



# 2023 LIPH Signatory Survey: Report of Findings

ShareAction»

# About ShareAction

ShareAction is an independent charity and an expert on responsible investment.

We set ambitious standards for how financial institutions, through their investment decisions, can protect our planet and its people, and campaign for this approach to become the norm. We convene shareholders to collectively push companies to tackle the climate crisis, protect nature, improve workers' rights and shape healthier societies. In the UK and EU, we advocate for financial regulation that has society's best interests at its core.

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## Acknowledgements

We would like to thank the LIPH signatories who completed the 2023 LIPH Survey and those who provided additional information to inform the leading practice examples included in this report. This report covers only a small selection of the examples we received. The Health team will continue to further highlight leading practice examples throughout the year (as recently done at the LIPH Signatory event in February 2024).

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## Contact

Francesca Skinner, Responsible Investment Standards Lead – Health: [francesca.skinner@shareaction.org](mailto:francesca.skinner@shareaction.org)

ShareAction's Health team: [health@shareaction.org](mailto:health@shareaction.org)

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## Opening remarks

Health is an emerging ESG topic that is generally underdeveloped in responsible investment (RI) strategies<sup>1</sup>. Good health is fundamental to a thriving society and economy, however, the investment community has frequently overlooked their responsibility as providers of capital to influence health-related change in their investee companies as well as the financial, legal and reputational risks associated with poor health. ShareAction's [Long-term Investors in People's Health \(LIPH\) programme](#) works with a coalition of over 40 investors globally, who collectively manage over \$5 trillion of assets, to support investors to consider worker, consumer and community health as integral parts of their stewardship and investment practices.

33 LIPH signatories (75% of the total membership) completed the September 2023 LIPH Signatory Survey (see [Appendix 1](#) for the full list of responding LIPH signatories). The survey was developed to improve our knowledge of how LIPH signatories are integrating health into investment practices, to measure and monitor the relative performance of the LIPH signatories, and to evaluate ShareAction's work through the LIPH programme (see [Appendix 2](#) for the survey background and methodology used).

The survey responses provide important decision-useful data for the LIPH programme direction and, ultimately, will enable LIPH to best support investors to further embed health into RI. ShareAction's Health team will work with LIPH signatories to target 100% completion rate for future survey iterations.

Building on the December 2023 webinar '[Findings and insights from the first annual LIPH Survey](#)', this report aims to:

- Summarise the key survey findings
- Showcase how LIPH signatories are integrating health into their investment practices through leading practice examples
- Provide recommendations on how investors can improve their health-related RI approach.



### Leading practice examples guidance

Throughout this report, we highlight examples of 'leading practice'. In line with ShareAction's benchmarking report guidance, this refers to the most ambitious commitments being taken by investors on specific issues<sup>2</sup>. ShareAction believes that sharing clear examples of leading practice can promote higher standards. However, leading practice is often far from 'best practice', which refers to the desired end goal, and there is often room for progress even from those demonstrating leadership on the health-related issues being faced.

# Summary findings and overall performance



# Summary findings from the LIPH Survey 2023

This report covers the responses received to the 2023 LIPH survey from 33 LIPH signatories, including 19 asset managers, 10 asset owners and four investment consultants. Whilst responses from signatories spanned six different locations, including UK, USA, Netherlands, Japan, Canada and Estonia, the responses were predominantly from UK based investors (22) and so the findings do not reflect the investment industry globally.

LIPH signatories are some of the most advanced investors in the world at integrating health into their RI practices and so whilst these findings are not representative of the investment sector, they demonstrate the most ambitious commitments that are being and should be made by investors to support good health and reduce the business risks associated with poor health.

## Governance

1. RI responsibility and decision-making power varies across engagement, integration into investment decisions and voting.
2. Whilst over half the respondents have remuneration-linked KPIs aligned to RI outcomes, less than a third of these have KPIs aligned with health outcomes.

## Health-related company engagement

3. Most of the LIPH asset managers have a formal public policy on health-related company engagement with a defined escalation process for directly held assets.
4. Health-related engagement case studies with investee companies are publicly disclosed by most respondents.
5. In the 12 months prior to October 2023, collaborative and direct company engagement were the most common methods used (independently from the engagement and escalation opportunities coordinated through LIPH) to influence health-related change with investee companies.
6. In the 12 months prior to October 2023, human rights and access to medicine and vaccines were the most common health-related engagement topics.
7. Most of the respondents identified health as a key part of company engagement objectives for October 2023 to October 2024, with adult nutrition, and optimum physical and mental health of workers being the most common themes.

## Integration of health into investment decisions, strategies and risk analysis

8. Less than half the LIPH asset manager respondents have a public policy outlining how health risks and opportunities influence capital allocation.
9. The most common health-related topics avoided in investment policies were tobacco, human rights and alcohol.
10. Almost three quarters of respondents use engagement and shareholder voting as the predominant ways of embedding health into RI strategies.
11. Two asset owner respondents reported their organisations would prioritise health outcomes over financial returns in certain circumstances.

12. Over half of the asset owner respondents evaluate managers' stewardship activities to ensure they are monitoring and measuring health-related impacts of companies.
13. Three fifths of respondents are already using third-party data sources for asset-level assessment of investee companies on health-related issues.
14. Worker health metrics are currently the most frequent measures used to identify and monitor health-related risks and impacts.

## Overall performance

The LIPH survey results highlight there is significant opportunity for all respondents to make improvements to their scores in future iterations of the survey across the four question categories: governance, engagement, integration into investment decisions and risk analysis. For asset managers, health-related engagement and the integration of health into risk analysis practices were the highest-scoring categories. For asset owners and 'other' investor types, there was a more even spread of scores across the categories. We acknowledge many of the survey questions were most relevant for asset managers and so we will further tailor the survey to other investor types going forward. However, with the recommendations outlined in this report, we hope to see an improvement year on year from all LIPH signatories.

The following charts ([Figures 1 and 2](#)) highlight the average scores the LIPH survey asset managers and asset owners received across the four survey question categories. Due to the small sample size, we have not included a chart for the investment consultants/other investors. Each box in the charts represents a survey respondent, categorised by the average survey score they received (by quartile) for each of the four question categories. This report does not disclose individual respondent scores by name.

Figure 1: Average asset manager scores by quartile across governance, engagement, integration into investment decisions and risk analysis.

