

Shareholder engagement on health and wellbeing

There are challenges and opportunities in the global health and wellbeing sector



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Of the 17 global Sustainable Development Goals (SDGs) for 2030 set by the United Nations (UN) General Assembly in 2015, SDG 3 includes arguably some of the most challenging milestones to reach.

SDG 3 relates to health and wellbeing. Despite the overall population leading a healthier lifestyle than it did ten years ago,¹ non-communicable diseases are on the rise, costing trillions in treatment. Many of these diseases are avoidable. Similarly, infectious diseases remain a significant challenge, even those for which cures exist.

According to the UN: “Overcoming disease and ill health will require concerted and sustained efforts, focusing on population groups and regions that have been neglected.”²

We recognise that businesses need healthy workforces to maintain and enhance productivity levels; they also of course need thriving consumers. To that end, we believe there is much that all businesses can do to promote healthy behaviours and support mental resilience, from encouraging healthy lifestyles to establishing disease prevention and treatment programmes. There is also of course a significant responsibility on those companies in the healthcare industry – to consider the overall global health burden in their R&D and pricing strategies. Some challenges may present commercial opportunities; others might not, but a broader duty towards society remains.

Challenges to address

As an SDG-focused investment manager we believe we are in a strong position to help address some of the challenges faced.

One of the core challenges when combating illnesses is the declining efficacy of some medicines. It is absolutely necessary that new varieties of antibiotics and antivirals are introduced to treat drug-resistant conditions; however, these new drugs are in short supply and R&D directed towards developing replacements appears to be decreasing – we are thus pressing pharmaceutical companies to maintain investment in those areas of paramount importance to society.

Obesity is a major cause for concern on a global scale. Even though it is a non-communicable disease, its contribution to conditions such as heart disease and diabetes is undeniable. Worryingly, 11% of men and 15%

of women were obese in 2016³ – representing a threefold increase since 1975, according to the World Health Organization (WHO). We are therefore engaging with food and beverage companies around their marketing practices and the nutritional characteristics of their portfolio.

Aligned with these issues is the structural issue of healthcare provision itself. One matter is the serious shortage of basic medical provisions and services in developing countries. The WHO reports that, while over 80% of medical supplies are donated to emerging markets, only 10-30% of them are actually being put to use. It also reveals that many of these donations are either malfunctioning or incompatible with local power systems.⁴ To that end, we engage with medical equipment companies around their market access strategies in the knowledge that simply donating old kit does not help address the core problem.

These examples are just the tip of the iceberg. Different societies are contending with rising and ageing populations and the repercussions for labour markets and the need for companies to make accommodations for what are now commonly multi-generational workforces. The challenges are daunting, and the solutions multi-faceted, yet we maintain that all companies have a role to play and can make a difference.

3 GOOD HEALTH AND WELL-BEING



THE IMPORTANCE OF TARGET 3.7

Within SDG 3 is Target 3.7, in which the UN calls for “universal access to sexual and reproductive health-care services, including family planning, information and education, and the integration of reproductive health into national strategies and programmes”.⁵

This is an issue with relevance to all countries but, of course, particularly pertinent to those in lower-income countries where access to modern contraception remains difficult. This lack of access has significant repercussions for gender equality and ultimately economic development.



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Making a difference

- In the United States, half of pregnancies are unplanned and four in ten of these are the result of poorly used contraception.⁶
- Worldwide in 2015, 12% of married or in-union women are estimated to have had an unmet need for family planning. The level was much higher, 22%, in the least developed countries.⁷

Whether in the most or the least developed nation, unplanned childbirth impacts mental (and possibly physical) well-being. Importantly, access to birth control significantly increases a woman's independence and earning power and in turn narrows gender inequality and income gaps.

Initiatives that raise awareness of the benefits of universal access to contraception, and developing partnerships to provide this access in a culturally sensitive way, have the potential to tap into significant latent demand and even transform gender equality. We believe there are likely commercial opportunities for private sector companies to explore, as well as opportunities to share knowledge, networks, connections and ideas for the wider good.

A healthcare consultation in Nepal. Access to birth control is one of the single greatest determinants for women's health, also bringing profound benefits for gender equality and economic capacity. In the least developed countries, the unmet need for contraception is estimated to be 22%

Access to birth control significantly increases a woman's independence and earning power

With the SDGs at the front of our mind, we expect that meeting SDG 3 by 2030 is going to be an uphill battle, but feel that for forward-thinking companies and investors, there are clear opportunities to create value and have a positive impact on individuals' health and wellbeing. Equally, we believe that increasing access to and usage of effective contraceptive devices is critically important. In its absence, many, if not most, of the other goals will remain difficult to achieve.

Of course, will alone is not sufficient, and the challenges are significant. Collaboration between public, private and third-sector actors is essential – something we, as an investor, are familiar with through our long history of engaging with investee companies. ■

- 1 Hermes SDG Engagement Equity Fund Annual Report 2018: www.hermes-investment.com/uki/insight/equities/sdg-engagement-equity-2018-annual-report/
- 2 <https://sustainabledevelopment.un.org/sdg3>
- 3 "Obesity and overweight," published by the World Health Organization on 16 February 2018.
- 4 World Health Organization, cited in "Rage against the busted, medical machines," by Nahid Bhadelia. Published by NPR on 8 September 2016.
- 5 <https://unstats.un.org/sdgs/METADATA?Text=&Goal=3&Target=3.7>
- 6 www.guttmacher.org/fact-sheet/unintended-pregnancy-united-states
- 7 www.un.org/en/development/desa/population/publications/pdf/family/trendsContraceptiveUse2015Report.pdf

The value of investments and income from them may go down as well as up, and you may not get back the original amount invested.

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