



INTERVIEW

Cesare Vitali

Head of ESG analysis at Ecofi



PHARMACEUTICAL COMPANIES AND ACCESS TO MEDICINES: WHAT ROLE FOR INVESTORS?

ACCESS TO MEDICINES: WHY SHOULD INVESTORS CARE?

The Covid 19 pandemic has demonstrated once more that the world needs pharmaceutical companies in order to develop universally accessible solutions for taking care of human diseases.

Access to medicines and to health for everyone, in particular in developing and poor countries, is a strategic issue, not just for humanitarian and moral reasons, concerning the argument that no one should be left behind, but also for economic ones. Increasing access to medicine in emerging and poor countries contributes to the creation of a richer, healthier and more productive global society.

A 2020 study commissioned by the Bill & Melinda Gates Foundation has demonstrated that leaving lower-income countries without access to vaccines against COVID-19 pandemic will cause significant economic damage for both emerging and advanced economies. The report has estimated that the economic benefits of a global equitable vaccine solution for the 10 countries covered by the analysis (Canada, France, Germany, Japan, Qatar, South Korea, Sweden, United Arab Emirates, UK, USA) would be at least US\$ 153 billion in 2020-21, rising to US\$ 466 billion by 2025.

According to the World Health Organization data, nearly 2 billion people have no access to basic medicines; the majority of this vulnerable population live in low- and middle-income countries. This lack of access to medicines, especially in emerging economies, represents a strong market distortion, which limits economic growth and creates inequalities between countries, preventable misery and unnecessary human suffering. Our society should care that medicines be available especially to the poorest countries, where healthcare budgets are often constrained.

Pharmaceutical companies of the private sector, through their activities, play a key role in order to solve this disparity between developed and low-income countries. Pharmaceutical companies which do not integrate sufficient access to medicines issues in their business model, in their strategy, in their risk management system or in their governance could face several kinds of non-financial risks, such as:

- **Reputational risk:** the pharmaceutical industry is extremely criticized by external stakeholders. Pharma companies are more and more under pressure from media, consumers, NGOs and governments about their license and pricing practices. This pressure could be headed also by responsible investors, through their engagement actions, which would increase companies' efforts and their performance about access to medicines. The long-term sustainability of pharmaceutical companies is strongly linked to their capacity to build durable relations over time with their stakeholders (e.g. collaboration with patients associations, management of NGOs allegations or boycott, capacity to attract top talent employees, etc.).
- **Legal risk:** pharma industry is highly regulated and the risk of unethical conduct could be really complex when managed. Companies need robust compliance systems in order to avoid unethical practices, such as corruption and anti-competitive measures, which may lead to legal lawsuit and severe fines.
- **Commercial risk:** pharmaceuticals companies which have strong policies about access to medicine could benefit from important potential opportunities for revenue growth in emerging

markets, thanks to long-term business relations and strong corporate responsibility actions.

Because of that, responsible investors should conduct a dialogue with the pharmaceutical companies invested in their portfolios, in order to encourage the development of rugged access strategies.

The majority of pharmaceutical companies declare themselves as compliant with UN SDG number 3, about access to health ("ensure healthy lives and promote well-being for all at all ages"); but do they really demonstrate action to integrate access to medicines issues in their business model, in their strategy, in their risk management system or in their governance? How could responsible investors analyze companies' access strategies?



ACCORDING TO THE WORLD HEALTH ORGANIZATION DATA, NEARLY 2 BILLION PEOPLE HAVE NO ACCESS TO BASIC MEDICINES. ”

THE 2021 ATM INDEX, THE KEY FINDINGS

In 2021 the Access to Medicine Foundation, an independent non-profit organization, funded by the Dutch and UK governments, the Bill & Melinda Gates Foundation, the Wellcome Trust and AXA Investment Managers, published its 7th "[Access to medicine Index](#)". The Index, which is released every two years, analyzes policies and actions of the 20 main pharmaceutical companies in the world about access to medicines, vaccines and diagnostics, in particular in 106 low- and middle-income countries, for 82 different diseases, conditions and pathogens. The ATM Index gives a detailed picture of pharma industry, especially about how companies support the development of access to life-saving medicines, vaccines and diagnostics for people in low- and middle-income countries.

