

ACCESS TO MEDICINE INDEX 2018



WHAT IS THE ATMI?

The Access to Medicine Index, launched in 2008, is a biennial ranking of the world's largest pharmaceutical companies' efforts to improve access to medicine. At the time of writing, 81 global investors, including EdenTree, representing over \$10.5 trillion of assets under management (AUM), have signed an investor statement in support of the initiative. The Access to Medicine Foundation, which produces the ATMI, is an independent non-profit organisation, which receives the best part of its funding from the UK and Dutch governments, as well as from the Bill & Melinda Gates Foundation. It has no financial relationships with pharmaceutical companies.

The data generated by the Index is made publicly available and is utilised by investors, governments, NGOs and the pharmaceuticals industry with the aim of improving access to medicine. The Index is not designed to "name and shame", but to provide insight and stimulate cooperation and improvement. It covers 20 of the largest pharmaceuticals companies with products for 77 high-burden diseases, conditions and pathogens in 106 low and middle-income countries.

WHAT DOES ACCESS DEPEND ON?

Access to medicine depends on a number of factors:

- **Availability** – ensuring new or existing products are available for use
- **Accessibility** – ensuring people can receive products and know how to administer them
- **Affordability** – ensuring patients, healthcare providers and governments can afford the product, irrespective of their socio-economic status
- **Acceptability** – ensuring products are safe, efficacious and work as intended

WHAT IS THE CONTEXT FOR THE ATMI?

One of the core UN Sustainable Development Goals for 2030 (SDGs) is to "ensure healthy lives and promote well-being for all at all ages", whilst four of the eight Millennium Development Goals for 2015 related to improving health in the developing world. Landmark achievements since the turn of the century include the near eradication of polio and guinea worm; the Carter Center International Task Force for Disease Eradication has also declared measles, mumps, rubella and elephantiasis as potentially eradicable.¹ Despite the progress being made, hundreds of millions of people still face uncertainty relating to the supply and affordability of health products, ranging from simple diagnostic equipment to front-line drugs.

Tropical and communicable diseases – in particular malaria, tuberculosis, and HIV/AIDS – continue to be major health burdens, but non-communicable diseases such as cancers, diabetes, cardiovascular diseases and chronic respiratory illnesses are also on the rise in low and lower-middle income countries.² The constitution of the World Health Organization (WHO) states that all people have the right to the highest attainable standard of health, yet access to medicine continues to elude around 2 billion people.³ With their global reach and considerable resource base, the pharmaceutical companies ranked by ATMI can play a sizeable role in bridging this gap.

HOW DOES THE ATMI SCORE AND RANK PHARMACEUTICAL COMPANIES?

The ATMI collates and assesses data across seven areas of analysis: (i) general access to medicine management; (ii) market influence and compliance; (iii) research and development; (iv) pricing, manufacturing and distribution; (v) patents and licensing; (vi) capacity building; and (vii) product donations.

In total, 69 indicators across these seven distinct pillars are taken into account when determining a company's

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score and ranking. The scores are reviewed and approved by an expert panel including specialists from the pharmaceutical and investment industries, as well as leading academics, senior WHO officials, and researchers.

HOW DOES EDENTREE USE THE ATMI INDEX?

“Health & Wellbeing” is one of our positive pillars which we consider when screening companies on their ESG policies and performance. For us, affordable healthcare and access to medicine underpin our argument for investing in the pharmaceuticals sector, particularly from an ethical and responsible investing perspective. We use the ATMI to support our research when screening companies for inclusion in the Funds, and as a basis for engagement with pharmaceutical companies.

GlaxoSmithKline (GSK) is held in a number of the Amity Funds, and tops the ATMI rankings for the sixth successive time. Out of the 20 companies surveyed, 17 have a detailed access to medicine strategy.

WHAT WERE THE MOST SIGNIFICANT RANKING OUTCOMES COMPARED TO EARLIER SURVEYS?

As mentioned, GSK continues to lead the Index, and has extended its lead in the 2018 AMTI, with a total score of 4.01 out of 5 (see ranking table). Perhaps the most notable moves have come from the Japanese company Takeda Pharmaceuticals Co Ltd, which has advanced into 5th place in 2018, up from 15th in the 2016 ATMI, and the US-based AbbVie (held in the Amity Global Income Fund), which has fallen from 9th to 17th.

