

Eleventh edition of Eurosif/“Le Monde”, “El País” and “La Stampa” indicators for environmental and social performance of international companies

Pharmaceutical industry confronts disease in developing countries

Pharmaceutical laboratories today find themselves caught in the middle. Looking for growth mechanisms in developing countries (Asia, Latin America, etc.), they realise they are unable to help raise the health levels of the poorest inhabitants in these areas. Two studies which were published simultaneously, one from Oxfam, a British non-governmental organisation (NGO) that fights “*against poverty and injustice*”, and the other by F&C Investments, a British asset manager (148.3 billion euros under management), both show the pharmaceutical industry’s lack of capability to create a coherent strategy for developing countries.

“*Investing for Life*”, Oxfam’s study, examines the pricing policy, intellectual property and research strategies of twelve large laboratories, and lambastes their inability to “*implement systematic and transparent tiered-pricing mechanisms for medicines of therapeutic value to poor people in developing countries*”. Of course, certain laboratories do not have patents and sell at high prices in developing countries, “*but the process is limited. All the laboratories do not use the same differential pricing system, as this remains a local initiative and not a global one, and most of all the proposed prices are still excessive*”. An antiretroviral drug such as Kaletra, sold by Abbott for 2,200 dollars per patient and per year in Guatemala, is at odds with the fact that the average annual income there is 2,400 dollars. Oxfam adds that the government in Thailand had to consider importing generic medicine so Abbott could divide the price of Kaletra by four for Africa and by two for Thailand.

Oxfam also blames laboratories for not investing in research on tropical diseases. “*Between 1999 and 2004, there were only three new drugs for neglected diseases out of 163 new chemical entities (NCEs)*”.

Even though they started with a different approach, F&C joins Oxfam in affirming that the question of access to medicine in developing countries cannot be reduced to donations of antibiotics or antiretroviral drugs. In Africa or Asia, a laboratory must position themselves as a “*health partner*”. This presumes that they relinquish the traditional distribution of “*the roles between companies and the government*”. If “*deficiencies*” exist in a

country’s hospitals and state-owned facilities, the laboratories have to work towards filling the void without asking themselves if that is indeed their mission.

For these four aspects (pricing policy, research on tropical diseases, medical donations and aiding the health system), the eleventh edition of Eurosif/Le Monde indicators, published with *La Stampa* in Turin and *El País* in Madrid, indicates that laboratories are communicating more and more on initiatives they are carrying out in this area, but are not consistently integrating them into a coherent and global strategy. “*Quantitative information, or objectives that can be calculated in figures for the company, remain insufficient when they concern local or occasional initiatives*”, observes Caroline Delerable, consultant in the environmental and sustainable development department at Ernst & Young.

It is even more urgent to put this type of strategy into place as the health problems in developing countries related to AIDS or dengue fever: hypertension, cancer, respiratory problems and diabetes, are now affecting hundreds and millions of people in Asia, the Middle East and Latin America. In this context, access to medicine for developing countries signifies an access to an entire range of health products, and not only a few antiretroviral drugs or vaccinations. F&C and Oxfam are well aware that a laboratory would not be held responsible for the health situation in countries in Africa or Asia. However, they agree in underlining the fact that public opinion will first criticise laboratories that are incapable of setting up adapted management systems, investing in research on tropical diseases, elaborating a fair pricing policy, organising medicine donations and creating sustainable marketing practices for local doctors. “*The short-term strategy of laboratories in developing countries does not provide them with the possibility to reduce their manufacturing and R&D costs. These same blind strategies continue to be put into place. Still today, 15% of the world’s population consumes over 90% of the world’s pharmaceuticals. At this rate, both the industry and the patients are losing out*”, concludes Oxfam.