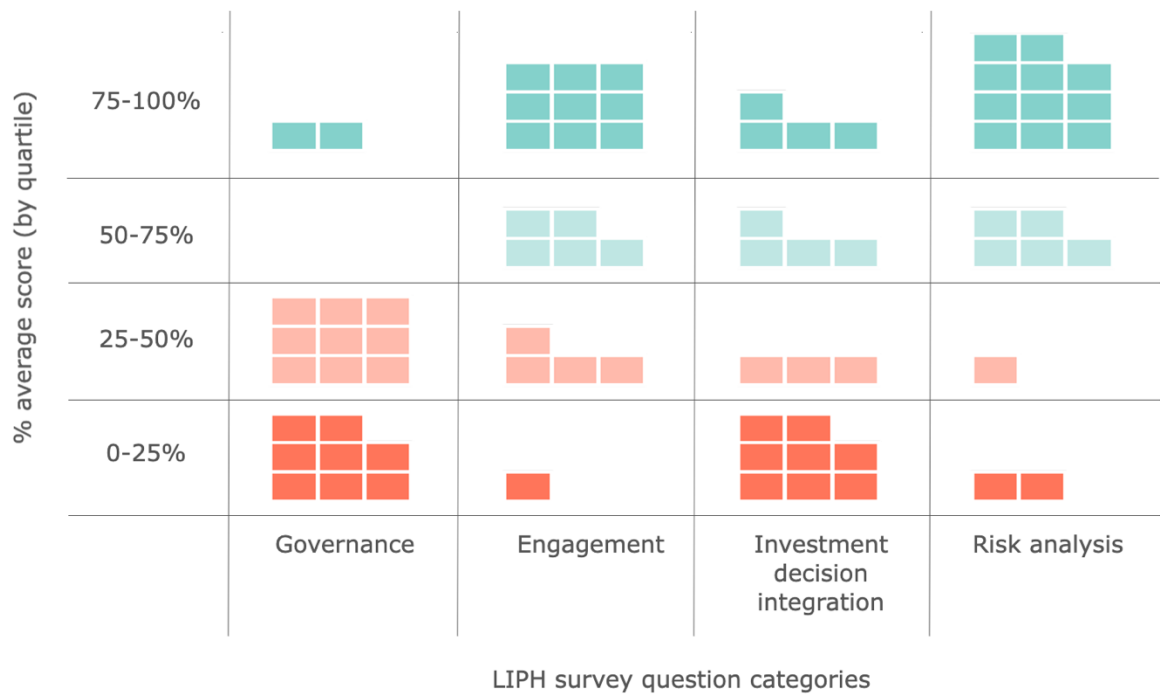
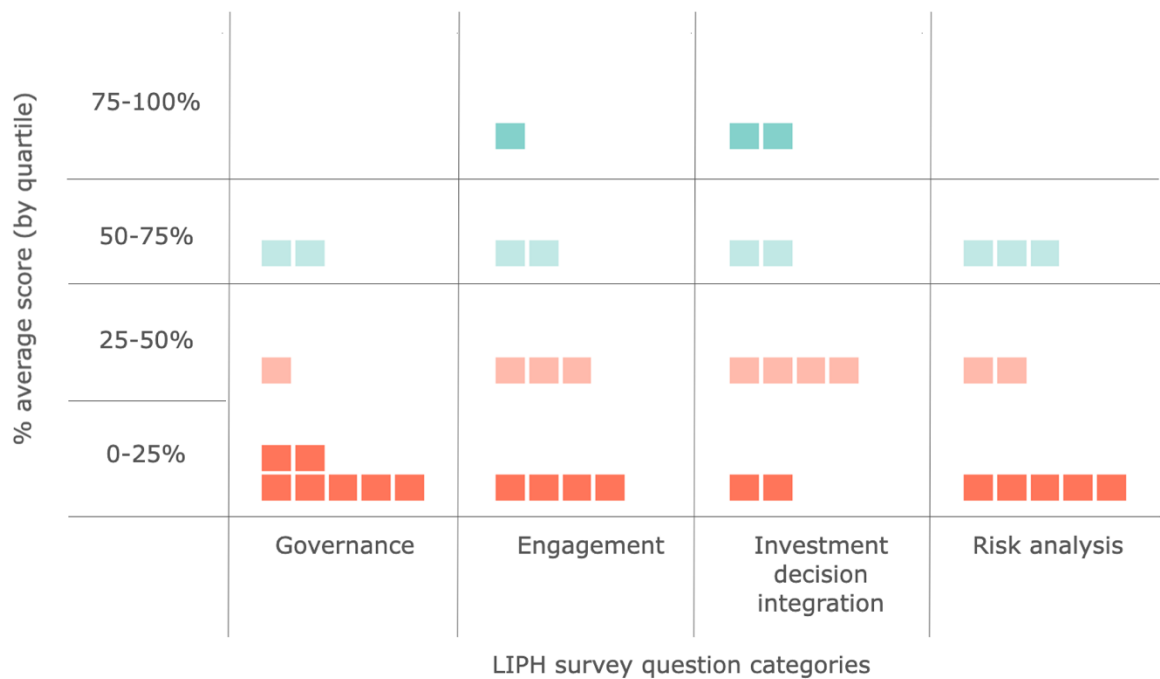


Figure 2: Average asset owner scores by quartile across governance, engagement, integration into investment decisions and risk analysis.





# Governance



# How are LIPH signatories governing their responsible investment practices?

Robust governance structures are key to ensuring health-related issues, as well as sustainability issues more broadly, are being effectively addressed by investors. Such structures limit the risks to the long-term performance of companies and delivery of shareholder value<sup>3</sup>. As part of this, remuneration policies can be used to encourage greater focus on RI. Remuneration policies have been increasingly used by investors to ensure an organisation is delivering against its climate-related targets. However, the LIPH survey responses showed that in the most part investors are not taking a similar approach to influence health-related outcomes.

The survey asked LIPH signatories about their remuneration policies and whilst over half the respondents have KPIs aligned to RI outcomes (21), only six of these include KPIs aligned with health outcomes. Examples provided of how health is factored into remuneration policies include KPIs demonstrating how the investment and/or RI teams contribute to delivering positive health outcomes through investing in healthcare, participating in health-related industry initiatives and examples of successful company engagement on health. Going forward, we will work with these six investors to better understand the different approaches being taken to align remuneration-linked KPIs to health and the positive impacts realised, and will then embed these findings into leading practice guidance.

For LIPH signatories, responsibility and decision-making power for RI-related issues varies across engagement, integration into investment decisions and voting. For most respondents, the investment teams are involved in RI decision-making across engagement (19 respondents), integration (27 respondents) and voting (14 respondents), either in sole capacity or jointly with the RI/Stewardship teams. Whilst the decision-making power for engagement sits with the RI/Stewardship team for nine respondents and eight for voting, only two RI/Stewardship teams have authority over investment integration. Understanding how LIPH signatory organisations are structured provides valuable insight into where the accountability lies for health-related investment decisions. It is an area we will explore further to better understand how these structures correlate with good decision-making on health and the outcomes realised.

## Governance recommendations

1. To incentivise health-related RI, **all investors** should link variable remuneration for senior management to the achievement of the organisation's objectives in relation to health. Where variable remuneration is not considered (e.g. in non-profit organisations), performance-related KPIs could consider contributions towards achieving positive health outcomes in investments.
2. **For asset owners** where the voting rights sit with asset managers, it is important to monitor and influence the voting decisions of their managers to cover health-related issues where possible. Investment consultants can support asset owners with this monitoring and evaluation process.

3. **All investors** should ensure voting policies are updated to include health-related themes and commitments to support shareholder resolutions focused on resolving health issues. See [ShareAction's Voting Matters](#) recommendations for more information.
4. **All investors** should ensure the negative and positive impacts on health are taken as seriously as financial risk and return throughout the investment process<sup>4</sup>, and that the teams with responsibility for oversight and implementation of RI are sufficiently well-resourced.

# Company engagement



# How are LIPH signatories engaging companies on health-related issues?

Investors have a responsibility to use the power of effective engagement to influence change in investee companies, generating positive health-related outcomes as well financial gains<sup>5</sup>. Where direct or collaborative company engagement are not successful in resolving health issues, it is important to have a defined escalation process in place so that further action can be taken<sup>6</sup>.

