



ESG VIEWPOINT

Health Matters: the importance of public health for investors

At a glance

- Covid-19 highlighted the importance of public health as an issue for investors. As we emerge from the pandemic there are still grounds for concern
- We assess the state of public health and highlight the growing inequality in health outcomes across society
- Human health should not be viewed in isolation, and it is intrinsically linked to the health of our global ecosystem
- Investors have an important role to play through stewardship activities and the allocation of capital. We look closely at related investment opportunities, including social bonds



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Introduction: why public health matters

Health matters to us all. Beyond our health as individuals, the COVID-19 pandemic provided a stark reminder of the impact public health issues can have on the global economy, the effective functioning of society, and the fortunes of individual companies. Now three years on from the start of the pandemic, should we consider public health to be a topic of enduring importance for investors? We firmly believe so.

What is public health?

Public health is generally considered to be the ‘science and the art’ of promoting health and preventing disease through societal choices and efforts, dealing with health at the population level rather than at the level of individual responsibility. It is about the collective action we take to benefit the health of the public, and it emphasizes prevention

as much as treatment. The actions of the corporate sector can have significant influence on public health through what we consume, the conditions we work in, and the environment we live in. As investors, we have some responsibility to take a public health lens to our investments and assess and address the related risks and opportunities.

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The state
of public health



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– our approach



Investing
in solutions



Final thoughts
– applying a health lens



The state of public health

We are emerging from the pandemic, but there are growing signs that the great leaps forward in public health made over the past decades that went hand in hand with productivity gains and economic growth are now being challenged.

In the UK, life expectancy is now declining in the poorest groups, and in the US has declined overall since 2014 with a ten-year gap opening between the most and least disadvantaged groups.¹ The pace of progress was never uniform, as 'Social Determinants of Health' (SDH), such as socioeconomic circumstances, education, and the environment, materially influence differences in health status. Rising financial insecurity is undoubtedly such a determinant; the Health Foundation considers the cost-of-living crisis to be a health emergency, as loss of income, food, and housing security and associated anxiety and depression rise due to financial stress. This is one of many examples illustrating the growing inequality in health outcomes that further undermine social cohesion.

The health of the workforce

Worsening public health undermines the stability of the workforce. In the UK, the proportion of the working-age population leaving the workforce due to ill health stands at 2.5 million, an increase of 25% since before the pandemic. The rise in working age adults reporting long-term sickness predates the pandemic, and reflects, amongst other issues, a steady increase in cardiovascular, musculoskeletal, and mental health problems. The World Health Organisation (WHO) estimates that depression and anxiety cost the global economy

1 trillion USD each year.² This presents a broad risk to economic growth, but businesses taking a progressive approach to managing employee wellbeing are likely to enjoy greater resilience in their workforce. We are engaging our investee companies on their policies and practices that underpin this, including around working conditions and the payment of a living wage.

Consumer health

Consumer choices have a considerable impact on health, but the corporate sector bears some responsibility for the availability and nutritional value of the products on offer and how they are marketed. The obesity epidemic in the developed world is nothing short of a public health tragedy, with obesity a key risk factor for multiple health conditions impacting quality of life and life expectancy. The World Health Organization (WHO) has calculated that worldwide obesity has nearly tripled since 1975; by 2016, more than 1.9 billion adults were overweight, of which 650 million were obese. In 2020, 39 million children under the age of 5 were overweight or obese.³ In the US, unhealthy diets are estimated to cause up to 45% of all cardiometabolic disease deaths at an associated cost of over 50 billion USD according to some studies.⁴

Consequently, we are seeing action toward increased regulation of unhealthy products, such as clearer labelling of nutritional value, the restriction of promotion of unhealthy foods, and the introduction of sugar taxes.⁵ Consumer preferences are also shifting in favour of healthier choices.⁶ We are engaging food companies on their strategies for alignment of product portfolios with these trends and believe investment value can be found in companies driving growth through facilitating the shift to more health-conscious diets and healthier lifestyles.

¹ How prioritizing health could help rebuild economies | McKinsey

² https://www.who.int/health-topics/mental-health#tab=tab_2

³ <https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight>

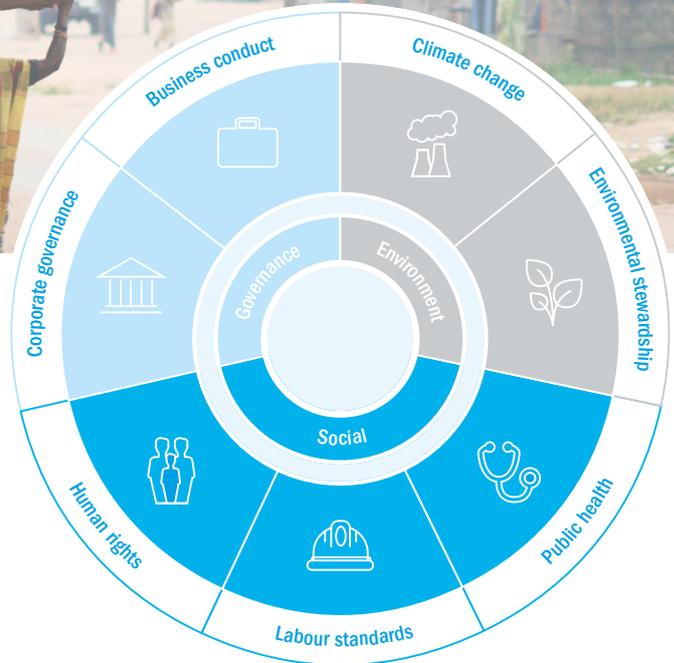
⁴ <https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1002981>

