

# LGIM's health policy



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A healthy population is the foundation on which a global economy stands. 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.

## Summary

As a global investor, LGIM is committed to addressing health as a global issue that has, and will increasingly have, cross-sector impacts on our clients' assets. Every year, poor health costs approximately 15% of global GDP in the form of premature deaths and the lost productivity potential of workers.<sup>1</sup> Poor worker health is projected to cost US employers alone US\$575 billion a year in lost productivity due to chronic illnesses and injuries. Further, the health-related, but often hidden, costs of the global food system, relating to the impacts of obesity and undernutrition, pollution, pesticides and antimicrobial resistance, are estimated to amount to US\$6.6 trillion.<sup>2</sup>

## Health and why it matters to investors

LGIM has identified two key areas of health – AMR and nutrition – which we deem as systemic risks; will therefore initially prioritise these two areas 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.<sup>3</sup>

### Antimicrobial resistance (AMR)

AMR is a complex, multifaceted issue (often also referred to as the 'silent pandemic'), which presents a systemic risk to markets and the global economy. The World Bank has estimated that AMR, if not addressed, could drive global output to drop by as much as 3.8% per annum by 2050 (with absolute losses of US\$6.1 trillion annually).<sup>4</sup> The economic impact of the acceleration of AMR is evident.

Furthermore, the human impact is substantial; in 2019, 1.27 million deaths were directly attributable to bacterial AMR,<sup>5</sup> a figure that could rise to as many as 10 million or more annually by 2050 if no

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<sup>1</sup> McKinsey Global Institute, *Prioritizing health: A prescription for prosperity*, July 2020. Available here: <https://www.mckinsey.com/industries/healthcare/our-insights/prioritizing-health-a-prescription-for-prosperity#/> and also cited here: <https://shareaction.org/what-we-do/unlocking-the-power>

<sup>2</sup> *Growing Better: Ten Critical Transitions to Transform Food and Land Use*, The Global Consultation Report of the Food and Land Use Coalition, September 2019, pp 13, 24, 38, 181; available here: <https://www.foodandlandusecoalition.org/wp-content/uploads/2019/09/FOLU-GrowingBetter-GlobalReport.pdf>

<sup>3</sup> E.g. 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.

<sup>4</sup> *Drug-resistant infections – A Threat to our Economic Future*, World Bank Group, 2017, <https://documents1.worldbank.org/curated/en/323311493396993758/pdf/final-report.pdf>, pp 17-19. Last accessed on 27 October 2022.

<sup>5</sup> *Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis*, *The Lancet*, January 2022,

mitigating measures are taken.<sup>6</sup> To put these figures in context, the total number of deaths due to COVID-19 over an approximately three-year period were 6.88 million.<sup>7</sup> The magnitude of the impact of AMR on the global economy and population is clear. LGIM believes now is the time to accelerate engagement in this area and to encourage additional collaborative action with our peers, other stakeholders and policymakers.

## Nutrition

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.<sup>8</sup> 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.<sup>9</sup> On the other hand, good nutrition can promote health and well-being, contributing to a strong and productive workforce and a healthy economy.

We would argue that tackling malnutrition is an economic imperative. The three interconnected challenges of obesity, undernutrition and micronutrient deficiencies represent a heavy burden to economic development globally: their material cost is estimated at 5% of global income, or US\$3.5 trillion, per annum.<sup>10</sup> While undernutrition in regions such as Africa and Asia, where it accounts for an 11% loss of GDP each year, is significant, obesity is estimated to lead to an annual 3.3% reduction in GDP in Organisation for Economic Co-operation and Development (OECD) countries, and may constitute as much as 8% of national health expenditure.<sup>11</sup>

Large global food and beverage manufacturers face several challenges and risks which consequently may have negative impacts on our clients' assets. In 2019, even prior to the COVID-19 pandemic, food and beverage CEOs participating in the Consumer Goods Forum survey acknowledged the need for their industry to play a role in promoting healthier lifestyles.<sup>12</sup> We believe companies with high revenue

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[https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(21\)02724-0/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(21)02724-0/fulltext). Last accessed on 27 October 2022

