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Report

Corporate Taxonomy and Environmental, Social, and Governance (ESG) Investment for Global Health

How can we and how should we stably promote investment in global health issues?

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Despite advances in global health, including improved access to medical technologies such as medicines, vaccines, medical devices and equipment, and AI-driven systems, the world is still facing anxiety and uncertainty over future pandemics and the threat of new infectious diseases.¹ In recent years, new types of global health issues have emerged. For example, antimicrobial resistance (AMR) is attracting a high level of attention. In terms of AMR, standard treatments are becoming ineffective, which means that infections persist and may spread to others. The World Health Organization (WHO) estimates that antibiotics treatments add an average of 20 years to all of our lives, but in the 80 years since the discovery of penicillin, the overuse of antibiotics has put pressure on bacteria to evolve resistance, which has led to the emergence of untreatable superbugs that threaten the basis of modern medicine.

Malnutrition remains a major issue and affects health in developing countries. To make matters worse, now we must also confront the rampant increase in various noncommunicable diseases (NCDs) such as diabetes and obesity. These NCDs are currently an issue not only in developed countries, but also in developing countries. In some countries where the population is aging, brain-related diseases such as Alzheimer's disease and dementia are becoming serious issues. All of these diseases are intertwined with each other in complex ways.

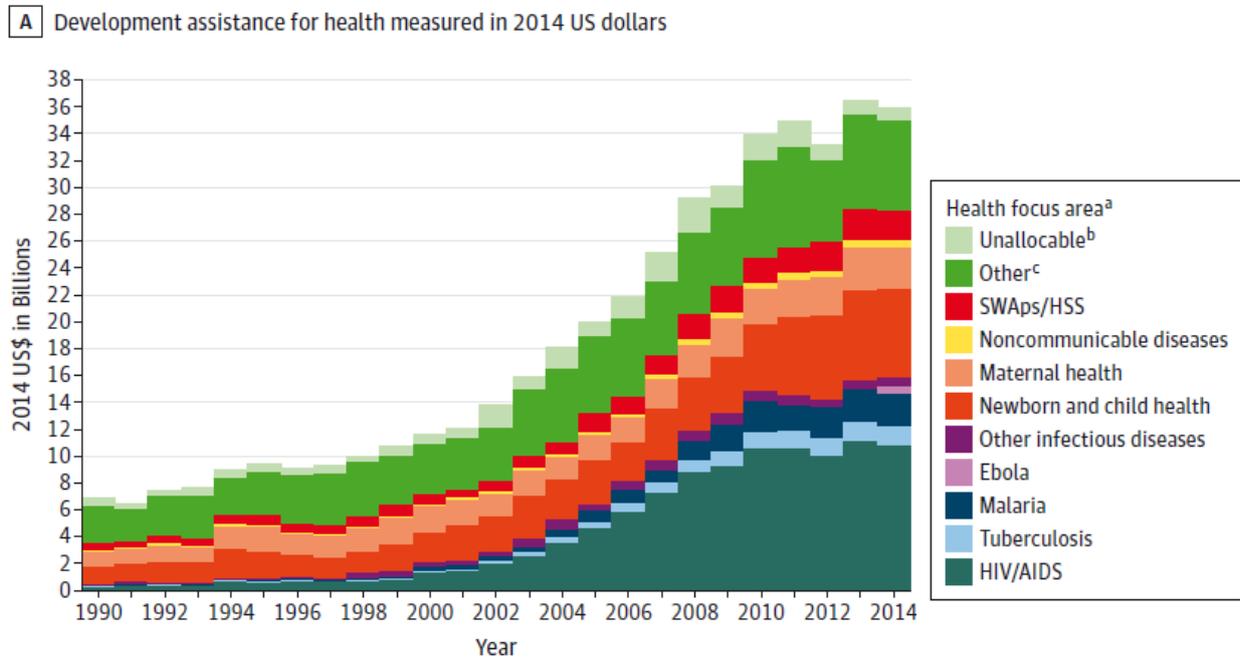
When looking at the amount of investment flowing into global health, can we say that it is sufficient? The purpose of this report is not to show accurately whether it is or not. If we then focus discussion on how to secure a stable budget for health, information can be gleaned from several global health metrics. For this article, we collected budget data on the primary agencies and organizations that provided financial assistance to low- and middle-income countries (LMICs) for global health issues from 1990 through 2014. During this period, \$458.0 billion was distributed through the major channels for health funding from donor countries to LMICs for global health issues. Annual disbursements increased substantially from \$6.9 billion in 1990 to \$35.9 billion in 2014.

