informed by WHO standards **2.3** Application of exclusions &/or commitments across all investment funds (beyond ESG-funds) & allocated responsibilities for this **2.4** Commitment to promote responsible alcohol availability, marketing, pricing & consumption for health purposes via company engagements **2.5** Commitment to monitor investee company performance on the above **2.6** Commitment to address alcohol addiction & responsible alcohol marketing & retailing as health priorities via public policy engagements **2.7** Membership of industry &/or other initiatives on air pollution & health e.g. ShareAction's LIPH initiative. **2.8** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 9-10 Relatively high: 7-8 Moderate: 5-6 Low: 3-4 Very low: 1-2 No mention: 0	

3 Access to Medicine **SDG 3: Good Health & Wellbeing (3.8)**	This indicator provides an assessment of the existence and quality of investors' access to medicine. A high reporting approach will include the following: **3.1** Policy/statement on &/or thematic prioritisation of access to medicine **3.2** Commitment to address access to medicine via investment strategies & investee company engagements & allocated responsibilities for this **3.3** Application of these commitments/objectives/targets across all investment portfolios (beyond ESG-funds) **3.4** Commitment to monitor investee company action & performance on access to medicine **3.5** Commitment to promote access to medicine as a health priority via public policy engagements **3.6** Membership of industry &/or other initiatives on access to medicine e.g. Access to Medicine Initiative; ICCR Health Equity Prog.- Equitable Access to Medicine; ICCR Opioid Accountability **3.7** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 5 Relatively high: 4 Moderate: 3 Low: 2 Very low: 1 No mention: 0	
Antimicrobial resistance (AMR) **SDG 3: Good Health & Wellbeing (3.2)**	This indicator provides an assessment of the existence and quality of investors' action on AMR and health. A high reporting approach will include the following: **3.8** Policy/statement &/or thematic prioritisation of AMR & health **3.9** Commitment to address AMR for health purposes via investment strategies & company engagements & allocated responsibilities for this **3.10** Application of these commitments/objectives/targets across all relevant investment funds (beyond ESG-funds) **3.11** Commitment to monitor investee company AMR-related performance **3.12** Commitment to promote action on AMR as a health priority via public policy engagements **3.13** Membership of/involvement with industry &/or other initiatives on AMR e.g. Investor Action on AMR; FAIRR; awareness/use of AMR Benchmark **3.14** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 5 Relatively high: 4 Moderate: 3 Low: 2 Very low: 1 No mention: 0	

4. Employment: physical & mental health **SDG 8 (8.8): Decent Work & Economic Growth**	This indicator provides an assessment of the existence and quality of investors' action on employment and physical and mental health. It primarily focuses on this in investment portfolio companies as opposed to the investor firms per se. A high reporting approach will include the following: **Physical health & safety (H&S):** **4.1** Policy/statement on &/or thematic prioritisation of employee H&S **4.2** Commitment to address employee H&S via investment strategies & investee company engagements & allocated responsibilities for this **4.3** Application of these commitments/objectives/targets across all investment portfolios (beyond ESG-funds & across asset classes) **4.4** Commitment to monitor investee company action & performance on employee H&S **4.5** Commitment to promote employee H&S via public policy engagements **4.6** Membership of industry &/or other initiatives on employee H&S e.g. Workforce Disclosure Initiative; ICCR Advancing Work Justice Prog.; Human Capital Management Coalition **4.7** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 5 Relatively high: 4 Moderate: 3 Low: 2 Very low: 1 No mention: 0	
	Mental health: **4.8** Policy/statement on &/or thematic prioritisation of employee mental health **4.9** Commitment to address employee mental health via investment strategies & company engagements & allocated responsibilities for this **4.10** Application of these commitments/objectives/targets across all investment portfolios (beyond ESG-funds & across asset classes) **4.11** Commitment to monitor investee company action & performance on employee mental health **4.12** Commitment to promote employee mental health as an economic & health priority via public policy engagements **4.13** Membership of industry&/or other initiatives on employee mental health e.g. CCLA Mental Health Benchmark **4.14** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 5 Relatively high: 4 Moderate: 3 Low: 2 Very low: 1 No mention: 0	