Takeda has successfully implemented a number of changes to its access to medicine strategy over the past two years, with newly-assigned responsibility at board level for the strategy, and improvements in governance structures. The company has also placed a particularly noteworthy emphasis on its work in sub-Saharan Africa alongside the Cancer Alliance in Nairobi. The Alliance

brings together other pharmaceuticals companies, governments, NGOs and non-profits, and demonstrates best practice in the provision of cancer services across sub-Saharan Africa.

Takeda is also in the process of taking over the UK-listed company Shire Plc, which does not form part of the Index.

AbbVie, by contrast, has slipped significantly down the rankings in 2018. The company is the only one of the 20 surveyed which does not publish a policy on key access to medicine, vaccines and other access to healthcare topics. AbbVie’s transparency has declined since 2016, and the company is one of only a handful which are yet to pledge publicly neither to file nor enforce patent rights in Least Developed Countries (the others being Pfizer, Bayer, Gilead, and Sanofi).

WHAT DIFFERENTIATES THE LEADERS FROM THE REST?

The companies which score the highest, as well as being (for the most part) European, tend to be more willing to be held publicly accountable for their access-to-medicine policies, and are thus more transparent. Moreover, as the ATMI 2018 report makes clear, “the four leaders – GSK, followed by Novartis, Johnson & Johnson, and Merck KGaA – frame access as a *business proposition*, and most consistently invest in projects and initiatives that the global health community has identified as pressing priorities.”

As in 2016, GSK is responsible for a disproportionately large percentage of activity in the areas of R&D and accessible pricing. The company’s integrated approach to addressing urgent public health needs through access policies and practices is also considered best-in-class.

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WHERE DO COMPANIES SEE THE RISKS AND OPPORTUNITIES IN THE ATMI RANKINGS?

The principal opportunity for the pharmaceuticals companies with regard to access to medicine initiatives lies in the potential for revenue growth in emerging markets. Whilst providing access to medicine in some of the poorest countries is part of companies' corporate social responsibility, long-term business concerns are also paramount. By focusing on establishing good working relationships with local and national institutions, the companies position themselves to serve the "next 5 billion" (a reference to those without adequate access to medicine, mostly in the "Global South") over the coming decades.

Aside from concerns over investor sentiment as the investment community increasingly considers ESG factors in its decision-making processes, one of the key risks the pharmaceutical companies identify relates to talent acquisition and retention.

As Millennials now comprise around 50% of these companies' workforces, reputation is becoming an ever more pressing issue for the pharmaceuticals sector. Rankings such as the ATMI serve as an indicator to prospective employees of how seriously a company takes its corporate social responsibility – a major consideration for many Millennials entering the workforce.

WHAT EXPOSURE DOES EDENTREE HAVE TO THE SURVEY CONSTITUENTS?

EdenTree's Amity Funds have traditionally had an overweight position in pharmaceuticals, given our Health & Wellbeing pillar, and this continues to be the case. We have exposure to 10 of the 20 pharmaceuticals companies surveyed in the ATMI, held in one or more of our Amity Funds. We currently hold: GSK, Novartis, Merck KGaA, Merck & Co Inc, Sanofi, AstraZeneca, AbbVie, Novo Nordisk, Pfizer, and Roche. We divested from Johnson & Johnson in 2018 on

ethical grounds, and continue to have no exposure to Japanese pharmaceuticals companies.

Notes

1. https://www.cartercenter.org/resources/pdfs/news/health_publications/itfde/updated_disease_candidate_table.pdf
2. Thomas J Bollyky, Tara Templin, Matthew Cohen & Joseph Dieleman, 'Lower-income countries that face the most rapid shift in non-communicable disease burden are also the least prepared', *Health Affairs*, (November 2017) Vol. 36, No. 11; see also Matthew Gowshall & Simon Taylor-Robinson, 'The increasing prevalence of non-communicable diseases in low-middle income countries: the view from Malawi', *International Journal of General Medicine*, (June 2018), 11, 255-264
3. ATMI 2018 Report, p.10

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We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock-specific research to identify ethically responsible investment ideas for our range of Amity Funds. Headed up by Neville White, Head of SRI Policy & Research, and supported by Responsible Investment Analysts Esmé van Herwijnen and Jon Mowll, the team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of ethical and socially responsible investment concerns. Our ethical and responsible investment process is overseen by an independent Amity Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.

We hope you enjoy this RI Expert Briefing and find it useful and informative. For any further information please contact us on 0800 011 3821 or at ifa@edentreeim.com