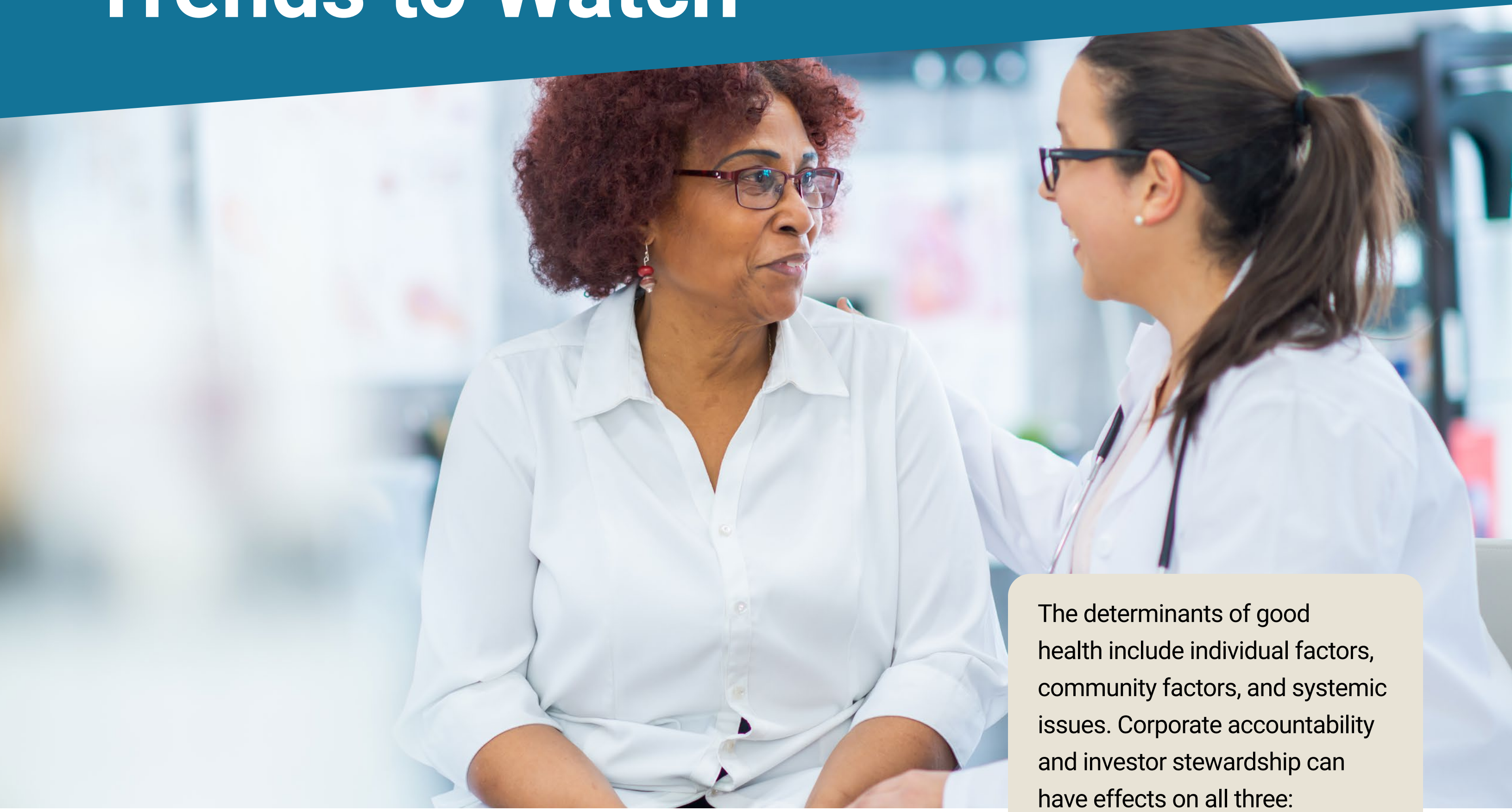
INVESTOR ENGAGEMENT ON HEALTH EQUITY

2025 Shareholder Engagement Trends to Watch



Investor engagement on health equity is one strategy for improving portfolio performance and risk management by addressing salient and material concerns with investee companies including mental health at work and productivity, opioid and high-risk pharmaceutical accountability, health lobbying disclosure and alignment, decent work in the Long-Term Care sector and customer experience, environmental protection and cleanup, climate risk, and housing affordability measures.

The determinants of good health include individual factors, community factors, and systemic issues. Corporate accountability and investor stewardship can have effects on all three:

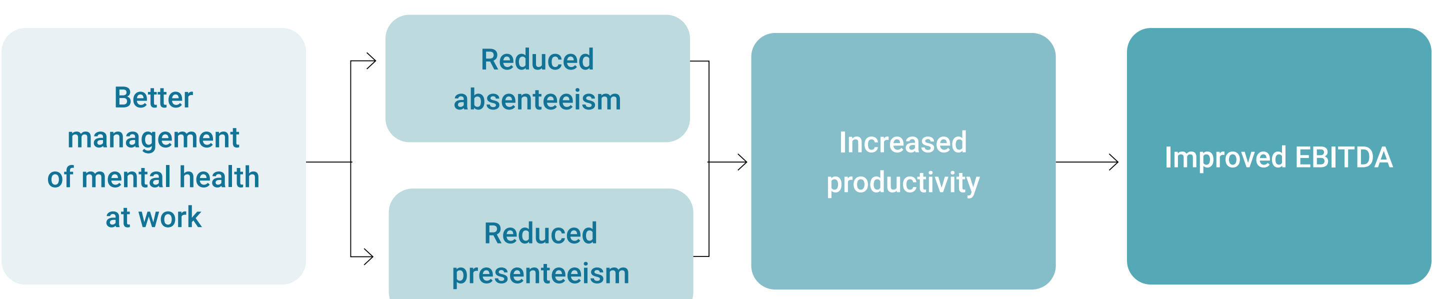
- Corporate governance reforms, lobbying controls and effective oversight can improve ***health systems***;
- Executive accountability and better management systems can improve community and environmental ***health outcomes***;
- Workplace practices can improve ***employee health*** while increasing productivity and customer service; and
- New workplace practices and changes to corporate decision-making can improve individual ***health access*** and health care outcomes.

