

WORKSHOP REPORT

Amsterdam Session II – Best Practices & Impact

24 October, 2017

*The workshop took place on Thursday 28 September 2017
In London, hosted by BMO Global Asset Management*

On 28 September 2017, the Access to Medicine Foundation convened its second Amsterdam Session for pharmaceutical companies included in the Access to Medicine Index. The theme was Best Practices & Impact. The goal was to bring together investors and key experts from within pharmaceutical companies to discuss innovative and inclusive business models identified in the Access to Medicine Index. The workshop was hosted at the offices of BMO Global Asset Management. BMO Global Asset Management began engaging on access to medicine issues in 2007 and launched Europe's first social and environmental screened strategy in 1984.

The workshop had two sessions. The first included a panel of investors leading a knowledge-exchange with pharmaceutical company participants on how inclusive business models are perceived and valued. During this session, participants explored the qualities that investors look for in access-to-medicine approaches, closing with a discussion of what makes access-oriented business models successful. The second session was for representatives of pharmaceutical companies. It focused on best practices presented by participants on the following themes:

- 1) Access strategy frameworks: Novartis, GSK, ViiV Healthcare
- 2) Approach to benchmarking targets and SDGs: Merck KGaA, Novo Nordisk
- 3) Assessing and implementing affordable prices: Johnson & Johnson
- 4) Facilitating financing for medical treatment: Roche, Pfizer

About this report

This report summarises the ideas and topics discussed during the workshop in two parts.

Part 1: Strategies for improving access to medicine help unlock growth in emerging markets

Part 2: The investor view on why business models with social impact are important

In order to facilitate open discussion, we observe the Chatham House Rule for preserving anonymity.

About the Access to Medicine Foundation

The Access to Medicine Foundation is an independent, non-profit organisation based in the Netherlands. It aims to advance access to medicine in low- and middle-income countries by stimulating and guiding the pharmaceutical industry to play a greater role in improving access to medicine. The Foundation is funded by the Bill & Melinda Gates Foundation, the Netherlands and UK governments and the Dutch National Postcode Lottery.

Part 1: Strategies for improving access to medicine help unlock growth in emerging markets

The theme of the workshop was Best Practice & Impact. Throughout the day, multiple best practices and business models were raised and discussed. Examples of innovative business models were drawn from Access to Medicine Index research. Best practices were presented by people involved in development and implementation of these practices on the part of the companies. To select the programme of presentations, registered workshop participants were asked to submit topics of interest and/or to propose a presentation based on their own company's practices. The Access to Medicine shared a new framework for scaling up and replicating business models.

Since 2010, spending on healthcare in emerging markets has surpassed that of the EU 5 (France, Germany, Italy, Spain, and the United Kingdom). By 2025, the largest emerging markets will account for 38% of the world's GDP, 31% of the pharmaceutical market, and approximately two-thirds of the global population. Nearly 1 billion people will be added to the middle class in emerging markets in the next decade.

In traditional markets, the opportunities for pharmaceutical growth are limited, exacerbated by lower R&D productivity and strong pricing pressure. In emerging markets, however, there is significant potential. Emerging markets already represent 20% (or more) of revenues for many pharmaceutical companies.

As these markets develop, access-based strategies help unlock growth while improving public health: including patient-centred approaches, partnerships with other companies and other actors including governments and academic centres, R&D that targets needs specific to populations in emerging markets and pricing practices that take account of socio-economic factors.

Innovative business models in the Access to Medicine Index

The Access to Medicine Index has identified multiple innovative pharmaceutical business models being deployed in low- and middle-income countries. They share three key elements:

- 1) They provide a clear improvement in access to medicine;
- 2) They focus on meeting the needs of poor(er) populations; and
- 3) They clearly show how financial sustainability can be achieved in the long term.

The Index also identifies best practices that set a new standard of behaviour for other companies to aim for. Practices are identified as best practices when they have been proven to meet the following criteria: 1) sustainability; 2) replicability; 3) alignment with external standards/stakeholder expectations; and 4) proven effectiveness.

Business models identified in the 2014 and 2016 Access to Medicine Index



Boehringer Ingelheim's Making More Health partnership acts as an incubator for new social business ideas in Kenya and elsewhere.

Eli Lilly's Lilly Expanding Access for People (LEAP) programme targets diabetes in the emerging middle class in China.