Whilst 16 of the LIPH asset manager respondents have a formal public policy on health-related company engagement with a defined escalation process for directly held assets, less than half of these cover all assets under management (AUM). Only two of the asset owner respondents have a public policy on health-related company engagement outlining escalation expectations for external managers. Some asset owners leave engagement methods to the discretion of their managers whilst others specify expectations in individual manager agreements.



## Box 1: Leading practice: engagement policies

### Asset managers

**Aikya:** Analysis of sustainability topics, such as good health and nutrition, and engaging with companies on the most material issues are key to Aikya's investment process. [Aikya's engagement policy](#) outlines how, for all its AUM, engagement with investee companies is closely monitored and may be escalated through four stages if issues are identified. These stages include:

1. Defining and logging the engagement agenda
2. Discussion with company management on the issues and request for evidence to demonstrate that concerns are being addressed
3. Escalation to 'severe category' if, after multiple discussions, the company is not making the desired progress on the issue
4. Reassessment of the investment case, which could result in divestment.

**Aikya** applied these engagement stages to an [Asian packaged foods business](#) with which it had concerns around the company's lack of healthier product offerings, and the corresponding lack of organic growth and loss of market share. Despite escalating the issue to the company CEO and major shareholders over several years, Aikya concluded the company's product portfolio continued to focus on 'less healthy', affordable snacking. Aikya recognised its engagement efforts had not made the difference required and so divested shares in the company.

### Asset owners

**Coöperatie VGZ** recognises its responsibility to use its position of influence to prevent and limit adverse health-related consequences as well as how poor health could affect its investments. To support its mission of being 'a partner for its members and their loved ones by providing personal solutions for health and care needs', VGZ publishes an engagement timeline in its [annual report](#) outlining the steps to be taken to ensure investee companies demonstrate progress in line with its key RI objectives, which includes health, within a two-year period.

If engagement does not yield the desired results, VGZ can undertake various escalation methods, including collaborative engagement with other investors to increase leverage, making a public statement, exercising voting rights in line with the voting policy, joining a lawsuit if there is damage caused due to misconduct and, ultimately, divestment. Furthermore, as part of the exclusion policy, VGZ excludes companies that are classified as non-adaptive following the engagement process.

23 respondents publicly disclose engagement case studies with investee companies on key RI topics, including health. For company engagement activities more generally, 17 respondents publish full voting records, six respondents disclose the full list of companies they engage with and 13 provide a quantitative assessment of engagement outcomes and impacts with investee companies. Most asset owners responded they do not publish company engagement-related details, with this being left to the discretion of their asset managers.



## Box 2: Leading practice: public disclosure of company engagement activities

### Asset managers

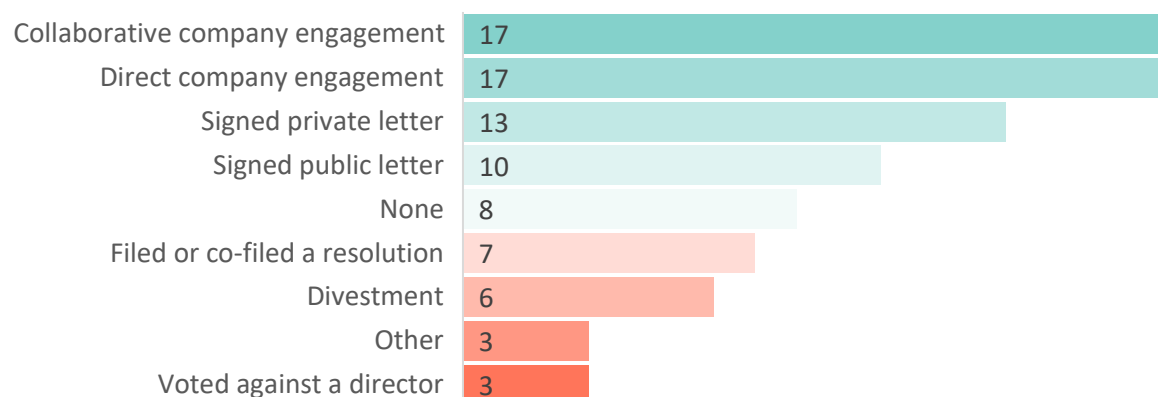
**Schroders** publishes a thorough overview of company engagement activities, including:

- [Quantitative reporting on engagement milestones](#), outlining progress against SMART engagement objectives and active ownership activities to demonstrate how companies are effecting change in relation to Schroders' priority themes, which includes '*Human Capital Management: Health, safety and wellbeing*'.
- [Full list of investee companies](#) engaged with and the corresponding discussion topics.
- Case study examples across all thematic topics, clearly outlining the company in focus, escalation methods, the context, outcome and ongoing monitoring activities. For example, see [Encouraging Healthy Diets at Carrefour](#).
- [Full voting record](#), providing transparency on steps taken to influence investee company practices.

As shown in [Figure 3](#), collaborative and direct company engagement were the most common methods used to influence change with investee companies that did not meet health-related objectives in the 12 months prior to October 2023. Where engagement was not successful in achieving the required health-related outcomes, escalation tools were used by 18 respondents to strengthen their health-related ask of investee companies. Independently from the escalation opportunities coordinated through LIPH, 10 respondents signed a public letter, seven filed/co-filed a resolution, six divested and three voted against a director.

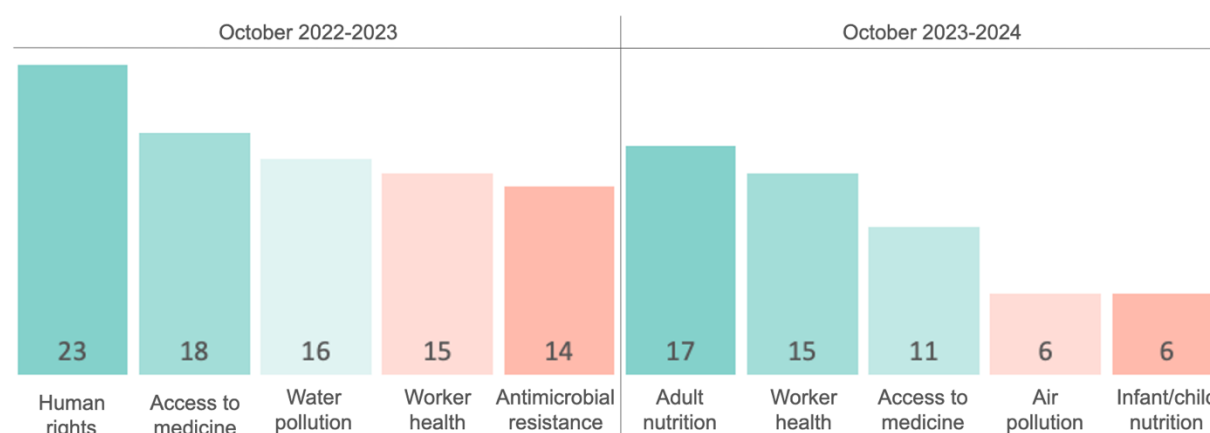


Figure 3: Number of respondents involved in company engagement escalation methods (independently from the escalation opportunities coordinated through LIPH).



In the 12 months prior to October 2023, human rights (23 respondents), and access to medicine and vaccines (18 respondents) were the most common health-related topics investors engaged on with investee companies followed by water pollution, worker health and antimicrobial resistance (AMR). Looking ahead into 2024, health was identified as forming a key part of company engagement objectives for almost all respondents, with adult nutrition, and optimum physical and mental health of workers being the most common (Figure 4). The Health team will work with LIPH signatories that have not yet set health-related company engagement objectives to better understand how we can support this process as well as share examples of leading practice with institutional investors more broadly.