5. Financial security & wellbeing **SDG 8 (8.8): Decent Work & Economic Growth** **SDG 10: Reduced Inequalities**	This indicator provides an assessment of the existence and quality of investors' action on financial security (including fair pay), financial wellbeing (inclusion & indebtedness) and health. A high reporting approach will include the following: **5.1** Policy/statement &/or thematic prioritisation on financial security, financial wellbeing (inclusion & debt) & health (informed by e.g. ILO standards) **5.2** Commitment to address financial security, wellbeing (inclusion & debt) & health via investment strategies & allocated responsibilities for this **5.3** Commitment to monitor investee company financial security, wellbeing (inclusion & debt) & health performance via company engagements **5.4** Commitment to promote action on financial security, debt & inclusion as health prioritises via public policy engagements **5.5** Membership of/involvement with industry &/or other initiatives on financial security, inclusion &/or indebtedness & wellbeing e.g. ShareAction's Good Work Coalition; CWC Global Unions' Committee on Workers' Capital; Human Capital Management Coalition; Platform for Living Wage Financials; Worker Financial Wellness Initiative; Fair Finance Guide **5.6** Evidence of positive impacts on health as result of any of the above	List of reports & (web)pages where disclosures made:	High: 5 Relatively high: 4 Moderate: 3 Low: 2 Very low: 1 No mention: 0	
Gambling & mental health **SDG 3: Good Health & Wellbeing (3.5)**	This indicator provides an assessment of the existence and quality of investors' action on gambling & mental health. A high reporting approach will include the following: **5.7** Exclusions policy/statement on gambling **5.8** If no exclusion policy, a 'responsible' gambling policy/statement & commitment to mental health to guide investment strategies & allocated responsibilities for this **5.9** Application of exclusions &/or commitments across investment funds (beyond ESG-funds) **5.10** Commitment to promote responsible gambling for mental health purposes via investee company engagements **5.11** Commitment to monitor investee company performance on the above **5.12** Commitment to promote responsible gambling for mental health purposes via public policy engagements **5.13** Membership of industry &/or other initiatives on responsible gambling e.g. ShareAction's LIPH initiative. **5.14** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 5 Relatively high: 4 Moderate: 3 Low: 2 Very low: 1 No mention: 0	

6. Housing, infrastructure & health **SDG 11 (11.1): Sustainable Cities & Communities**	This indicator provides an assessment of the existence and quality of investors' action on housing, infrastructure and health. A high reporting approach will include the following: **Housing & health:** **6.1** Policy/statement on &/or thematic prioritisation of housing & health (informed by WHO guidelines) **6.2** Commitment to address housing & health via investment strategies & investee company engagements & allocated responsibilities for this **6.3** Application of these commitments across investment portfolios (beyond ESG-funds & across asset classes) **6.4** Commitment to monitor investee company action & performance on housing & health **6.5** Commitment to promote housing as a social determinant of health priority via public policy engagements **6.6** Membership of industry &/or initiatives on housing & health e.g. ESG Social Housing Working Group; Investor Initiative for Responsible Care; awareness of/seeking investee use of the WELL Building Standard; Next Generation Initiative **6.7** Evidence of positive impacts on health as result of any of the above	List of reports & (web)pages where disclosures made:	High: 5 Relatively high: 4 Moderate: 3 Low: 2 Very low: 1 No mention: 0	
	Infrastructure & health: **6.8** Policy/statement on &/or thematic prioritisation of infrastructure (physical: roads, railways, public transport; utilities; digital; social) & health (physical & mental) **6.9** Commitment to address infrastructure & health via investment strategies & company engagements & allocated responsibilities for this **6.10** Application of these commitments across all investment portfolios (beyond ESG-funds & across asset classes) **6.11** Commitment to monitor investee company action & performance on infrastructure & health **6.12** Commitment to promote good, accessible infrastructure as a social determinant of health priority via public policy engagements **6.13** Membership of industry &/or other initiatives on infrastructure & health e.g. ShareAction's LIPH initiative. **6.14** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 5 Relatively high: 4 Moderate: 3 Low: 2 Very low: 1 No mention: 0	