GSK's Africa and Developing Countries Unit brings together the company's commercial and access-related efforts in sub-Saharan Africa.

Johnson & Johnson's impact bonds are a potential new option for financing R&D in the healthcare sectors, on the proviso that projects lead to significant improvements in social outcomes.

Merck & Co., Inc. is running Programme Sambhav, a financing model that offers zero interest, no-collateral loans in India, with a focus on hepatitis C.

Merck KGaA's Su-Swastha programme is a commercially viable, socially responsible business model aiming to educate and create awareness about health, especially targeting underserved populations in rural India.

Novartis's ComHIP is a three-year programme testing an innovative healthcare model for hypertension control and self-management.

Novo Nordisk's Base of the Pyramid (BOP) aims to facilitate access to diabetes care for the working poor in low- and middle-income countries.

Pfizer's Global Established Products (GEP) portfolio is supported by an established a governance structure that provides a formal mechanism for strategy development, assessment and implementation regarding its established products portfolio.

What we see: how companies scale up and replicate business models

The findings of the 2014 and 2016 Access to Medicine Indices show that companies deploy a range of approaches to overcome market constraints in low-resource settings. There is no single blueprint for developing a scalable and sustainable commercially oriented access initiative.

Table 1. Framework for addressing access, identified by the Access to Medicine Index

Access strategy	Investing in local infrastructure	Facilitating patient-level access	Cross-cutting themes
Designated access to medicine department in LMIC	Investment in health system strengthening	Health education programmes	Creation of partnerships/alliances
Acknowledgment of LMIC long-term markets potential	Local human resource strengthening	Health system financing	Built-in measure of impact
Business approach tailored to local context	Supply chain strengthening	Supply-side inclusive models	Long-term financial sustainability
	Use of mobile technology		

Programme of Best Practice presentations

The best practices presented by participants aligned with the following themes:

- 1) Access strategy frameworks: Novartis, GSK, ViiV Healthcare
- 2) Approach to benchmarking targets and SDGs: Merck KGaA, Novo Nordisk
- 3) Assessing and implementing affordable prices: Johnson & Johnson
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The discussions following the presentations touched frequently on several topics related to successfully scaling up programmes and replicating success to new settings. One reoccurring theme was the importance of solid metrics underpinning a continuous process for monitoring and evaluating outcomes and impact. Margin management and result tracking in emerging markets was also seen as critical. Aligning access programmes to internationally agreed priorities, particularly the Sustainable Development Goals, were viewed as useful for building internal and external support for the programme in question. Such alignment was also viewed as helpful for organising the structure of an access programme.

Presentation titles

Leaving the comfort zone | Our approach to improving healthcare in the developing world | Merck's approach to benchmarking access targets against the SDGs | Contribution to the Sustainable Development Goals | Johnson & Johnson Global Public Health | Roche Private Healthcare Policy: Catalyze Access through Private Healthcare Funding | Making Health Markets Work for The Poor

Part 2: The investor view on why business models with social impact matter

In a highly engaged session, participants explored why business models with social impact matter to investors, and how companies can make their access programmes more visible to investor communities. The session featured a panel of investors and was moderated by Yo Takatsuki, Associate Director, Governance & Sustainable Investment, BMO Global Asset Management. The panel comprised representatives of: Aviva Investors, Henderson Global Investors, Schroders, SPH and SPMS.

Three main observations emerged during the discussions:

1. Different types of investors use access differently in their decision making

As impact investors look for both social and financial returns, they are generally interested in the planning and impact of specific access programmes. Responsible investors (and increasingly mainstream investors), as they seek to manage risk and opportunities, view access to medicine as a core ESG factor for pharmaceutical companies.

2. Not all access teams discuss their progress with either investors or Investor Relations teams

Participants reported varying levels of engagement between access teams, Investor Relations (IR) teams and investors. Some company teams have a distant relationship with IR teams, while others engage systematically and directly, seeing it as an opportunity to increase internal and external support for their access programmes. There was clear appetite from the investors present for direct insight into how initiatives are developed, implemented and evaluated.

3. Access-to-medicine strategies: long-term investments with an accepted level of risk?

The participants discussed the risk that access-to-medicine strategies represent for pharmaceutical companies, acknowledging that access initiatives require long-term horizons before generating sustainable returns, and entail a certain failure rate for early-stage pilots. Some participants emphasised how high failure rates and long-term horizons are already accepted for the R&D activities of pharmaceutical companies, suggesting that it is possible for investors to accept these types of risk. Better data about future opportunities in emerging markets would be needed to unlock this potential.