The Index assesses companies on their actions to improve equitable access to products on the market and to make new products available.

The Index applies 33 metrics about several aspects linked to access to medicines, such as pricing, distribution, market influence, patents, licensing and product donations. All the metrics are summarized in the three following areas of analysis:

- Governance of access
- Research & development
- Product delivery

The application of the ATM methodology gives a score for each company, which is reviewed by an expert panel including researchers, academics, World Health Organization officials and specialists from the pharmaceutical industry. These criteria are applied to 20 leading pharma companies, which represent about 70% of global pharmaceutical revenues.

The Index is viewed by investors' international community as one of the most credible sources of information for assessing pharmaceutical companies: the Index is endorsed by more than 100 institutional investors, such as Ecofi, which collectively manage assets worth over US\$ 18 trillion.

The key findings of the 2021 edition show that pharma companies generally have increased their efforts in order to make new medicines rapidly accessible to the poor countries. All 20 companies have set specific quantitative targets for improving access, and more companies are deploying business models that formally include low- and middle-income countries.

In particular, in the previous index edition, published in 2019, there was just one company (Novartis) which developed systematically an access plan for its products: in the 2021 ATM Index edition, 8 companies (AstraZeneca, GSK, Johnson & Johnson, Merck, Novartis, Pfizer, Sanofi and Takeda) have displayed efforts in adopting internal processes to systematically address access to medicine for all new products.

The highest rated company is GlaxoSmithKline (GSK), which

demonstrates developing systematically an access plan for all its R&D projects, when the phase II clinical trial results are positive. GSK is the pharma company with the most candidate products formally covered by access plans (80% of projects assessed), followed by Novartis, Johnson & Johnson, Pfizer, Sanofi and Takeda.

Even if the analysis shows that pharma companies are more aware about the importance of this issue, access to medicines could be still more integrated in companies' business model. In particular, the Index finds out that just a small number of people per country are gaining access through these initiatives, which largely comprise equitable pricing strategies. Companies are addressing access for the poor for less than half of products analyzed by the Index. In particular, just 13% of the products administered by a healthcare practitioner, such as injectable treatments for cancer, are offered through access strategies in low-income countries. This rises to 26% of self-administered products, which are mainly pills.

HOW INVESTORS CAN USE ATM DATA

Ecofi is member of Access to Medicine Foundation network since 2010. Ecofi, in order to maximize the impact of its portfolio investments, engages directly and collaboratively with invested companies about several ESG issues, such as access to medicine. The ATM membership is an important tool for helping us to understand the issue of access to medicine and to lead engagement initiatives with companies.

Ecofi uses ATM Index data in order to prepare its engagement initiatives with invested companies: for example, in 2020 we directly engaged Sanofi about two issues, access to medicines and products safety. We based the most part of the questions on the points of weakness of company policies, which have been highlighted by the ATM Index analysis.

Through ATM network, we have the opportunity to support several collective engagement initiatives

coordinated by ATM: for instance, in 2021 we joined three collective dialogues organized by ATM members with three pharmaceutical companies invested by our funds (Sanofi, Merck, GSK). During the engagement proceedings, we asked several questions to companies about their strategy on access to medicines issue.

Through the ATM network, Ecofi can join engagement initiatives also with institutions and governments: for example, in February 2021 Ecofi joined the initiative "Urgent call for fair and equitable global response to COVID-19". This investor statement, which has been signed by 154 institutional investors representing assets worth more than US\$ 14 trillion, calls world leaders of G7 and G20 governments to implement concrete measures in order to ensure fair and equitable access to vaccines and medicines, in particular in developing countries. Through this statement, investors underscore the deep unfair difference between the level of population vaccinated in developed countries and in developing ones. The statement encourages institutions to cooperate for establishing a more coordinated approach in terms of vaccines distribution worldwide. Lastly, the statement calls on governments to explore the feasibility of innovative finance mechanisms for global responses to COVID 19, also through the collaboration of pharmaceutical companies in the private sector.



2010

Since Ecofi is member of Access to Medicine Foundation network

Find out more about our dialogues with companies in our [Engagement Report](#)