Figure 4: Top five health-related company engagement topics outside of LIPH October 2022 – 23 and top five engagement priorities looking forward October 2023 – 24<sup>1</sup>.



<sup>1</sup> The full list of health-related topics included in the survey was alcohol, AMR, digital wellbeing, financial inclusion, financial debt, food safety, worker health, access to medicine, access to quality housing, infant and child nutrition, adult nutrition, air pollution, water pollution, tobacco and human rights.



### Box 3: Leading practice: health-related company engagement and escalation

#### Asset Managers

**Castlefield & CCLA:** As part of [CCLA's UK 100 Corporate Mental Health Benchmark](#), Castlefield and CCLA led a collaborative engagement with Whitbread to discuss the company's existing approach to workplace mental health and identify key recommendations for improvement<sup>7</sup>. A range of initiatives were implemented across the company to increase awareness of workplace mental health and wellbeing more generally, as well as improving access to specialist support services. Castlefield continues to engage with Whitbread to encourage public disclosure of the company's activities and support it in being a leader on the topic.

#### Asset Owners

**Guy's and St Thomas' Foundation (GSTF)** carried out direct engagement with companies in the construction and freight sectors on air pollution. Nine companies in total were contacted during 2023 to discuss air pollution, including sending five letters and posing five AGM questions. As a result of GSTF's thorough and persistent direct engagement, two companies (one construction and one freight) are now trialling a measurement and reporting scheme funded by GSTF to reduce their air pollution and the negative impact on population health. The companies will report back on this trial in their annual reports and commit to a plan to reduce their contribution to air pollution.

**Nest** publicly outlines its approach of engaging with a company directly at times when it overrides its fund managers' votes<sup>8</sup>. In the 12 months before October 2023, Nest used several escalation methods with companies not meeting their health-related objectives. These included writing a private letter to regulators on water pollution, direct company engagement with automotive companies to improve human rights due diligence in their supply chains, divestment due to Uyghur human rights cases and filing several health-related resolutions.

Nest shareholder resolution example: in response to McDonald's not meeting a goal of excluding routine antibiotic usage by meat suppliers and missing reduction targets for medically important antibiotics, Nest co-filed two shareholder resolutions at McDonald's 2023 AGM requesting the McDonald's Board should:

1. Report to shareholders on the adoption of a company-wide antibiotics policy, including a phase-out of the use of medically important antibiotics for disease prevention in its beef and pork supply chains.
2. Implement a WHO-compliant policy on the use of medically important antimicrobials in animals throughout the McDonald's supply chain.

16.32% and 18.36% of votes supported the resolutions respectively; an increase from 13.20% for a similar resolution the year before, reflecting the growing importance of this issue to shareholders. To reinforce Nest's voting rationale to the company, Nest sent a letter to McDonald's last year outlining their vote and why McDonald's should act on the resolutions.

## Health-related company engagement recommendations

1. **Asset managers** should publish or expand their existing engagement policy to include guidelines in relation to health issues, covering all AUM and investment activities where possible. The policy should outline a clear escalation framework<sup>9</sup> that details the steps to be taken with portfolio companies that do not meet health-related objectives and/or are negatively impacting health. This should culminate in a reduction of holdings or divestment if changes are not realised.

**Asset owners** and **investment consultants** should also outline expectations on health-related RI for asset managers in line with their own approach and use their position of influence to ensure asset managers fulfil the requirements. For further guidance on how to implement an escalation framework, see ShareAction's [Responsible Investment Standards & Expectations \(RISE\)](#) paper.

2. **All investors** should publish details regarding health-related company engagement in stewardship reports, including:
  - A quantitative assessment of health-related engagement outcomes with investee companies, such as progress achieved against health-related milestones
  - A full list of investee companies engaged with and corresponding health topics
  - A list of engagement targets and health-related engagement objectives
  - Health-related company engagement case studies
  - A full voting record, including health-related resolutions (see [ShareAction's Voting Matters](#) report<sup>10</sup>)
  - The escalation methods used with investee companies to mitigate negative health impacts.
3. **Asset managers** should proactively engage with investee companies on issues across worker, consumer and community health as relevant for their portfolios (four was the median average number of health-related engagement topics covered by survey respondents in a 12-month period). Asset owners and investment consultants should monitor and measure their managers to ensure they are engaging with investee companies across a broad range of health-related topics.
4. **All investors** should publicly state that the organisation believes health is material to RI and that it is a key area they will engage on. To support this statement, investors should publish company engagement objectives in relation to health.

## Other engagement opportunities and recommendations

Company engagement and policymaker engagement can be mutually reinforcing and offer opportunities for impact even if one avenue is meeting resistance. Advocating for policy change also negates the level playing field argument that companies often use to counter engagement efforts.

**All investors** should:

1. Directly engage with regulators and policymakers on crucial health issues
2. Familiarise themselves with [ShareAction's UK General Election 2024 Manifesto](#)

3. Get involved in ShareAction's health policy work by supporting our asks for regulation/policy change as a core component of our [Good Work](#) and [Air Quality](#) campaigns
4. Advocate for more corporate data transparency to improve health outcomes and enable better assessment of whether directors are appropriately mitigating the broad range of financial risks that might impact a company. Specifically, we want the Government to:
  - Legislate for mandatory sustainability-related corporate disclosures
  - Ensure the new legislation includes mandatory social-related corporate disclosures, which explicitly integrate health disclosures.

# Investment integration and risk analysis



## How are LIPH signatories integrating health into their investment decisions, strategies and risk analysis?

We encourage asset managers to consider health as part of their investment decisions and to have policies and practices in place to support this. Asset owners should hold their managers to account for their performance on health-related RI issues and act when standards are not met. Similarly, investment consultants can play a key role in positively influencing their clients to include health considerations as part of their investment practices.

Less than half of the LIPH asset managers who responded to the survey (eight respondents) have a public policy outlining how health risks and opportunities influence capital allocation. This indicates that health is not commonly considered as part of investment decisions. Similarly, most asset owners did not have a public policy in place setting out formalised expectations on RI for asset managers relating to health.

For some asset owners, policies are currently being drafted for publication in 2024, which is a positive step in the right direction, but more needs to be done to encourage this approach across the asset owner space more broadly. Where public policies are in place for asset managers and asset owners, more than two thirds cover all asset classes and portfolios under management, whilst others are specific to certain sectors, clients or impact funds.

The most common health-related topics avoided in investment policies include tobacco (22 respondents), human rights (13 respondents) and alcohol (11 respondents). All other key health-related topics identified across the three pillars of health (worker, consumer and community health<sup>11</sup>), such as nutrition, air pollution and employee well-being related aspects, were identified as being avoided by less than a quarter of investors. Please refer to [Table 1](#) for examples of health-related exclusions and positive screening criteria being used by LIPH signatories.