Impact has emerged as a key concept for investors in the ESG space and beyond. Investors are increasingly looking for win-win scenarios where positive, measurable environmental and social benefits are delivered alongside financial returns. Investing in this way is seen as a powerful route for asset owners to align investing activities with their core principles, while sending a strong signal to stakeholders of the owner's commitment to global targets like the Sustainable Development Goals. Whereas investment for environmental impact is well established, for example through green bonds, social impact investing is still in an early phase.

For companies in the pharmaceutical industry, access to medicine is the key framework for delivering social impact. The concept of access to medicine – and what the lack of access means for people around the world – resonates with many investors. When looking for opportunities here, investors are seeking access-related initiatives that have commercially relevant outcomes. They are looking to link best practices with their impacts, seeking to understand how the former leads to the latter.

Measuring impact

Accurate measurements of outcomes and impact are in much demand. That said, there is a misperception that investors will not accept less than a standardised measure of impact; rather investors understand that impact measurement is a developing field in the pharmaceutical industry. Until such a measure exists, pharmaceutical companies are encouraged to share their thinking and progress in this space.

There is currently no single impact measure that can be widely applied – the appropriate measure varies depending on the company, the product, the project and the locality. A few companies are already producing rigorous, independent assessments of the outcomes and impacts of specific initiatives. For example, Novartis is measuring the impact of its Novartis Access programme through a randomised controlled trial across Kenya that involves interviews with patients and with workers at healthcare facilities and a survey of end price points. University College London carried out an impact assessment of Novo Nordisk’s Base of the Pyramid (BoP) project in Kenya, with the aim of assessing scalability, if all partners shared value in the initiative, and if it had improved access to care. It used both a control county (Trans Nzoia) and an intervention county (Meru).

Openness about the methodologies, including potential quantitative and qualitative measures, is likely to be received positively and as an indication of leadership in the space. Similarly, investors with mid- to long-term horizons are particularly interested in the inner workings of different access approaches and social business models – even where financial returns or positive outcomes are not yet apparent. There is tolerance among such investors for a certain failure rate of early-stage programmes and pilots. This is seen as an acceptable risk in the search for programmes and approaches that can form a sustainable business foundation in emerging markets. There is an appetite among investors for greater insight into how new models are developed, piloted, evaluated and improved upon.

Assessing materiality

There is general recognition among mainstream and responsible investors that some ESG factors represent material issues for their investments. These issues are sector-specific, and access to medicine is regarded as one of the most material ESG issues for pharmaceutical companies. Multiple large pharmaceutical companies have identified and prioritised access to medicine (or access to health) within materiality assessments. (see links below for some examples)

Access to medicine has the most impact for investors when it can positively influence a company’s financial future while also delivering returns for society. Access-oriented approaches represent a significant opportunity for pharmaceutical companies in emerging markets. The traditional pharmaceutical model is widely seen as inappropriate for emerging markets, as well as for frontier markets. The examples of innovative business models already identified in the pharmaceutical industry suggest that disruptive models will emerge in the near term. Different disruptive models may be needed for different disease areas.

Improving access to medicine is being actively promoted by a growing number of investor voices. For example, BlackRock and Ceres, a non-profit advocate of sustainability, are encouraging efforts to improve access in a recent guide for institutional investors seeking to engage companies on

sustainability issues, as does Morgan Stanley in a report outlining a framework for incorporating sustainability performance data into the investment-analysis process. Access to medicine is the first topic of the provisional standard for the pharmaceutical sector produced by the Sustainability Accounting Standards Board (SASB). The standard states that “a strategic approach to access to medicines can yield opportunities for growth, innovation, and unique partnerships, which can enhance shareholder value.”

<http://www.msresponsibility.com/our-approach/materiality/>

<https://www.gsk.com/media/2538/gsk-materiality-process.pdf>

https://www.pfizer.com/files/investors/financial_reports/annual_reports/2016/about-this-review/index.html

https://www.novartis.com/sites/www.novartis.com/files/cr-materiality.pdf?utm_source=drupal&utm_medium=redirect&utm_campaign=drupalredirect&utm_content=www.novartis.com/downloads/corporate-responsibility/improving-health/cr-materiality.pdf

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