

access to medicine index

new ranking may be unpopular, but it's here to stay

Pharmaceutical companies are not happy, but a number of influential investors have expressed their support for the Access to Medicine Index. EP looks at a controversial new measure of performance

Blunt instrument or useful tool for investors and other stakeholders? The Access to Medicine Index is either or both, according to whom you listen to.

Developed by a Dutch charity called the Access to Medicine Foundation, with research by US-based Innovest, the index will appear annually, ranking 20 pharmaceutical companies on various aspects of their efforts to make it easier for people, particularly those living in developing countries, to get the medicines they need.

Each company is rated on dozens of indicators grouped under eight main criteria, five of which are shown on page ten opposite. Performance figures in each criteria, from the lowest 1 to the highest 5, are added up to give an overall mark, again of out of five. Not all criteria are

equally weighted: equitable pricing accounts for 15 per cent of the total mark, whereas patents and licensing account for ten per cent, for example.

The compilers of the index, which was two years in the making, claim that it highlights differences in companies' efforts to provide affordable drugs, diagnostics and vaccines. Pfizer, for example, scores poorly overall, with GlaxoSmithKline and Novo Nordisk consistently good across the board. The findings also reveal inconsistent performance within some companies, indicating, for example, that Eli Lilly makes strenuous efforts to influence public policy, but is weaker in concrete actions in the areas of pricing, patents, and research and development.

A group of 12 institutional investors, including Schroders and SNS Asset Management, issued a supportive statement at the launch, with a stronger investor statement being drafted as *EP* went to press. My-Linh Ngo, associate director of SRI at Henderson, told *EP*: 'Further refinements are clearly needed. However, we do intend to use the index as one of a number of ESG resources we look at when assessing companies'.

The Foundation claims the index will give organizations that work to increase access to healthcare 'the opportunity to find suitable industry partners'.

The industry response has been more negative. The methodology has been challenged, particularly what is seen as an unsophisticated

league table approach. Pfizer believes that the methodology is 'deeply flawed ... The index seeks to evaluate ... diverse approaches through a set of common criteria, while ignoring some of the initiatives that are having the most profound impact on access to medicines and health in developing countries'. Pfizer's total giving last year was a hefty \$1.7billion (£944million) in cash and medicines, so its frustration is understandable. GSK, which heads the ranking, is also critical (see *Guest Column* this issue).

But this index is not alone in receiving flak: Business in the Community's CR Index, among others, is routinely challenged on much the same grounds. Such criticism goes with the territory.

Further information: www.atmindex.org

fundwatch

UK ETHICAL & ECOLOGICAL UNIT TRUSTS/OEICS

| | bid-bid, Basic Rate Tax, init. £100 lump sum | 3 years change | Morningstar rating | investment sector |
|---------------------------------|--|----------------|--------------------|-------------------|
| FTSE All Share | 14.87 | | | Equity UK |
| 1 Jupiter Ecology GBP | 39.82 | ★★★★ | | Global Growth |
| 2 AEGON Ethical Eq A | 33.84 | ★★★★ | | UK All Companies |
| 3 CIS Sustainable Leaders | 27.78 | ★★★★ | | UK All Companies |
| 4 St James's Pl Ethical Inc | 22.59 | ★★★★★ | | Global Growth |
| 5 Aberdeen Ethical World A Inc | 20.4 | ★★★★★ | | Global Growth |
| 6 Norwich UK Ethical 1 Acc | 17.73 | ★★★ | | UK All Companies |
| 7 Henderson Industries Future A | 17.68 | ★★ | | Global Growth |
| 8 Henderson Gbl Care Grth Rtl | 16.47 | ★★ | | Global Growth |
| 9 Norwich SF Managed 1 | 15.75 | ★★★ | | Balanced Managed |
| 10 Henderson Gbl Care Mgd Rtl | 14.73 | ★★★ | | Balanced Managed |