⁵ Countries that have implemented taxes on sugar-sweetened beverages (SSBs) | Obesity Evidence Hub

⁶ Food trends 2023: health more influential on behaviour than price (just-food.com)



Active ownership priority themes



Nutrition engagement

We consider nutritious and affordable food to be a key opportunity for food and beverage companies and retailers to positively impact consumers’ health while driving growth. As members of the ShareAction Healthy Markets initiative and the Access to Nutrition Initiative (ATNI) we encourage companies, together with other like-minded investors, to implement nutrition strategies. We encourage companies to be transparent and report against government-endorsed Nutrient-Profiling Models which enables investors and other stakeholders to compare and monitor the nutritional profiles of product portfolios. In the years to come, we expect more scrutiny in terms of legislation and consumer demand and therefore expect the food and beverage sector to set ambitious long-term targets on healthy and affordable products to future-proof their business.

Health security

Environmental health is also a critical factor for human health. Air and water pollution and the wide-ranging impacts of climate change on temperatures, extreme weather events and food production, are amongst key risks to our health security. A further public health hazard affecting developed and developing countries alike is antimicrobial resistance (AMR), a natural phenomenon whereby microorganisms develop resistance to antimicrobial agents, which is being accelerated by poor stewardship of antibiotics in healthcare and farming. As a result, a growing number of bacterial infections are becoming more costly and difficult to treat, and even straightforward surgical procedures and cancer chemotherapy are becoming higher risk. The conditions in which AMR proliferates are further exacerbated by climate migration and environmental degradation. We are engaging companies in the pharmaceutical, animal health, agriculture, and food retail sectors on strategies for mitigating AMR.

The next pandemic?

A key takeaway is that human health should not be viewed in isolation – it is intrinsically linked to the health of our global ecosystem. Our vulnerability to infectious diseases will continue to increase due to a confluence of factors, including urban population growth, the intensification of livestock farming, climate change, and deforestation. The consequential displacement of humans and animals will significantly increase the prevalence of “zoonoses”⁷, infectious diseases spilling over from animal to human populations caused by increased contact, a salient example likely being COVID-19.⁸ In another example, palm oil-linked deforestation in Liberia led to wood mice moving from the jungle to plantations, bringing along the Lassa virus.⁹ These outbreaks don’t need to be full scale pandemics to be costly, in human and financial terms. The Ebola epidemic in West Africa in 2014 caused a devastating loss of life and was estimated to have caused a loss of 2.2 billion USD in GDP for Guinea, Liberia, and Sierra Leone. The outbreak was locally devastating, resulting in lower investments, a decrease in private sector growth, loss of agricultural production which impacted food security and a decrease in cross-border trade. Liberia alone also lost 8% of its doctors, nurses, and midwives to Ebola, along with the negative health and economic outcomes that brings.¹⁰ Often these emerging infectious diseases are initially limited in geographical reach but can present a significant global health risk over time, and improved preparedness is essential.

⁷ Emerging human infectious diseases and the links to global food production | Nature Sustainability
⁸ Lassavirus: al vijftig jaar dodelijk, nog steeds geen vaccin – OneWorld Source in Dutch.
⁹ Is corona de prijs die we betalen voor ontbossing? – OneWorld Source in Dutch.
¹⁰ <https://www.cdc.gov/vhf/ebola/history/2014-2016-outbreak/cost-of-ebola.html>



Investor action

As investors, there are several approaches we can take in our action on public health. Through effective stewardship, we can look to identify and reduce harm and enhance business resilience in engaging our investee companies for change. We can support innovation in the allocation of capital, investing for growth in solution providers, and we can seek positive social outcomes that go hand in hand with achieving investment goals.

Public health has long been a key theme within our stewardship programme. We engage a wide range of companies in the pharmaceutical and healthcare sectors, encouraging a strong, strategic, approach to topics such as product quality and safety as well as access to medicines. We engage beyond the healthcare industry on health-related topics where this is material, such as access to nutritious and affordable food, and the impact of pollution. We engage one on one with companies, and when it makes sense, in collaboration with other investors and stakeholders to align around key asks and amplify our voices.

Spotlight on Access to Healthcare

At least half of the world's population still cannot obtain essential health services. Even in developed nations health inequalities are again being underscored as health systems come under pressure. The political focus on expectations of fair and equitable pricing, access strategies, and working with healthcare systems on capacity building, continues to increase for companies providing products and services into the healthcare sector.

