

# ESG Viewpoint

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## Antimicrobial resistance – an investor perspective on a pressing global threat

At BMO Global Asset Management, one of our key corporate engagement topics is antimicrobial resistance (AMR), which is a pressing global challenge. During September's PRI in Person conference in Paris, we took the opportunity to co-host a side event with FAIRR to shed light on the issues facing companies, and how our engagement can make a meaningful difference.

We were very encouraged by investors' high level of interest in AMR and understanding of the need to raise awareness of this material risk. Although AMR is a major challenge, there are clear pathways to reducing its development and spread, and in our experience, investor engagement can be a powerful force for positive change.

### What is AMR?

AMR is a natural phenomenon in which microorganisms develop resistance to antimicrobial agents. However, it is being accelerated by poor stewardship of antibiotics in healthcare and farming: antimicrobial resistant microbes can spread between people and animals, and from person to person. As a result, a growing number of common bacterial infections – including urinary tract infections, gonorrhoea, tuberculosis and pneumonia – are becoming more difficult to treat.

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The **FAIRR Initiative** is a collaborative investor network that raises awareness of the ESG risks and opportunities caused by intensive livestock production. FAIRR's research into antibiotic use in global supply chains has been the cornerstone of our engagement with food companies, and we were delighted that Maria Lettini, Executive Director, was able to join our event to share her insights into FAIRR's engagement programme on antibiotic stewardship.



A continued rise in resistance could lead to the number of deaths from drug-resistant infections rising from approximately 700,000 today to 10 million by 2050, potentially reducing global GDP by 2-3.5%<sup>1</sup>. Moreover, routine operations, such as hip replacements, could become high-risk procedures. In short, AMR presents a major risk to public health and the global economy.

### Our engagement

We support the World Health Organization's "One Health" philosophy: stakeholders in human, animal, food and environmental health need to collectively take action. Our engagement on AMR therefore takes a cross-sector approach, encompassing food producers and purchasers, and pharmaceutical companies pursuing antimicrobial research & development.

### Engagement with food producers and purchasers

Drawing on FAIRR's research into antibiotic use in global protein supply chains, we have initially focused on engaging food producers and purchasers. The WHO estimates that 80% of all antibiotics sold are used in food-producing animals, and we believe that investors have a key role to play in raising awareness of the issues associated with the routine use of antibiotics in animal agriculture – from the consumer-facing retailer all the way up the supply chain – and in communicating best practices in antimicrobial stewardship.

#### Our aim is to encourage companies to adopt best practices.

##### Animal protein producers

- Antibiotics policy
- Phasing out all routine uses of antibiotics
- Supervision of antibiotic use
- Reducing the use of "medically important" antibiotics
- Animal welfare practices and management
- Auditing and monitoring
- Transparency

##### Restaurants and supermarket chains

Clear communication of these best practices to suppliers – closer collaboration is needed

We recognise that there are significant challenges facing food producers and purchasers in addressing AMR, not least because the intensification of animal production has led to greater dependence on antimicrobials<sup>2</sup>.

### Engagement with pharmaceutical companies

The challenges which pharmaceutical companies are striving to overcome are no less acute, and economic, regulatory and scientific barriers are hindering the discovery and development of novel antibiotics<sup>3</sup>. Leveraging the Access to Medicine Foundation's research for its AMR Benchmark, our engagement with pharmaceutical companies is focused on:

#### ● Research & Development

- Economic challenges

#### ● Manufacturing & production

- Environmental risk management to minimise the risk of antibiotic manufacturing discharge contaminating local water sources
- Transparency on environmental risk management policies and procedures
- Good manufacturing practices, to ensure high-quality antibiotic production

#### ● Appropriate Product Stewardship

- Educational programmes
- Brochure and/or packaging adaptations
- AMR surveillance

### Initial progress

The majority of the 38 companies we contacted have been very receptive, and we have had in-depth calls with companies based in North America, Europe, and Japan, including major international companies such as GlaxoSmithKline and McDonald's.

In our experience, companies are well-informed about the risks associated with antibiotic overuse, and it is now unusual for food and pharmaceutical companies not to have an antibiotic policy (or equivalent). This shift is reflected in FAIRR's project on the restaurant industry: the number of companies with a publicly available antibiotic policy increased from 1 in 2016 to 17 in 2019. However, very few food companies have committed to phase out all routine uses of antibiotics, and there is a widespread lack of transparency.

<sup>1</sup> [https://amr-review.org/sites/default/files/AMR%20Review%20Paper%20-%20Tackling%20a%20crisis%20for%20the%20health%20and%20wealth%20of%20nations\\_1.pdf](https://amr-review.org/sites/default/files/AMR%20Review%20Paper%20-%20Tackling%20a%20crisis%20for%20the%20health%20and%20wealth%20of%20nations_1.pdf)

<sup>2</sup> <http://www.fao.org/antimicrobial-resistance/key-sectors/animal-production/en/>

<sup>3</sup> <https://www.tandfonline.com/doi/full/10.1080/17460441.2018.1515908>



In contrast, pharmaceutical companies' transparency on AMR-related issues is comparatively good, and in our dialogue they have been open about how new economic models could stimulate antibiotic development. Collaboration on environmental risk management has increased, enabled via the Pharmaceutical Supply Chain Initiative (PSCI) Audit Sharing Platform, on which supplier audits can be viewed by PSCI members. The AMR Industry Alliance is also having an important impact, including the publication of detailed guidance on how to manage the risk of contamination arising from waste resulting from antibiotic manufacturing processes.

### Next steps

We will build on our dialogue with companies, broadening the scope of our project to include animal health companies, and continue to benchmark best practices and encourage more robust commitments on addressing AMR.

In our next Viewpoint on this topic, we plan to delve into the findings and outcomes of our engagement with both food and pharmaceutical companies, and explain in detail how our collaboration with FAIRR and the Access to Medicine Foundation have informed our approach to engagement with individual companies.



Antimicrobial resistance poses a formidable challenge to achieving Universal Health Coverage and threatens progress against many of the Sustainable Development Goals, including in health, food security, clean water and sanitation, responsible consumption and production, and poverty and inequality<sup>4</sup>.

<sup>4</sup> [https://www.who.int/docs/default-source/documents/no-time-to-wait-securing-the-future-from-drug-resistant-infections-en.pdf?sfvrsn=5b424d7\\_6](https://www.who.int/docs/default-source/documents/no-time-to-wait-securing-the-future-from-drug-resistant-infections-en.pdf?sfvrsn=5b424d7_6)

### Key risks

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

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