UK ETHICAL & ECOLOGICAL PENSION FUNDS

| | bid-bid, init. £100 lump sum, UK pension tax | 3 years change | Morningstar rating | investment sector |
|-------------------------------|--|----------------|--------------------|-------------------|
| FTSE All Share | 14.87 | | | Equity UK |
| 1 AIG PPB/Jupiter Ecology | 36.11 | ★★★★★ | | Global Equities |
| 2 Lincoln Green | 34.04 | ★★★★★ | | Global Equities |
| 3 Scot Life UK Ethical | 25.88 | ★★★★ | | UK All Companies |
| 4 SJP Ethical | 23.07 | ★★★★ | | Global Equities |
| 5 SJP Ethical inet | 21.23 | ★★★★ | | Global Equities |
| 6 Zurich/Henderson Ethical EP | 20.06 | ★★★ | | Global Equities |
| 7 Zurich/Henderson Ethical | 20 | ★★★★ | | Global Equities |
| 8 NU UK Equity Ethical inet | 19.67 | ★★★★ | | UK All Companies |
| 9 Std Lf Ethical 1 | 18.67 | ★★★★ | | Balanced Managed |
| 10 Skandia/Henderson Ethical | 15.59 | ★★★ | | Global Equities |

UK ETHICAL & ECOLOGICAL INSURANCE FUNDS

| | bid-bid, Basic Rate Tax, init. £100 lump sum | 3 years change | Morningstar rating | investment sector |
|-------------------------------|--|----------------|--------------------|-------------------|
| FTSE All Share | 14.87 | | | Equity UK |
| Lincoln Green | 38.26 | ★★★★★ | | Global Equities |
| AIG/Jupiter Ecology | 29.2 | ★★★★★ | | Global Equities |
| SJP Ethical | 20.87 | ★★★★★ | | Global Equities |
| Norwich Union UK Eq Ethical 1 | 16.84 | ★★★ | | UK All Companies |
| NU UK Equity Ethical inet | 16.8 | ★★★ | | UK All Companies |
| Halifax Ethical | 14.18 | ★★★ | | Global Equities |
| Scot Eq Ethical Cautious | 13.43 | ★★★★★ | | Cautious Managed |
| Sterling/Henderson Ethical | 13.4 | ★★★ | | Global Equities |
| Std Lf Ethical | 13.16 | ★★★ | | UK All Companies |
| Clerical Med Evergreen | 13 | ★★★ | | Global Equities |

US ETHICAL & ECOLOGICAL MUTUALS

| | nav-nav, gross income, int'l \$100 lump sum | 3 years change | Morningstar rating | investment sector |
|---------------------------|---|----------------|--------------------|--------------------------|
| S&P 500 | 8.81 | | | Equity N. America |
| New Alternatives | 55.02 | ★★★★ | | World Stock |
| Portfolio 21 | 32.36 | ★★★ | | World Stock |
| Timothy Plan Lg Md Val/A | 28.29 | ★★★★★ | | Large Blend |
| Parnassus Equity Inc | 27.66 | ★★★★★ | | Large Blend |
| Shepherd Large Cap Growth | 27.34 | ★★ | | Mid-Cap Growth |

Fundwatch data supplied by Morningstar and FTSE as at 1 August 2008. Fund Stars are calculated using a fund's monthly performance relative to its sector average for each of the 36 months over the three years to date.