<sup>6</sup> *No time to Wait: Securing the future from drug-resistant infections*, WHO, 2019, [no-time-to-wait-securing-the-future-from-drug-resistant-infections-en.pdf \(who.int\)](https://www.who.int/publications/m/item/no-time-to-wait-securing-the-future-from-drug-resistant-infections-en). Last accessed on 27 October 2022

<sup>7</sup> 6,881,955 deaths according to John Hopkins University, Covid Resource Center, last accessed on 30<sup>th</sup> October 2023: <https://coronavirus.jhu.edu/map.html>

<sup>8</sup> *Investor Expectations on Nutrition, Diets & Health* p 3

<https://accessnutrition.org/app/uploads/2020/06/Investor-Expectations-on-Nutrition-Diets-and-Health-FINAL.pdf>

<sup>9</sup> *Health effects of dietary risks in 195 countries, 1990–2017: a systematic analysis for the Global Burden of Disease Study 2017* p 1958ff available here: [http://dx.doi.org/10.1016/S0140-6736\(19\)30041-8](http://dx.doi.org/10.1016/S0140-6736(19)30041-8) or here: <https://www.thelancet.com/action/showPdf?pii=S0140-6736%2819%2930041-8>

<sup>10</sup> Global Panel on Agriculture and Food Systems for Nutrition (2016) Technical Brief No.3: The Cost of Malnutrition – Why Policy Action is Urgent. London: Global Panel on Agriculture and Food Systems for Nutrition. Available at: <https://glopan.org/sites/default/files/pictures/CostOfMalnutrition.pdf>

<sup>11</sup> World Bank (2019) 'The World Bank and Nutrition'. Available at:

<https://www.worldbank.org/en/topic/nutrition/overview> (Accessed: 2021); OECD (2019) *The Heavy Burden of Obesity: The Economics of Prevention*. Paris: Organisation for Economic Co-operation and Development (OECD). Available at: <https://www.oecd-ilibrary.org/docserver/67450d67-en.pdf?expires=1617717333&id=id&accname=guest&checksum=92552C344C6707FAA9219238B2867A86> (Accessed 6 June 2021).

<sup>12</sup> *How the Consumer Industry can boost healthier eating*, June 2020, available here:

<https://www.theconsumergoodsforum.com/wp-content/uploads/how-the-consumer-industry-can-boost-healthier->

exposure to unhealthy products are likely to face dual headwinds of increasing regulation and limitations on marketing of unhealthy foods.<sup>13</sup>

Risks to food and beverage companies include, but are not limited to, reputational, litigation and regulatory risks. 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.<sup>14, 15</sup> 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.<sup>16</sup>

## LGIM's approach

We use our influence through investment stewardship to aim to raise market-wide standards across our six strategic themes: People, Governance, Health, Digitisation, Climate and Nature, first through demanding corporate transparency, disclosure and governance, and then through informed and targeted action to improve practices.

LGIM seeks to protect clients' assets by raising market standards and best practice. One of the ways we do this is through the expectations we set of investee companies in public markets. Our engagement with company boards and executive directors is central to improving all facets of responsible investment, and health is no exception.

## Investee company expectations, engagement and voting

As part of our commitment to address health, we engage directly and collaboratively (alongside other investors and investor groups) with companies. This allows us to further assess potential risks to the long-term sustainability of these companies, and to push for greater transparency and progress in the market.

We draw on all the tools we have as stewards of our clients' assets to positively influence this critical

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lives-Final.pdf, p 7.

Boston Consulting Group and Nielsen Global Connect, together with The Consumer Goods Forum, completed an in-depth survey about healthy eating in 2019, questioning 7,000 diverse consumers across the globe. Part of the Collaboration for Healthier Lives Coalition, the study included interviews with the CEOs of 15 large retail businesses and consumer goods manufacturers.

<sup>13</sup> <https://www.lgimblog.com/categories/esg-and-long-term-themes/tackling-obesity-as-an-esg-issue/>

<sup>14</sup> *Governmental policies to reduce unhealthy food marketing to children*, Nutr Rev; 77(11): 787–816; available here:

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7528677/#:~:text=Currently%2C%2016%20countries%20have%20statutory,children's%20programming%2C%20are%20most%20common>

<sup>15</sup> World Bank (2020) Taxes on sugar-sweetened beverages: international evidence and experiences.