We work with the healthcare industry on efforts to maintain and broaden access to their products and to work constructively with patients and payors. The development of the COVID vaccines also shone a spotlight on the issue of trust in clinical trials. We expect greater regulatory scrutiny in the future on the matching of trial populations to target patient groups and have initiated a project to better understand the different approaches of companies to improving diversity in clinical trials.

Investing in solutions

Across our diverse range of Global ESG Equity strategies, we see public health as a material investment opportunity. There is a broad array of investment opportunities, from diagnostics, such as **Thermo Fisher Scientific's** gene sequencing franchise alongside diagnostics tools and equipment, to improved outcomes in surgery, through **Intuitive Surgical's** Da Vinci range, and through to continuing care via insurance (**Humana**) and community health (**CVS Health**). We invest in market leaders and search for businesses with a runway to growth through the social and financial value they bring with their products and services, such as reducing health system costs and improving health outcomes.



Fund focus: investing for public health impact in the CT Social Bond funds

In our funds mandated to target positive social impact alongside financial returns, public health is a highly important thematic opportunity.

The pandemic triggered a wave of new issuance of social impact bonds supporting public health outcomes, as investors and issuers realised the enormous impact health can have on our economy. Our Social Impact Bond team look to invest in positive healthcare impact through “use of proceeds” bonds these are issued alongside frameworks which dictate what the proceeds can be used for. Such opportunities include:

Asian Development Bank: When the COVID-19 pandemic struck in late 2019, the Asian Development Bank began issuing health bonds to support its member countries in responding to the pandemic and to achieve universal health coverage (UHC). These health bonds fund a variety of projects, including a 15-year loan of \$600 million to the Build Universal Healthcare Program in the Philippines which has three key reform areas including sustainable financing of healthcare, delivery of quality health services and information management & performance accountability for UHC.

The International Finance Facility for Immunisation (IFFIm) issued their second largest bond in 2021, a USD \$750 million 5-year fixed rate Vaccine bond in response to the COVID-19 pandemic. All the proceeds will go towards Gavi – the Vaccine Alliance- which immediately made funding available to support immunisation in lower-income countries, reaching nearly half the world’s children.

Comunidad de Madrid issues sustainability bonds which include specific use of proceeds spend on the public healthcare services in Madrid. One of many projects undertaken for public health was the emergency hospital constructed in response to the COVID-19 pandemic. This hospital was completed in December 2020 and used specifically to house patients infected with COVID-19. However, its use can extend beyond the pandemic as it has modern communication & security systems, over 1,000 beds and nearly 50 intensive care units all equipped with advanced medical technology. Ultimately, the new hospital will serve as a support hospital to the entire health service in Madrid.

Final thoughts

The pandemic has reminded us how crucial health is for quality of life, the resilience of global supply chains, and our economic and social well-being. As investors, it is important that we learn to take a public health lens to our portfolios. We will continue to

evolve the scope of what this means to our stewardship and investment decision-making, identifying and mitigating harms, strengthening portfolio resilience, and contributing to a healthy society from which we all benefit.

Get to know the authors



Ellen Brauers, Associate, Responsible Investment team

Ellen Brauers works as an ESG analyst in the Responsible Investment team and covers engagement with pharmaceutical and healthcare companies. Furthermore, she leads engagement on nutrition and works on other public health and social topics within the RI team. Ellen started her career as a researcher at Wageningen University (NL) where she researched and contributed to education on the UK Modern Slavery Act and corporate accountability. After, she worked for two Dutch financial institutions as a human rights advisor, focusing on living wages in the garment sector, labour standards and human rights. She holds a BSci and MSci in International Development from Wageningen University. Ellen is fluent in Dutch, English and French.



Alice Evans, Managing Director, Responsible Investment team

Alice Evans is a Managing Director and Strategist in the Responsible Investment team, leading the Social pillar of the programme. She joined Columbia Threadneedle through the acquisition of BMO GAM (EMEA) in 2021, having previously been with BMO since 2010. Between 2018 and 2022 Alice was Co-Head of Responsible Investment, focusing on Active Ownership and ESG Integration, and from 2010 to 2016 she was a fund manager, most recently as Co-Lead Manager of the Responsible Global Equity Fund. Prior to joining the group, Alice gained ten years of investment experience, initially at JP Morgan Asset Management then at Henderson Global Investors, as a fund manager on the Sustainable & Responsible Investment funds and a healthcare sector specialist. Outside Columbia Threadneedle, Alice is a panel member for a funding programme of the National Institute of Health Research. Alice holds an MSci in Physics from the University of Bristol and is a CFA Charterholder.



Letty Byatt, Social Impact Analyst

Letty Byatt is a Social Impact Analyst in the Investment Grade Credit team; she works closely with the fund managers to identify positive social impact opportunities for the Social Impact Bond Funds. Further to this, Letty is focused on fixed income issuer and industry engagement to promote social impact investment awareness and best practice. Letty joined Columbia Threadneedle in October 2022 having held senior roles in responsible investment reporting and client services at Royal London Asset Management. She holds a BSc (hons) in Psychology with Middle Eastern Studies and French Language, the CFA ESG Investing Certificate and has completed a Sustainable Finance course at Cambridge University Institute for Sustainability Leadership.

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