



Acronyms taking over the asylum

There are too many acronyms – and the impact is far from abbreviated, says **Jon Moulton**

The pursuit of profits at any price has definitely ceased to be the sole objective of companies. In the past decade or so we have seen, particularly in public companies, the emergence of new objectives being set for diversity, equality, social mobility, sustainability, modern slavery, discrimination, purpose-driven entities and the like.

Two decades past, ESG would have been an unknown term. It is probably still true today that many private sector enterprise CEOs could not disentangle the LGBTQIA+ acronym – and others in common use.

Reporting standards for most private equity managers and portfolio companies are driven by their investors, whose boards often reflect a social more than a commercial agenda in their members.

I rather suspect that complying with ESG to get the money may often be more central to the implementation of all the new(ish) purpose than the existence of strongly held beliefs by those desiring funding. However, it actually doesn't matter; disobedience, as we know, is a very difficult, often futile and self-defeating, option.

The question as to whether the benefits of these new objectives merits their cost mostly belongs in the realms of politics rather than accountancy. Anyway, a new abbreviation is starting to gain a foothold: CDOH – Commercial Determinants of Health, for those unaware of that one.

Accentuate the negative

Quoting from the April 2023 issue of *The Lancet*, which had 30 pages on this subject: "There is now overwhelming evidence that some, particularly the largest, multinational and transnational corporations are having increasingly negative effects on human and planetary health, and social and health inequities."

While *The Lancet* content at least (grudgingly) acknowledges the possibility that commercial enterprises can have positive effects, the general thrust is encapsulated in the quotation above.

The authors damn not just the obviously bad industries from a health perspective – it seems that

tobacco, booze, ultra-processed food and fossil fuels kill some 19 million people a year – 41% of the deaths from non-communicable diseases (such as cancer or stroke). A wider estimate of the effects pushes this to 78% of the deaths from non-communicable disease. It is therefore not difficult to see a case for governments taking action in those areas. It might appear a lot more compelling than acting against marginal workplace bullying, or tackling very minor carbon discharges and governance black marks.

However, as so often happens in social and political policy, the extent of the issue extends widely and rapidly. CDOH involves an attack on neoliberalist market reforms. It is apparently a bad thing that Walmart has greater revenues than the government of Spain. Also in the damned categories are actions that reduce union activity and seek cost reductions due to COVID-19.

Practices aren't perfect

Bizarrely, and remarkably, negative financial practices are stated to include "mergers, acquisitions and buy-outs". Practices such as tax evasion and debt financing are also criticised – because they reduce tax revenues. Deregulation is simply a bad thing, it seems.

CDOH commentary and academic activity already extends to an extraordinarily wide range of business activity, even though a lot of what is being linked with commerce has only the faintest relationship with medicine. CDOH really seeks a new model for society and commerce.

It's a right old brew of stuff that may fail to get going because of the political width of its ideas. It talks (without definition) of a need for equity – is private healthcare to be banned? And so on.

But it seems likely that these ideas will get some traction. For those in the corporate finance world, company valuations will, in some cases, be seriously affected by a bad CDOH rating. New statutory and regulatory risks will become the norm. You may well be surprised at the harm you are to be deemed to have done.

More cheerily, I cannot see another acronym on the horizon. And if the accountants move quickly, they can generate the new standards and enjoy more lucrative work. As always, TINLA and TINFA (you may need to Google those).

'Company valuations will, in some cases, be seriously affected by a bad CDOH rating'