Table 1: Health-related exclusion and positive screening examples being used by LIPH signatories.

| Health-related topics   |  | Restriction / screening type | Restriction / screening examples   |
|---|--|------------------------------|--|
| Worker health<br>      | Optimum physical and mental health of workers              | Threshold                    | Companies with significant involvement in activities with significant risk of harmful impacts to physical or mental health.  |
| Consumer health<br>    | Alcohol  | Absolute                     | Companies involved in production of alcohol.   |
|   |  | Threshold                    | Companies with revenues >5%/>10% from the production or distribution of alcohol.   |
|   | Food safety  | Positive screening           | Organic or non-toxic products, sustainably produced plant-based products, reformulated food and beverage products for improved nutrient content.   |
|   | Nutritious diets: infant and child nutrition               | Threshold                    | Companies deriving >10% revenues from infant formula where the retail or manufacture contravenes international guidelines (WHO).   |
|   | Tobacco  | Absolute                     | Companies involved in the production or sale of tobacco.   |
|   |  | Threshold                    | Companies with revenues >5%/>10% from the production or distribution of tobacco.   |
|   | Other consumer   | Unspecified                  | Companies involved in vaping production.   |
| Community Health<br> | Digital wellbeing  | Threshold                    | Companies with revenues >10% from adult entertainment.   |
|   | Financial wellbeing: Financial inclusion/over-indebtedness | Unspecified                  | Companies with history and pattern of exploitative financial services, including predatory lending or illegal financial discrimination against customers, including redlining.   |
|   |  | Threshold                    | Revenues >10% from consumer credit companies offering high-interest rate loans and home-collected credit.  |
|   | Human Rights   | Unspecified                  | <ul style="list-style-type: none"> <li>Companies in violation of UNGC principles or with serious human rights risks.</li> <li>Companies breaching Global Norms, such as companies involved in human trafficking, company operations causing widespread destruction of livelihoods or traditional ways of life, or if a company's products cause death or permanent disability due to inadequate controls in production.</li> </ul> |



## Box 4: Leading practice: the integration of health into investment policies and practices

### Asset managers

**American Century Investments** – Healthcare is one of five key sustainability themes in [American Century's Sustainable Investing policy](#) and is used to drive top-down sustainable investing research and stewardship priorities. Healthcare and related issues are also embedded into American Century's proprietary assessment tool S360™, which assesses how a company performs on specific metrics (including those related to public health) relative to its peers. The health-related metrics include company disclosure of volume of particulate matter (PM) emissions, hazardous use of chemicals and annual employee turnover. The investment manager also offers a [Health Care Impact Equity strategy](#) that seeks to invest in innovative healthcare companies that align with UN Sustainable Development Goal (SDG) 3 'Good health and wellbeing'. Through investment in these companies, American Century believes it can generate attractive returns and benefit population health.

**Greenbank:** [Greenbank's minimum standards framework](#) includes health- and wellbeing-related activities or behaviours that would be automatically excluded, and sets out other 'red flags' where exclusion may be advised, such as companies with "significant exposure to production or sale of unhealthy food and beverage products without a credible nutrition strategy in place". Whilst this framework only applies to new purchases, over time Greenbank aims to transition out of any holdings transferred by new clients that do not meet Greenbank's minimum standards and ensure they are in line with client-specific ethical and sustainable preferences.

Where there is a deterioration of company performance on health, Greenbank engages with the company in line with its engagement decision tree (an internal process when a potential ESG issue is identified). The ethical, sustainable and impact research team will assess the severity of the breach and, where possible, Greenbank will retain the holding and engage with the company to address the concern. If the company is not responsive to the concerns raised and continued engagement is deemed likely to be ineffective, Greenbank may divest on ethical or sustainability grounds.

### Exclusions by theme

| Theme  | Automatic exclusions   | Red flags   |
|--|--|---|
| <b>Health and wellbeing</b><br> | <ul style="list-style-type: none"><li>Any revenue from the production of tobacco or tobacco products</li></ul> | <p>Involvement in serious or repeated breaches of guidelines to prevent the irresponsible marketing of alcohol or harmful drinking</p> <p>Significant exposure to production or sale of unhealthy food and beverage products without a credible nutrition strategy in place.</p> <p>Serious or repeated instances of suppression of adverse safety data or testing results in relation to products manufactured or sold.</p> <p>&gt;5% revenue from the sale of tobacco products or the provision of specialist machinery or packaging to the tobacco industry.</p> |

*Extract from Greenbank's Sustainable Investment Framework*

**Boston Common Asset Management (BCAM):** As well as avoiding investing in companies that significantly contribute to chronic disease, ill health or obesity, BCAM uses positive criteria to focus investments in companies that produce safe, useful, and high-quality products and whose products

and services, policies, and processes improve and promote health, wellness, and wellbeing for individuals, families, communities, and the environment. [BCAM's ESG guidelines](#) include:

- Products: organic or non-toxic products, sustainably produced plant-based products, ingredients and raw materials, and food and beverage products reformulated for improved nutrient content and health benefits
- Policies and processes: active programmes to increase access to medicines, healthcare services and nutritious foods for disadvantaged populations, policies to reduce or eliminate product toxicity, and responsible pricing and marketing practices.

### Asset owners

**Stichting Pensioenfonds voor Huisartsen (SPH):** Health is a key theme within [SPH's sustainable investment policy](#), with specific focus on access to healthcare, physical and mental well-being through healthy nutrition, access to clean water, and prevention of ill health and addiction. The policy outlines how the asset owner aims to prevent and mitigate negative health impacts, stimulate improvements and achieve a positive impact relating to health by adhering to the following approaches:

- Exclusions: tobacco companies or any companies involved in tobacco-related activities, and companies violating human rights
- Company engagement: proactive discussions on health-related risks to encourage positive behaviour change and embed health into voting principles
- Impact investment: investment in healthcare real-estate
- ESG integration: best-in-class investment used to inform portfolio investment selection relating to health.

### Other Investors

**Mercy Investment Services:** Through the Mercy Partnership Fund (MPF) and use of health-related positive and avoidance screening, Mercy ensures its investee companies are aligned [with its objectives and goals](#). Health-related avoidance criteria includes companies involved in the manufacture, sale or distribution of tobacco products (revenue thresholds set for these companies are not publicly available). Mercy Investment Services also does not invest in food commodities, including but not limited to, food commodity derivatives, indices and exchange-traded funds. The MPF invests in community-serving organisations, such as in Meds & Foods for Kids (MFK), a program in Haiti that produces Medika Mamba, a peanut-based product fortified with nutritional supplements. MFK works to combat childhood malnutrition in the developing world and, working with UNICEF, has provided nourishment to over 700,000 children in Haiti and 17 other countries<sup>12</sup>.

## Health-related RI strategies and assessment of investee company performance

24 respondents use engagement and shareholder voting as the predominant ways of embedding health into RI strategies. Over half of the respondents also use health-related exclusionary screening (19) and the explicit inclusion of health factors by investment managers into financial analysis (17). Other

possible methods to integrate health into RI strategies are less commonly used by respondents, including thematic health investment (12), health-focused impact investing (12), norms-based screening (11), positive health-related screening (10) and divestment strategies (4)<sup>13</sup>. Two asset owner respondents would prioritise health outcomes over financial returns in certain circumstances (such as accepting a lower return or higher risk in their impact investments if the positive health impact potential was high) whilst two respondents do not currently integrate health into RI strategies at all.