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Access to medicine, policies are not formalised

Companies	Global policy (A)	R&D on rare diseases, AIDS, malaria, tuberculosis (B)	Prices, patents, licenses in developing countries (C)	Donations of medicine (D)	Health system aid (E)
Johnson & Johnson (EU)	1	2	1	1	2
Pfizer (EU)	1	2	1	1	2
GlaxoSmithKline (UK)	3	3	2	1	0
Sanofi-Aventis (France)	3	3	1	2	2
Novartis (Switzerland)	1	2	2	2	1
Groupe Roche (Switzerland)	2	2	2	2	1
AstraZeneca (UK)	1	2	0	2	2
Merck (EU)	1	1	1	1	1
Abbott Laboratories (EU)	0	1	1	2	1
Wyeth (EU)	0	1	0	1	1

0 = No information available
 (A): 1 = Policies not formalised. 2 = Policies being formalised. 3 = Dedicated team and budget within management.
 (B): 1 = R&D or support of occasional external R&D programmes. 2 = Targeted R&D. 3 = R&D including diseases and/or adaptation of treatments to local contexts.
 (C): 1 = Occasional transfer of patents or informal pricing policy. 2 = Differential pricing and sharing of patents based on level of development in country and global disease burden.
 (D): 1 = No formal medicine donation policy in place. 2 = Medicine donation for specific targets and via controlled distribution channels.
 (E): 1 = Occasional, and mainly financial, partnerships. 2 = Preventative measures taken, training sessions for health care staff, technical assistance in certain countries.

Source: Ernst & Young, based on information published by companies

PUBLIC DATA

Information published in this table was collected and processed by the consulting firm Ernst & Young based on documents published by companies. Companies were selected based on two criteria: their main activity is producing medicine and/or vaccinations; their 2006 sales figure is over 20 billion dollars (according to the classification in Fortune 500 Global 2007). They are listed in the table in order of their sales figures, highest first.

Jean Laville: “The creation of the Access to Medicine Index, in 2008, will encourage investors and laboratories to share best practices”

A coalition of government agencies (Dutch and British), non-governmental and religious organisations (Oxfam, Interfaith Centre on Corporate Social Responsibility - ICCR, etc.), and financial establishments are the initiators for the Access to Medicine Index, to be released in spring 2008 (www.atmindex.org). What is it about?



Rather than an index as such, which would only list the best performing companies, it is a ranking of pharmaceutical laboratories based on their practices concerning access to medicine. The idea was started by a Dutch foundation led by a former director in the industry, Wim Leereveld. The construction of the index, put together by the rating agency Innovest, is done by consulting all of the stakeholders, including the laboratories and the investors. This is how the Ethos foundation, which offers sustainable investment possibilities to Swiss pension funds, was consulted, as were asset managers such as F&C Investments, Morley Fund Managers, Schroders, or Universities Superannuation Scheme – the pension fund for British university personnel.

What is its goal?

To create an index that is solid and consensual enough for investors and pharmaceutical companies to realise that the stakes at play concerning access to medicine are strategic for the economic future of the sector, and to work together to find solutions. It is important to leave behind the model where shareholders were only looking for short-term profits based on the traditional economic model of large laboratories – the “Big Pharma” -, which was mainly based on protecting innovation with intellectual property rules. In consulting investors and shareholders, we examine results when they are made public, and we will go and talk to each laboratory. This index should contribute to a sharing of best practices.

Is it compatible for pharmaceutical companies to make a profit while trying to respond to building pressure to provide less expensive access to medicine and health care?

Our objective isn't to force laboratories to give out their medicine for free to populations in developing countries, that wouldn't make any sense for them as companies, or for us as investors. But it's true that the traditional model is currently threatened; it can be easily disregarded when there's a pandemic or a less violent health crisis. The 2001 lawsuit in South Africa, where the judgement was made on August 6th, 2007 by an Indian High Court of justice dismissing Novartis' complaint against the state of India, shows that a laboratory can now lose their patents due to a mandatory license or generic products, or even, in developing countries, due to social security saving measures.

The example of Tamiflu is just as enlightening: whereas this medicine against avian flu was perceived by its manufacturer, Roche, as a golden goose, it in fact threatened the stability of the laboratory. When the public authorities required them to manufacture it in massive volumes at a reduced price, and even threatened to revoke Roche's license, their factories were saturated and they had to look into having other manufacturers produce the same medicine!

Responding to the social demand in favour of less expensive access to health care has become a conditional part of future activities in the pharmaceutical industry. General opinion is convinced and investors are being to realise it. It is a complex task, but the industry has to buckle down and get to work, and we have to help them.

Interview conducted by Antoine Reverchon

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2002 Jean Laville is Executive Deputy Director of the Ethos Foundation and the Ethos Services company, in charge of sustainable development management and environmental and social research.

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