However, following the transition to a new administration in the United States in 2017, it is likely that the public funding for global health will face new difficulties. On the other hand, the UN adopted its Sustainable Development Goals (SDGs) in 2015, and the new international framework for global development emphasizes the importance of the private sector in driving solutions for global development, including for global health issues.

¹ Bryan Walsh (2017), "The World Is Not Ready for the Next Pandemic", TIME, <http://time.com/magazine/us/4766607/may-15th-2017-vol-189-no-18-u-s/>, accessed on 19 March 2018.

Now is the time for us to think about how we can stabilize or increase global funding for global health issues by inducing greater commitment from the private sector.

Development assistance for global health (2014 US dollars)²



In terms of investment in the private sector, increasing attention is being paid worldwide to environmental, social, and governance (ESG) investment. ESG investment criteria are a set of standards for a company’s operations that socially oriented investors use to screen investments. The “E” in “ESG” looks at how a company performs as a steward of the natural environment; “S” examines how a company manages relationships with its employees, suppliers, customers, and the communities; and “G” deals with a company’s leadership and the adequacy of its management and administration, including relationship-building with various stakeholders.

In 2016, globally, \$22.89 trillion in assets were invested from the perspectives of ESG, which was an increase of 25% compared with 2014. In 2016, ESG investment accounts for 26% of all outstanding assets under management.³ There are several possible reasons for the increase in ESG investment. First, the advent of Principles for Responsible Investment (PRI) in 2006 is having a meaningful impact on decision making by investors and is supported by an international network of investors who have pledged to incorporate ESG into their investment and ownership (asset manager) decisions.⁴ Second, ESG indices themselves have become diversified and more detailed. Therefore, it is becoming easier for investors to evaluate companies from the

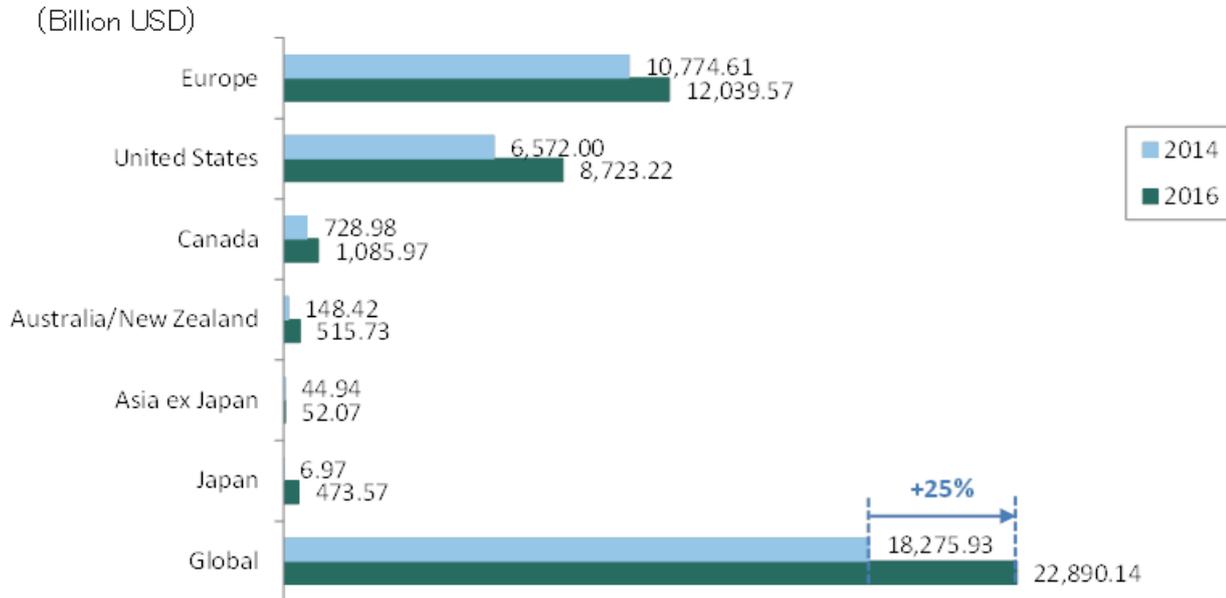
² Joseph L. Dieleman et al., June (2015), “Sources and Focus of Health Development Assistance, 1990-2014”, JAMA.