Health equity is a material investor issue

Health equity issues are both social and economic questions. For health sector capital pools like hospital foundations or health sector pension plans, they may be both, but they don't have to be. Health equity matters to investors from a pure financial materiality perspective.

For example, studies on the effects of insufficient attention to mental health at work have repeatedly found that poor practices can have a large impact on individual companies and the economy as a whole.

A study by Deloitte found that the number of workdays missed by employees with mental health conditions is 54% higher than those without conditions. The US National Safety Council and the University of Chicago found that the cost of days lost due to mental health issues averages US$4,783 per year per employee for an average company. If you apply that to a large retailer with 333,000 employees, for example, the potential cost to the company in lost productivity from absenteeism alone could be more than US$1.5 billion per year. Worse, the loss in productivity from "presenteeism" (defined as unproductive workdays due to mental health issues) was estimated by Deloitte at more than six times the loss from absenteeism, making it an even more material question for investors. On the plus side, the NSC found that employers that support mental health see a return of US$4 for every dollar invested in mental health treatment.



2025 Shareholder proposals

Shareholders will sometimes use formal shareholder proposals to bring an issue to the corporate board's attention and illustrate shareholder interest in new policies and practices to address a specific risk or opportunity. In North America, most of these votes take place in the spring when most corporate annual meetings are scheduled.

Looking at shareholder votes on health-related proposals during the 2025 season, we identified three trends to watch for health-sector-related pension & benefit plans and foundations.

1 Human rights-related risks, and in particular, global access to medicines, are considered important by investors. A shareholder proposal at Gilead Sciences Inc. filed by Mercy Investment Services won almost 36% support at the company's annual meeting in May. Shareholder proposals that gain more than 30% support tend to indicate a significant base of support even if they do not pass, due to the structure of ownership in many companies. The Gilead proposal explicitly asked the board to adopt a human rights policy that commits the company to respect internationally recognized human rights including the right to health, and to conduct human rights due diligence to identify and mitigate adverse human rights impacts caused by Gilead or its suppliers.[1]

2 Ethical AI use in health sector companies is critical. While the benefits of AI use for administrative activities can be substantial, the legal and regulatory risks related to use of poor data and model design, insufficient guardrails and oversight, and privacy concerns require substantial policy, governance and management structures. In particular, SHARE has engaged health insurance firms in the United States urging them to initiate an assessment of AI and algorithm usage & data protection within their health analytics and coverage departments to ensure that vulnerable populations are not excluded from affordable health care coverage and AI use and development is subject to strict controls. Shareholder proposals related to AI use received strong support in 2024. For instance, proposals at Netflix[2] and Apple[3] requesting reports on AI usage and ethical guidelines received 43% and 37.5% support, respectively.

3 Employee health is a material issue, but more progress is being made through constructive engagement than through public votes at the annual meeting. A proposal filed at Dollar General by As You Sow asked the board to report on the sufficiency of employees' access to timely, quality healthcare, and to discuss the company's strategy to ameliorate any insufficiencies identified.[4] It received an 8% vote at the company's May annual meeting. However, shareholders report success from constructive private discussions between shareholders and management. For example, a global coalition of institutional investors recorded that 10% of the companies rated in the annual global Corporate Mental Health Benchmark improved sufficiently following engagement to move up a performance tier in 2024, to the implied benefit of almost 1.5 million workers.

1 https://www.sec.gov/Archives/edgar/data/882095/000121465925005498/o44255px14a6g.htm
2 https://s22.q4cdn.com/959853165/files/doc_financials/2023/ar/netflix-inc-2024-proxy-statement.pdf (P.77)
3 https://d18rn0p25nwr6d.cloudfront.net/CIK-0000320193/f1754334-8d21-4449-be22-82f8500d8c27.pdf (p.93)
4 https://www.sec.gov/Archives/edgar/data/29534/000121465925007059/u56252px14a6g.htm

Investor stewardship strategies

As a stewardship strategy, shareholder engagement does not require that you:

- switch managers;
- divest from sectors or companies; or
- abandon your institution's duty to achieve best financial performance.

Shareholder engagement is a productive and outcomes-focused dialogue between shareholders and investee companies.

Shareholder engagement on health equity issues is predicated first and foremost on enhancing shareholder value and managing material risks, based on clear evidence that better governance, oversight and management of material employee, customer and operational risks benefits both general health outcomes and company value.

Health-related institutional investors can learn more about stewardship opportunities, shareholder engagement, external manager oversight and proxy vote auditing by contacting SHARE.

For more information, contact:

Kevin Thomas, CEO, SHARE
kthomas@share.ca
416-306-6453
share.ca

About SHARE: SHARE, the Shareholder Association for Research and Education, is an award-winning non-profit organization dedicated to mobilizing investor leadership for a sustainable, inclusive and productive economy. Using shareholder engagement, advisory services, research and education, SHARE helps investors steward their assets in ways that contribute to positive social and environmental outcomes. With SHARE's support, these organizations are advocating for better corporate sustainability practices, exercising their proxy voting rights responsibly, and promoting greater transparency and accountability across capital markets. For more information on SHARE, visit www.share.ca.