7. Nutrition & obesity **SDG 2: Zero Hunger (2.1; 2.2)** **SDG 3: Good Health & Wellbeing**	This indicator provides an assessment of the existence and quality of investors' action on nutrition and obesity (child & adult). A high reporting approach will include: **7.1** Policy/statement on &/or thematic prioritisation of nutrition & obesity (informed by WHO guidelines) **7.2** Commitment to address nutrition & obesity via investment strategies & investee company engagements & allocated responsibilities for this **7.3** Application of these commitments across relevant investment funds (beyond ESG-funds) **7.4** Commitment to monitor investee company action & performance on nutrition & obesity **7.5** Commitment to promote good nutrition & address obesity (child & adult) via public policy engagements **7.6** Membership of industry &/or other initiatives on nutrition & obesity e.g. Access to Nutrition Initiative; ANTI Investor Expectations on Nutrition, Diets and Health; ShareAction Healthy Markets Initiative; Investor Coalition on UK Food Policy; FAIRR Initiative; ICCR Nutrition Insecurity; **7.7** Evidence of positive impacts on health as a result of any of the above **Additional: Do investor food-related policies, investment strategies & engagements include food safety as a health priority & evidence impact?**	List of reports & (web)pages where disclosures made:	High: 9-10 Relatively high: 7-8 Moderate: 5-6 Low: 3-4 Very low: 1-2 No mention: 0	
8. Technology: Physical & mental health **SDG 3: Good Health & Wellbeing (3.4)**	This indicator provides an assessment of the existence and quality of investors' action on technology & health, covering: technologies to improve physical health, as well as digital wellbeing (mental health). A high reporting approach includes: **8.1** Policy/statement on &/or thematic prioritisation of technology & health **8.2** Commitment to address technology & health via investment strategies & company engagements & allocated responsibilities for this **8.3** Application of these commitments across all funds (beyond ESG-funds) **8.4** Commitment to monitor investee company action & performance on technology & health **8.5** Commitment to promote technology for physical health (e.g. to tackle AMR) & mental health (e.g. financial inclusion/access to online banking & combating digital addiction & cyber bullying) via Gov. engagements **8.6** Membership of/involvement with industry &/or other initiatives on technology & health e.g. Ranking Digital Rights; ICCR Health Equity & Technology **8.7** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 9-10 Relatively high: 7-8 Moderate: 5-6 Low: 3-4 Very low: 1-2 No mention: 0	

9. Tobacco **SDG 3: Good Health & Wellbeing (3.5)**	This indicator provides an assessment of the existence and quality of investors' action on tobacco and health. A high reporting approach will include the following: **9.1** Exclusions policy/statement on tobacco (informed by WHO standards), **9.2** If no exclusion policy, a 'responsible' tobacco policy/statement & commitment to guide investment strategies with allocated responsibilities **9.3** Application of exclusions &/or commitments across relevant investment funds (beyond ESG-funds) **9.4** Commitment to promote responsible &/or alternative tobacco products, retailing & use via investee company engagements **9.5** Commitment to monitor investee company performance on the above **9.6** Commitment to address tobacco retailing/marketing & addiction &/or promote tobacco bans via public policy engagements **9.7** Membership of industry &/or other initiatives on tobacco & health e.g. Tobacco Free Portfolios; awareness of Tobacco Transformation Index **9.8** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 9-10 Relatively high: 7-8 Moderate: 5-6 Low: 3-4 Very low: 1-2 No mention: 0	
10. Water access & pollution **SDG 3: Good Health & Wellbeing (3.9)** **SDG 6: Clean Water & Sanitation (6.3)**	This indicator provides an assessment of the existence and quality of investors' action on access to water & water pollution and health. A high reporting approach will include: **10.1** Policy/statement on &/or thematic prioritisation of water access & pollution **10.2** Clear connection made between water access, pollution & health in above **10.3** Application of these health commitments across investment portfolios (beyond ESG-funds & across asset classes), with allocated responsibilities **10.4** Commitment to increase water access & reduce water pollution for health purposes via investment strategies & investee company engagements **10.5** Commitment to monitor investee company water access & pollution reduction (& health) targets & performance **10.6** Commitment to promote clean water access & water pollution reduction/eradication for health purposes via public policy engagements **10.7** Membership of industry/other initiatives on water access, pollution & health e.g. Chemical Footprint Project; CDP Water Watch; TNFD Water; Valuing Water Initiative; awareness/use of Investor research on microplastics; Nature Benchmark **10.8** Evidence of positive impacts on health as a result of any of the above	List of reports & (web)pages where disclosures made:	High: 9-10 Relatively high: 7-8 Moderate: 5-6 Low: 3-4 Very low: 1-2 No mention: 0	
TOTAL SCORE			**/100**	