³ Global Sustainable Investment Alliance (2017), “Global Sustainability Investment Review 2016”, http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf, accessed on 19 March 2018.

⁴ The PRI Website, <https://www.unpri.org/>, accessed on 19 March 2018.

perspective of ESG or similar criteria.⁵ Third, research has confirmed the positive correlation between ESG and corporate financial performance.⁶

Growth of ESG Assets by Region 2014–2016⁷



The social aspect of the ESG framework (“S”) has a high “affinity” for global health issues and their associated businesses and activities, and it has the potential to induce investment from private companies. Some corporations might have anxiety about rising costs and being negatively evaluated under the framework. However, we believe that ESG will generate opportunities for companies to enhance their value.

As for ESG investment, ESG rating agencies and their rating frameworks for private companies, such as the Dow Jones Sustainability Index and FTSE4Good, can be useful tools. Looking at global health-related industries, the Access to Medicine Index is one of the most well-known implementations within the ESG-related framework. It is managed by Access to Medicine Foundation based in Amsterdam. There is also the Access to Nutrition Index. These indices are categorized as human rights-focused frameworks.⁸ According to a survey by GlobeScan and SustainAbility, the Access to Medicine Index was ranked as one of the most credible indices by respondents.⁹

⁵ New York University Stern Center for Business and Human Rights, Casey O’Connor and Sarah Labowitz (2017), “Putting the ‘S’ in ESG; Measuring Human Rights Performance for Investors”, <https://static1.squarespace.com/static/547df270e4b0ba184dfc490e/t/58cad912e58c6274180b58b6/1489688854754/Metrics-Report-final-1.pdf>, accessed on 19 March 2018.

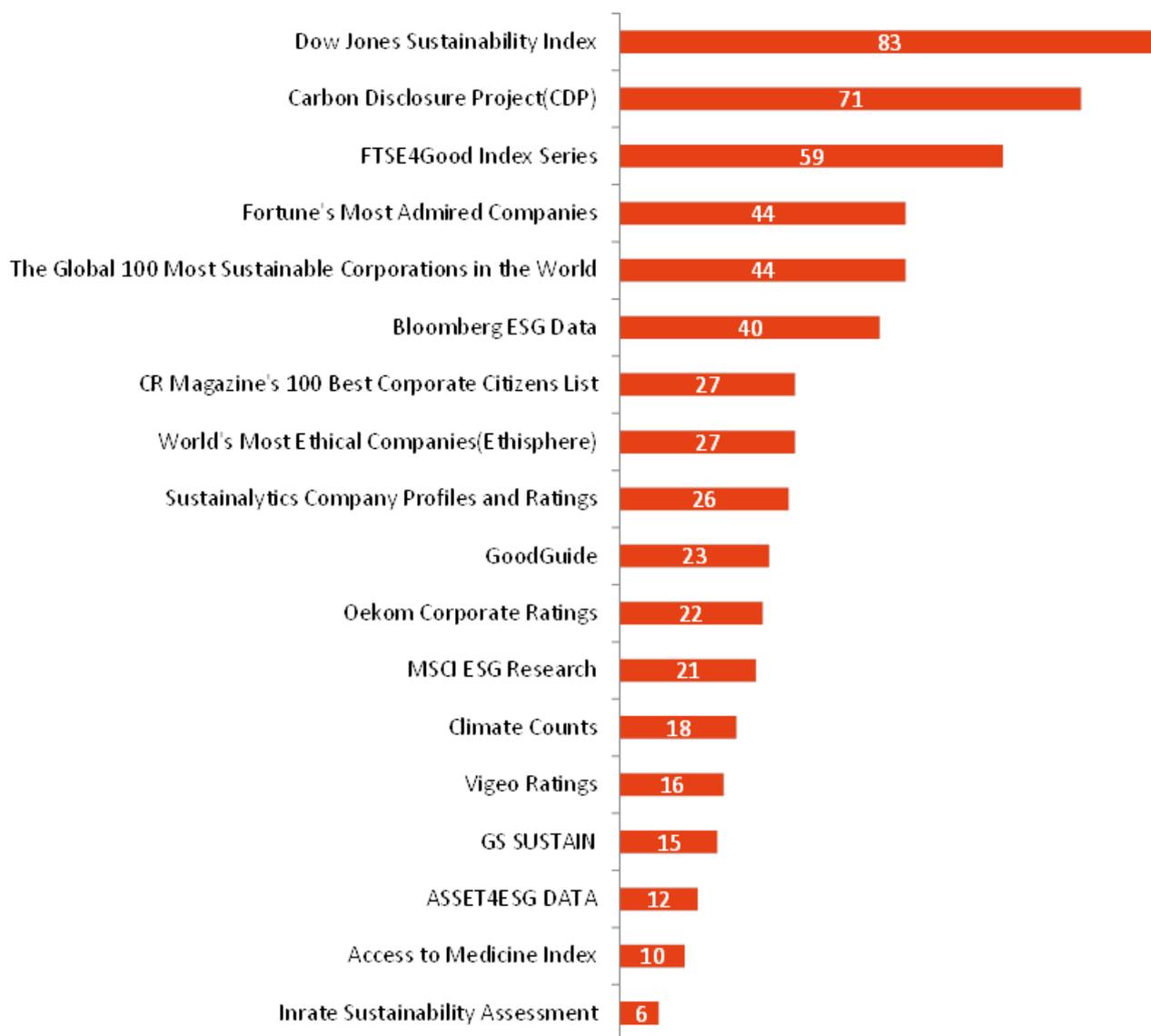
⁶ Gunnar Friede, Timo Busch and Alexander Bassen (2015), “ESG and financial performance: aggregated evidence from more than 2000 empirical studies”, *Journal of Sustainable Finance & Investment*.