### Box 5: Leading practice: health-related company assessment (asset managers)

**Schroders** uses two proprietary tools to assess the impact of investee companies relating to health:

- **SustainEx™**: provides investment teams with an estimate of positive and negative “externalities” that companies and countries may create for society. Metrics chosen by Schroders, of which health is one of many (such as workplace health and safety incidents), feed into SustainEx™ to produce an aggregate measure of a company (notional percentage of sales) or country (GDP).
- **CONTEXT™**: provides a systematic framework for analysing a company’s relationship with its stakeholders and the sustainability of its business model. Comprising over 260 metrics across over 13,000 companies, CONTEXT™ supports investors’ understanding of the sustainability of companies’ business models and profitability, and provides structured, logical and wide-ranging data to support analysts’ views. CONTEXT™ includes health-related metrics such as annual employee turnover, employee survey disclosure and scope, and policies on responsible marketing, sales and advertising relating to health.

**J Stern & Co’s** investment approach is based on a rigorous process of fundamental proprietary research using in-house analysis. This is complemented by data from an external ESG data provider ([ISS-ESG](#)), which provides analysis on companies’ health-related impacts. J. Stern & Co uses the [SASB Standards Materiality Map](#) as a key tool in identifying industry-specific material issues that could affect the performance of companies in relevant industries. For example, SASB’s human capital materiality pillar includes company culture-related indicators and metrics such as education, training, upskilling and health.

**Aikya** has a dual objective while investing in food and beverage companies:

1. In line with UN SDG 3.4 target<sup>14</sup>, find companies that promote healthy food
2. In line with UN SDG 2.1 and 2.2<sup>15</sup>, support companies that operate at the base of the pyramid, providing safe and affordable calories to people.

Aikya believes how a company responds to the opportunities and risks related to nutrition is key to their resilience as well as their long-term value creation. To build this into their investment approach, Aikya uses an [analytical framework](#) to assess a company’s future direction on health and nutrition, requesting evidence from companies to demonstrate progress across the following stages:

1. Commitment to nutrition (linked to governance and making commitments public)

2. Strategy to deliver (product reformulation, affordable and accessible products, responsible marketing)
3. Disclosure of data (disclose portfolio nutrition)
4. Setting of targets (disclose portfolio targets, which will evolve over time)
5. Reporting on progress (demonstrate accountability and continued evolution).

To ensure asset managers are appropriately monitoring and measuring health-related impacts of companies, six of the asset owner respondents evaluate their managers' stewardship activities in relation to health. Other evaluation methods surveyed, such as integrating health-related RI criteria into the tender process or setting minimum health-related KPIs, were used by three or less asset owners. Going forward, we will work with LIPH asset owners to better understand the steps taken when asset managers are identified as not appropriately monitoring company health-related impacts.



#### Box 6: Leading practice: health-related company assessment (asset owners)

**The Health Foundation** takes a broad range of actions to ensure its managers are measuring and monitoring the health impacts of investee companies:

- Tender: health-related RI criteria is integrated in the tender process
- Onboarding: managers must agree to complete an annual RI KPI report (a comprehensive 45-question questionnaire on RI policies and practices) and provide data and metrics relating to each portfolio company on health- and climate-related engagement, voting and business activities. The RI KPI report evolves every year, according to market expectation and monitoring, to ensure minimum standards are being met. Minimum standards include requirements to engage with a minimum of 70% of portfolio companies, providing evidence for voting decision on a quarterly basis, and full disclosure on the use of metrics and scenario analysis in decision-making
- Ongoing: quarterly engagement meetings with all managers and a formal annual meeting with managers and ESG specialists to ensure investment decisions align with their RI policies

Outcome: through active long-term engagement, all managers now evidence the integration of health into investment decision-making and engagement practices. For reporting against SDG 3 (relating to health and wellbeing), a third of companies operate a main business activity that delivers positive population health impact through the provision of products and services.

Three fifths of the respondents are already using third-party data sources for asset-level assessment of investee companies (see [Table 2](#)). The most common health-specific sources used are [Access to Medicine Index \(ATMI\)](#), [Access to Nutrition Initiative \(ATNI\)](#) and [FAIRR Index](#). Additionally, 18 respondents use data provided by [MSCI](#), 16 respondents perform in-house reviews of asset-level data and 10 review asset performance at a sector level. One fifth of respondents do not carry out any form of assessment of investee companies on health issues.

Worker health-related metrics are currently most frequently used to identify and measure health risks and impacts, including workplace health and safety incidents (16) and annual employee turnover (13).

Table 2: Metrics and sources used by LIPH signatories to assess company performance across the three health pillars.

| Worker Health  | Source example (where provided)  |
|--|--|
| Annual employee sickness absence   | Proprietary tools  |
| Company culture related indicators, such as inclusivity  | <a href="#">Glassdoor</a> ; <a href="#">SASB Materiality Map</a> (human capital) |
| Policies on maternal/parental leave and level of uptake of leave                                       | <a href="#">Equileap</a>   |
| Employee survey disclosure   | Proprietary tools; <a href="#">MSCI</a>  |
| Annual employee turnover and attrition rates   | Proprietary tools; MSCI  |
| Workplace health and safety incidents; implementation of health and safety management systems          | Proprietary tools; MSCI; <a href="#">ISS-ESG</a>                                 |
| Employee benefits, such as flexible working, health insurance and paid sick leave                      | Proprietary tools  |
| Health and wellbeing programme availability and promotion  | ISS-ESG; <a href="#">GRESB (Real Estate)</a>                                     |
| Corporate mental health policy   | <a href="#">CCLA Mental Health Benchmark</a>                                     |
| Community Health   | Source example (where provided)  |
| Company disclosure of volume of PM emissions   | MSCI   |
| Environmental Protection Agency (EPA) Toxic Release Inventory data                                     | <a href="#">EPA</a> (US)   |
| Number of preventative healthcare interventions; patient healthcare access; number of patients treated | Proprietary tools; <a href="#">ATMI</a> ; ISS-ESG                                |
| Water and waste management   | No source provided   |
| Consumer Health  | Source example (where provided)  |
| Policy on responsible marketing, sales and advertising for health                                      | Proprietary tools  |
| Total value of sales of healthier products as a proportion of overall sales                            | <a href="#">ATNI</a>   |
| Percentage revenue from products or services promoting good health                                     | MSCI   |
| Reduction of the production or use of chemicals in products  | No source provided   |
| Customer and/or product controversies relating to health   | <a href="#">Sustainalytics</a>   |
| Assessment of product safety, quality or impact relating to health                                     | FAIRR Index  |
| AMR commitments  | FAIRR Index; <a href="#">AMR Benchmark</a>                                       |
| Other sources used for health-related measures of companies  |  |
| <a href="#">Clarity AI</a>   |  |
| ESG integration surveys of asset managers (by asset owners)  |  |
| Other NGO reports  |  |
| Academic research  |  |