Washington, D.C.: World Bank. Available at:

<https://openknowledge.worldbank.org/bitstream/handle/10986/33969/Support-for-Sugary-Drinks-Taxes-Taxes-on-Sugar-Sweetened-Beverages-Summary-of-International-Evidence-and-Experiences.pdf?sequence=6> (Accessed 6 June 2021).

<sup>16</sup> <https://accesstonutrition.org/index/global-index-2021/context/>

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issue, and we provide feedback to companies on their progress. In line with our voting policies, we will vote on shareholder resolutions related to health, including AMR and nutrition, among other topics. We will use all escalation options available to us, including filing or co-filing shareholder resolutions on specific health topics, as we have done in the past. We will also consider holding the board and/ or individual directors to account when it comes to management of company-specific strategies, products, supply chains and so forth, that may have negative consequences for human health.

### Minimum expectations

#### A. Antimicrobial resistance (AMR)

Actions (or lack thereof) by companies in a number of different sectors may contribute to the speed at which AMR increases or decreases. Other sectors will only be negatively impacted by the consequences of increased AMR. Here, we set out our minimum expectations of companies in the following sectors:

- **Pharmaceutical companies** involved directly in antimicrobial manufacturing, or indirectly via their supply chain, should manage effluent waste in their antimicrobial manufacturing facilities (or relevant supply chain) in such a way as to reduce the risks of AMR. They should publicly disclose their efforts. In manufacturing antibiotics in particular, we expect companies to apply AMR Industry Alliance (AMRIA) Antibiotic Manufacturing Standards<sup>17</sup> in managing effluent waste. Further, we expect these companies to work with their entire supply chain to ensure responsible practices, including compliance with the AMRIA Standards. We note that the World Health Organisation (WHO) is currently undertaking a public consultation on antimicrobial manufacturing effluent guidance, the outcome of which may influence our minimum expectations of pharmaceutical companies.<sup>18</sup>
- **Animal pharmaceutical companies** should transparently disclose their AMR stewardship strategy, including responsible labelling, marketing and sales practices; they should also disclose their actions taken to implement it and steps taken to monitor implementation. We expect them to manage effluent waste in their antimicrobial manufacturing facilities (or relevant supply chain) in such a way as to reduce the risks of AMR; we expect them to publicly disclose their efforts. We expect these companies to work with their entire supply chain to ensure responsible practices. We also expect animal pharmaceutical companies in the manufacturing of antibiotics to align their practices to the AMRIA Antibiotic Manufacturing Standards.
- **Companies within the food sector (e.g. food production and animal husbandry)** should align with the *WHO guidelines on use of medically important antimicrobials in food-producing animals*,<sup>19</sup> including application across their entire supply chain. We expect them to transparently disclose their AMR stewardship strategy, actions taken to implement it, and steps taken to monitor implementation.
- **Companies within the restaurant/out of home sector (e.g. fast-food companies)** should require all their meat suppliers to comply with the *WHO guidelines on use of medically important*

<sup>17</sup> AMR Industry Alliance (AMRIA) Antibiotic Manufacturing Standard, published in June 2022. AMRIA engaged BSI Standards Limited to provide expert services in relation to the development of this antibiotic manufacturing standard. Available here for download: [Antibiotic Manufacturing Standard - AMR Industry Alliance](#)

<sup>18</sup> See Public consultation on antimicrobial manufacturing effluent guidance, 21 December 2023: [Public consultation on antimicrobial manufacturing effluent guidance \(who.int\)](#)

<sup>19</sup> WHO guidelines on use of medically important antimicrobials in food-producing animals available here: [WHO guidelines on use of medically important antimicrobials in food-producing animals](#)

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*antimicrobials in food-producing animals*. We expect them to transparently disclose their AMR stewardship strategy, actions taken to implement it, and steps taken to monitor implementation.