⁷ Global Sustainable Investment Alliance (2017), “Global Sustainability Investment Review 2016”, http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf, accessed on 19 March 2018.

⁸ New York University Stern Center, op. cit.

⁹ GlobalScan and SustainAbility(2013), “The 2013 Ratings Survey: Polling the Experts, A GlobeScan/SustainAbility Survey”,

Ranking of experts' familiarity with ESG-related indices¹⁰



Here we would like to discuss if we establish another index for global health contributors/industries, what happens to the global health investment in the world. As already mentioned, the Access to Medicine Index is a framework mainly for the pharmaceutical industry, and the Access to Nutrition Index is mainly for the food and beverage industry. However, the manufacturers that make contributions to global health issues are diverse. For example, diagnostic devices are indispensable at the first stages of health interventions. To monitor and control diseases, important roles in global health are being played by information and communication technology-connected devices, the internet of things (ICT/IoT) and, more recently, artificial intelligence (AI).

https://globescan.com/wp-content/uploads/2017/07/Rate_the_Raters_2013-Polling_the_Experts-GlobeScan_SustainAbility-3.pdf, accessed on 19 March 2018.

¹⁰ GlobalScan and SustainAbility (2013), "The 2013 Ratings Survey: Polling the Experts, A GlobalScan/SustainAbility Survey",

https://globescan.com/wp-content/uploads/2017/07/Rate_the_Raters_2013-Polling_the_Experts-GlobeScan_SustainAbility-3.pdf, accessed on 19 March 2018.

Personal protective equipment (PPE) has long been provided to promote patient safety as well as protect medical workers themselves. As such, there is no direct framework for evaluating these varied industries from an ESG perspective, especially from the perspective of “S”. As we mentioned in the first paragraph, we are now facing a wide variety of issues in global health, ranging from infectious diseases to NCDs. These growing issues are matters of worldwide concern. When we think about how we can secure diverse investment to resolve or mitigate these complex issues, again we must stress the need to review and map the private sector (industries and companies) that are contributing to global health promotion. We call this approach “corporate taxonomy.” Under this type of corporate taxonomy for global health, multiple stakeholders that are willing to work for global health internationally should collaborate to establish several new indices for ESG. The purpose should not be just to measure it, but also to have the index disseminated and utilized by stakeholders such as investors, asset managers, shareholders, NGOs, and companies themselves. Of course, we need to understand that it is not the only approach to make such a new index to bring more engagement from private sector with the global health issues, however, this kind of approach could make an impact on that.

Finally, we would like to highlight three essential points so that the new index is broadly recognized and used. First, the index framework should be established by several players, specifically including a human rights-focused agency, a corporate rating agency focused on financial performance, and different types of organizations that would work together and bring together their different skillsets to create the index. In addition, the index should be operated in a neutral manner, with the index itself managed apart from the commercial base. Finally, these indices typically target large, multinational conglomerates that are constantly seeking external funding and a large amount of investment. However, separately from such an index, it is more important for us to focus on the new technologies and businesses operated by small and medium-sized corporations all over the world. While there may be some negative impact from increasing the number of indices, it is more important to pursue ways to improve the situation on global health by establishing some new tools.

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