



Impact Investing: ESG should be HESG

ESG stands for environment, social and governance and is the acronym assigned to socially responsible investing or impact investing. However, it means much more than the acronym suggests. Investing with an ESG underpinning is making investments in companies whose business will have a positive impact socially and environmentally; it presumes a positive impact on the human condition. I believe, however, that it is missing an enormous and vitally important field whose primary purpose for being is to impact the human condition. Its impact is enormously vital way and badly needed - indeed, lifesaving in many cases. That field is human health. In fact, I contend that this is by far the most fundamental of socially responsible (impact) investing. It is so important that the acronym should be changed to **HESG**, in which "H" stands for human health. I will present some evidence for why improving the quality and length of life is the foundation upon which socially responsible investing is built.

There are many diseases that are terminal or punishingly debilitating. When someone is focused on surviving or trying to endure excruciating pain or severe physical limitations that make ordinary daily life virtually impossible to pursue independently, they are distracted from just about any other pursuit. Such individuals are no longer productive in society and their last thought is what can I do to have a positive impact on the human condition. Their only thought is "what can I do to improve MY condition". One's own health becomes the sole focus. In addition, it handicaps care givers productivity, in some cases almost completely. The lost productivity not to mention the enormous costs to the healthcare system results in substantial losses to economic growth and well-being. Alzheimer's Disease is just one example. Alzheimer's patients, those with moderate to severe disease, are not worrying about the environment or socially responsible investing. They are often lost to logical thought and pursuits. In addition to the costs to an individual's health, the costs to the system are

enormous. According to the Alzheimer's Association, the direct cost in the US associated with Alzheimer's Disease patients will end up being \$290 billion in 2019 in the US. With respect to indirect costs associated with care givers time spent and loss of employment, CBS cited an Alzheimer's Association report that estimated those costs at around \$290 billion per year, representing a significant drag on the families and the economy. Curing Alzheimer's Disease would dramatically benefit the human condition.

With respect to loss of life from disease, it is essential to understand the scale of the problem. In a report by the Ecology Global Network for 2011, a total of 55.3 million people died, 47.2 million from disease. The unmet medical needs of humanity are significant. To understand this, it is important to define what constitutes death from disease. For the purposes of this discussion, death from diseases fall into several categories: communicable, maternal, perinatal, nutritional and noncommunicable. The categories excluded are deaths from unintentional injuries and intentional injuries. It is also appropriate to include in this latter group some portion of respiratory diseases that are caused by pollution and poor air quality (maybe 10% currently and increasing as the air quality appears to continue to deteriorate) and diarrheal conditions due to poor sanitation (maybe 50% currently and declining as conditions improve in the poorest nations of the world). It must be noted that there is a delicate balance, even a dance, between an individual's biology absent external factors and the environment in which one lives. That environment is being negatively affected by human actions and consequently will play an increasing role in the types of diseases that will inflict humanity in the future.

Health provides the vigor and human capital to pursue socially responsible investing and strive to improve the human condition. It provides the foundation for fully functioning, productive societies as well. Health provides the quality and length of life to have an extended positive impact on society and the environment. Thus, I contend that health is the fundamental cornerstone of impact investing.

It is also important to note, that the return on investment in this field can be exceedingly attractive. For one, unmet medical needs means "pent-up" demand. Pent-up demand is one of the most powerful economic growth drivers. This is the one area of impact investing that is inherently characterized by attractive financial metrics. This, in turn, replenishes capital reserves to continue to fuel impact investment for health.