## Recommendations on how to integrate health into investment decisions, strategies and risk analysis

1. **All investors** should publish or expand existing RI policy outlining the organisation's approach to integrate health-related issues into investment decisions, covering all AUM and investment activities where possible or relevant. Health-related RI policy considerations include:
  - Implement negative screening criteria/restrict investments for companies that are harmful for health, such as extend tobacco restrictions to include vaping, and adding restrictions on companies that have a history or pattern of poor worker health-related performance
  - Implement positive screening criteria for companies that support good health and wellbeing, such as the production of healthy foods and products
  - Introduce new funds that incorporate criteria supporting good health and wellbeing, and actively market these funds in preference to funds without screens
  - Consider impact investment in healthcare/health-related innovation
  - Consider divestment from companies or sectors that are harmful to health, especially where engagement is not effective in achieving positive behaviour change.
2. **Asset managers** should disclose health-related KPIs that enable their asset owners to measure and monitor their performance, and identify possible areas for improvement.
3. **Asset owners and investment consultants** should outline formalised expectations for asset managers in line with their own approach to ensure the companies they invest in are not damaging for population health. To ensure assets are managed responsibly, asset owners should outline health-related RI criteria from the outset and throughout the tender process. On an ongoing basis, asset owners should monitor the performance of managers using health-related KPIs or other evaluation tools and reduce or remove mandates if managers do not align with the asset owner's health-related RI policies. Suggested steps that asset owners can implement are:
  - Integrate health-related RI criteria in the tender process
  - Set minimum RI health-related KPIs for external asset managers
  - Incorporate contractual rights that enable access to information about health-related RI issues and/or overriding of voting and engagement decisions
  - Reduce or remove asset manager mandates that are not aligned with health-related RI objectives or if improvements towards health-related RI objectives do not materialise
  - Evaluation of managers' stewardship activities and RI performance relating to health using a third-party evaluation tool or portfolio impact metrics.
4. **All investors** should adopt restrictions to ensure the companies invested in do not have a negative impact on population health. This includes restricting revenues generated from tobacco companies across all portfolios under management, which is the most common health-related restriction, but also considering other key health-related topics, such as gambling, alcohol, human rights and the sale of unhealthy food products.
5. **All investors** should start using or extend the range of metrics used to identify and measure health-related risks in investment portfolios and disclose methods used where possible. Metrics used

should cover a broad range of issues across worker, consumer and community health. Whilst data quality and availability may be limited for some health-related issues, we recommend investors leverage the third-party data sources currently available and incorporate these into company assessments. Data from external providers can then be incorporated with in-house analysis.

6. **Asset owners** and **investment consultants** should also engage with managers to ensure key health-related metrics are being used to assess the impact of investee companies as required (refer to [Table 2](#)).

# LIPH programme feedback



## Summary of feedback on the LIPH programme

The LIPH programme was launched in 2022 to support investors to consider health in their investment decisions, voting and engagement practices, and to ensure health is recognised as a systemic risk for the investment sector. LIPH brings together a coalition of investors to help them lead, collaborate, learn and influence positive health-related change.

Since the launch of LIPH, feedback on the programme has been gathered informally through direct conversations with LIPH signatories. The 2023 LIPH survey provided the first opportunity for ShareAction to gather valuable insights on what is working well and where the LIPH programme can do more to support investors in their journey to integrate health into investment practices. Whilst the LIPH programme may not be able to address all the helpful suggestions made, we will factor ideas into programme planning where possible and report this back to LIPH signatories.

30 respondents confirmed their experience participating in the LIPH programme has been positive. Highlights included investor research briefings, facilitating company engagement, excellent meeting preparation and follow-ups, the Mobilize platform, in-person events and an overall professional approach. Since being part of LIPH, investors felt opportunities to engage with companies on health, strengthening of engagement and escalation capabilities, increased involvement in collective action to drive change and networking with other investors on health had all 'greatly improved'. The area most investors felt there had been 'no change' was in increasing their ambition to be leaders in the integration of health into investment decision-making.

### Quotes from LIPH signatories

#### **Asset Owners**

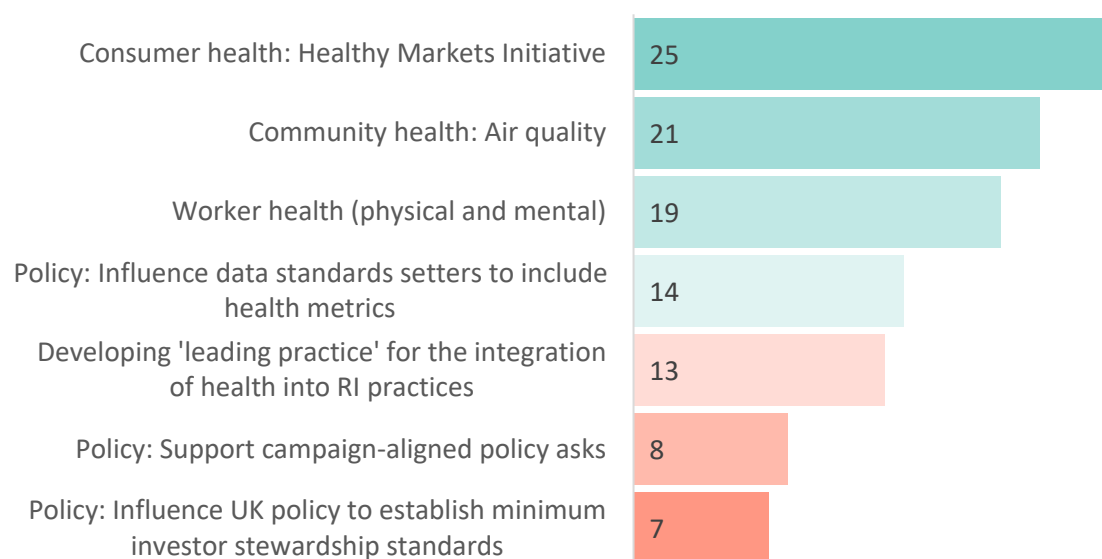
- **The Nuffield Trust:** “participation in LIPH has driven us to do more.”
- **GSTF:** “LIPH has given investors the tools to integrate health into their stewardship.”

#### **Asset Managers**

- **J Stern & Co:** “LIPH has allowed us to keep apace of industry wide developments.”
- **Grunfin:** “LIPH has facilitated access to top management of large global companies.”

Looking forward, consumer health is the LIPH workstream most respondents (25) want to be involved in, followed by community health (21) and worker health (19). UK policy is also an area of interest, with 14 respondents indicating they are interested in positively influencing data standards setters (such as ISSB) to include more diverse and ambitious health disclosures (see [Figure 5](#)).

Figure 5: Number of investors interested in being involved in the LIPH programme workstreams.



Whilst a small number of investors confirmed they do not experience any barriers in relation to engaging with investee companies on health or factoring health into investment decisions, most investors did identify challenges that prevent them from doing more. Regarding company engagement on health, limited time and capacity, and not holding shares in the target companies were the top two reasons preventing more ambitious company engagement through LIPH. When thinking about integration, the lack of high quality, consistent and comparable health-relevant data (18 respondents) and lack of standardised reporting requirements (11 respondents) were the most common reasons preventing further integration of health into investment decisions. Whilst we recognise these challenges, we encourage investors to use the data sources and tools that are already available (see [Table 2](#)) and to engage with companies to push them to disclose key health-related metrics.

Survey respondents highlighted several ways the LIPH programme could continue to help them in overcoming the challenges preventing them from being more ambitious on health-related stewardship and investment practices. They also made suggestions on how to ensure health is increasingly raised as a topic of investor importance. These suggestions included:

**Engagement:** To support company engagement on health, the top five activities LIPH signatories asked for were:

- More collaborative engagement opportunities (22 respondents)
- Company benchmark analyses to inform active engagement (21 respondents)
- Case studies on company engagement best practice for investors (18 respondents)
- Case studies on company best practice on health, especially where positive outcomes have been realised (18 respondents)
- Encouragement of better company disclosure of health data (18 respondents).

Additional suggestions included case studies on voting best practice on health, greater alignment with other organisations working in the space and consideration as to how to apply best practice from the UK to other markets and regions.