Water utility companies also play a critical, albeit often overlooked, role in stemming the spread of AMR. The overuse and inappropriate use of antimicrobials (including antibiotics) in human and veterinary medicine, animal agriculture and aquaculture, as well as discharges from pharmaceutical companies involved directly (or indirectly) in antimicrobial manufacturing, are linked to the uncontrolled release and disposal of antimicrobial agents in water. We therefore ask, and strongly encourage water utility companies, to be aware of the risks of AMR and to monitor, where possible, levels of antimicrobial resistant bacteria and/or genes in the water over which they have control, for example. We also ask them to collaborate with policymakers and other stakeholders on ways the water industry can support actions to mitigate the increase of AMR.

### B. Nutrition

Global food and beverage manufacturers, in particular those with high revenue exposure to unhealthy products, face multiple risks and challenges. Nevertheless, we would also note that potential opportunities could arise for companies to increase their portfolio of healthier products.

We expect companies within the food and beverage sectors to:

- Transparently disclose their nutrition strategy and demonstrate progress on its implementation.
- Commit to disclosing the share of their company's portfolio and sales associated with healthy<sup>20</sup> food and drink products (using government-endorsed nutrient-profiling models such as the Health Star Rating or NutriScore); and
- Set targets to increase the proportion of sales from healthy foods.

In addition, we encourage companies in other sectors, such as food retailers and restaurants, for example, to consider how they can work with their supply chains to take these expectations into account.

## Policy engagement

As a global systemic issue, health requires a market-wide approach. That is why engagement with governments and regulators is so important. We will continue to engage with policymakers, as well as other stakeholders such as non-governmental organisations (NGOs) and health organisations, on our Health theme and sub-themes of AMR and nutrition.

In relation to AMR, international attention to this significant risk has grown over the years. We welcome the political commitments shown at the 2016 UN General Assembly special session on AMR, with 193 countries committing to the 2015WHO Global Action Plan (GAP) on AMR to develop National Action Plans,<sup>21</sup> as well as at commitments made by the G7 Finance Ministers in 2021<sup>22</sup>.

While progress has been made, unfortunately the scale of action across both the public and private sectors remains insufficient to prevent catastrophic economic and human impact. LGIM is an investor

<sup>20</sup> Healthy is defined as >3.5 on HSR, or the equivalent.

<sup>21</sup> [World Health Leaders Agree on Action to Combat Antimicrobial Resistance, Warning of Nearly 10 Million Deaths Annually If Left Unchecked | UN Press](#)

<sup>22</sup> [AMR - G7 Finance Ministers statement on supporting antibiotic development - final - 13 Dec 2021.pdf \(publishing.service.gov.uk\)](#)

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member of the Investor Action on AMR, founded by the Access to Medicine Foundation, FAIRR Initiative and UK Department of Health and Social Care. LGIM supported the [Call to Action](#) that the Investor Action on AMR sent to G7 Finance Ministers in 2021, highlighting various policy actions that governments could implement to tackle the growing threat of AMR. Additionally, one of the members of the Investment Stewardship team is a member of the Expert Committee for the 2021 Antimicrobial Resistance Benchmark.

We will closely monitor international negotiations related to pandemic prevention, preparedness and response, and in particular how AMR will be considered.<sup>23</sup>

In relation to nutrition, a member of the Investment Stewardship team is a co-chair of ATNI's Investors in Nutrition and Health. LGIM is also one of the founding members of the Investor Coalition for Food Policy. These organisations engage nationally and globally on issues directly affecting nutrition.

More detail on LGIM's actions on health can be found in our annual [Active Ownership Report and in our quarterly engagement reports](#).

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<sup>23</sup> See WHO press release here: <https://www.who.int/news-room/questions-and-answers/item/pandemic-prevention--preparedness-and-response-accord> and here: [Countries begin negotiations on global agreement to protect world from future pandemic emergencies \(who.int\)](#)



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### Reporting to clients

We are committed to communicating our efforts to our clients. This includes publishing thought leadership pieces on the topic to inform investee companies, policymakers and other stakeholders, and our clients and to help drive the conversation forward. In line with our commitment, we will continue to publicly report credible progress, through successful company engagement and voting activity, as well as on our efforts when it comes to engaging with policymakers .

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