**Integration:** To support the integration of health into investment decisions and practice, the top three actions highlighted were:

- Best practice case studies on investment integration (17 respondents)
- Tools to help identify companies/topics to prioritise in relation to health in a portfolio (15 respondents)
- Information on the financial materiality of health (12 respondents).

Additional suggestions included pushing for clearer reporting requirements to enhance data availability, investor briefings on financial materiality and health-related policy insights to reinforce the case for investment integration of health, and education on which health-related metrics can be used to inform engagement and integration efforts.

**Asset owners:** The top two actions requested to support asset owners to hold asset managers to account were:

- Providing template letters for asset managers
- Providing a template assessment framework for asset managers.

**The LIPH programme:** to enhance the impact of LIPH, common themes recommended by respondents were:

- Expand the geographical focus beyond UK (campaigns and policy)
- Provide details on LIPH's upcoming plans, progress against goals and objectives, and what LIPH signatories can do to help in achieving LIPH goals
- Host more in-person events and cross-investor knowledge-sharing opportunities (for example, on the Corporate Mental Health benchmark, AMR and healthy aging).



## Closing remarks

Health is a relatively new RI consideration. A lot more needs to be done by the most ambitious investors in this space to develop the field and build the evidence base as to why health is a critical ESG topic. The 2023 LIPH Survey provides positive evidence of LIPH signatories taking steps to integrate health into their investment practices. As outlined at the start of this paper, LIPH signatories are generally leaders in terms of demonstrating investor commitment towards health and so whilst the LIPH survey findings are unlikely to be representative of the wider industry, they show emerging examples of leading practice of what investors can and should do to mitigate health-related risks in their portfolios as well as support good population health and wellbeing.

Of all the question categories covered in the LIPH survey, the findings show that the integration of health into stewardship practices is particularly strong. The survey responses demonstrated that most LIPH signatories are proactively engaging with investee companies on health-related topics across worker, consumer and community health, and are taking necessary escalation steps when engagement alone does not result in the behaviour change required. However, there is further scope for LIPH signatories to be more ambitious on health. We strongly encourage LIPH signatories to adopt the recommendations outlined in this report as well as share the health-related progress your respective organisations are making so that we can continue to highlight examples of leading practice. By continuing to actively participate in the LIPH programme, investors can lead, collaborate, learn and influence to elevate the profile of health as a critical ESG consideration.

Going forward, we will continue to work with LIPH signatories to provide support and guidance to ensure the integration of health into investment practices continues to improve. We are also exploring opportunities to more broadly showcase the recommendations and examples of leading practice outlined in this report (with signatory permission). We believe this is a critical step to help achieve the LIPH programme's vision of an investment industry that values health as an asset as much as financial risk and return.

This is ShareAction's first LIPH survey and report. Thank you again to the LIPH signatories that responded to the survey, your contribution is very valuable. We will work with LIPH signatories to increase the number of respondents in future iterations of the survey. We will also ensure health is increasingly embedded into ShareAction's other benchmarking research to expand the evidence we have in terms of investor action on health.

Feedback on the content of this report is welcomed. Your comments will help to ensure the information we publish continues to best support LIPH signatories and the investment community on health.

To share feedback, ideas or questions, contact Francesca Skinner at [francesca.skinner@shareaction.org](mailto:francesca.skinner@shareaction.org) or ShareAction's Health team: [health@shareaction.org](mailto:health@shareaction.org).

# Appendices



# Appendices

## 1. 2023 LIPH Survey respondents

| LIPH signatories                                 | Location    |
|--|-------------|
| <b>Asset managers</b>                            |             |
| Achmea Investment Management                     | Netherlands |
| Aikya Investment Management                      | UK          |
| American Century Investment Management, Inc.     | USA         |
| Boston Common Asset Management                   | USA         |
| Cardano  | Netherlands |
| CCLA Investment Management                       | UK          |
| EOS at Federated Hermes Limited                  | UK          |
| EQ Investors                                     | UK          |
| Greenbank  | UK          |
| Grünfin  | Estonia     |
| Impax Asset Management                           | UK          |
| J Stern & Co                                     | UK          |
| Legal & General Investment Management Ltd (LGIM) | UK          |
| Man Group  | UK          |
| Mitsubishi UFJ Trust and Banking Corporation     | Japan       |
| Montanaro Asset Management                       | UK          |
| Ownership Capital                                | Netherlands |
| Partners Capital                                 | UK          |
| Schroders  | UK          |
| <b>Asset owners</b>                              |             |
| Barrow Cadbury Trust                             | UK          |
| Canadian Medical Association                     | Canada      |
| Coal Pension Trustees                            | UK          |
| Coopertatie VGZ                                  | Netherlands |
| Dunhill Medical Trust                            | UK          |
| Guy's and St Thomas' Foundation                  | UK          |
| Nest (National Employment Savings Trust)         | UK          |
| Stichting Pensioenfonds voor Huisartsen          | Netherlands |
| The Health Foundation                            | UK          |
| The Nuffield Trust                               | UK          |
| <b>Investment consultants/other</b>              |             |
| Castlefield                                      | UK          |
| London CIV                                       | UK          |
| Mercy Investment Services, Inc.                  | USA         |
| PIRC   | UK          |

## 2. 2023 LIPH Survey approach and methodology

The 2023 LIPH Signatory Survey was designed and developed by ShareAction's Health team during the summer of 2023 using input from the Investor Guide on Health and ShareAction's 2022 Asset Management benchmarking survey. The survey was also reviewed by ShareAction's Financial Sector Research team, Chronos Sustainability and two representative investors.

**Who:** Completion of the survey was outlined as a requirement for all LIPH signatories and optional for Healthy Markets Initiative-only members.

**When:** Following advance communication, a blank Excel survey template was issued via Mobilize to LIPH signatories in mid-September 2023 for completion by mid-October 2023. The survey will be repeated to enable progress to be tracked over time.

**Why:** The survey was developed to fulfil the following objectives in relation to engagement and integration of health into investment practices:

- Improve our knowledge about LIPH signatories' approaches to health
- Measure and monitor the relative performance of the LIPH signatories, benchmark against non-LIPH investors and provide clear feedback to help investors be more ambitious on health
- Evaluate ShareAction's work through the LIPH programme and inform our workplan priorities to best support investors and the sector to progress going forward.

**What:** The survey comprised 35 questions (five questions for asset owners only), most of which were multiple choice with some requiring open text. Respondents were requested to provide additional details to support answers (including source links/attachments as evidence) as well as to showcase examples of good practice. The questions were structured across the following seven sections:

- Section 1: Organisation information
- Section 2: Governance
- Section 3: Company engagement
- Section 4: Integration of health into investment decision-making processes
- Section 5: Integration strategy and risk analysis
- Section 6: Feedback on the LIPH Programme
- Section 7: Feedback on the LIPH Survey

**Analysis:** Individual responses from LIPH signatories were aggregated and analysed by the Health team. Scoring was applied to responses to inform progress against the objectives outlined above. Individual results were not intended to be shared publicly. Initial results from the survey were presented in a webinar in December 2023 (recording available) with further details shared in this report, which has been reviewed internally.

# References

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- <sup>9</sup> Escalation framework: *the intensification of engagement activities, following an insufficient response to concerns raised. ShareAction's view is that escalating engagement involves the deployment of additional, more forceful actions, such as requisitioning shareholder proposals.* Available at <https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/RISE-paper-2.pdf>.
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