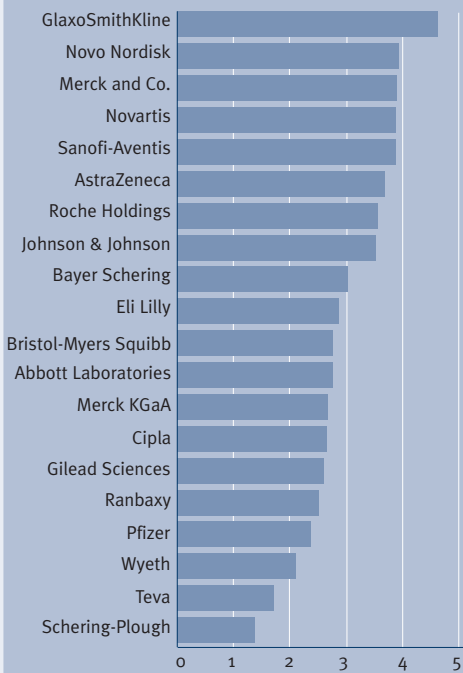


insideinvestment

ACCESS TO MEDICINE INDEX

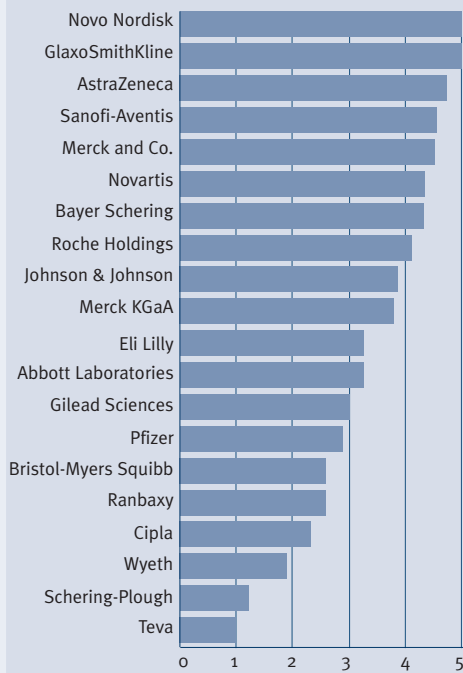
This month's *insideinvestment* looks at the Access to Medicine Index, published for the first time this summer by the Access to Medicine Foundation in partnership with analysts Innovest. The index ranks 20 pharmaceutical companies using weighted criteria. The eight overall criteria are: active access to medicines management; public policy influence and advocacy; research and development into neglected diseases; patent and licensing policies; efforts to build local capacity; pricing; drug donations, and other philanthropic activity. A commentary is on the page opposite.

overall rankings



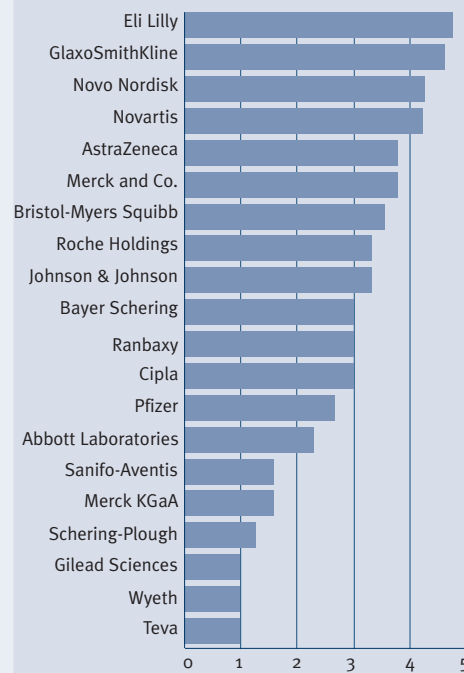
The overall ranking is reached using the eight overall criteria enumerated above, applying the following weightings: 20% management, 10% public policy, 20% research, 10% patents, 15% capacity, 15% pricing, 6% drug donations, 4% philanthropy

management



Based on metrics for: oversight of access to medicine issues, global policy; management systems; dialogue with stakeholders; commitment to ethical marketing.

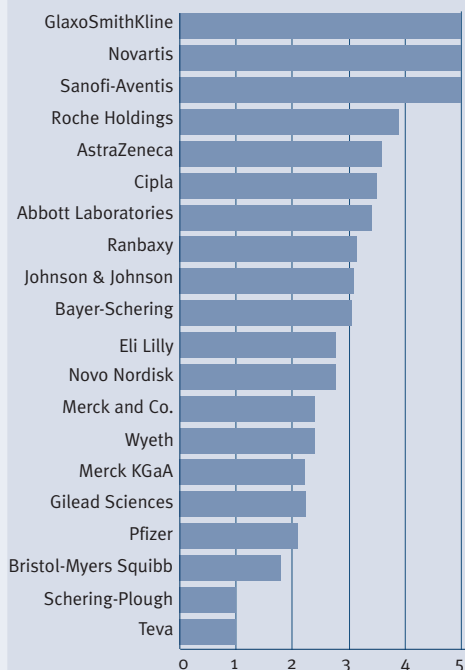
public policy influence and advocacy



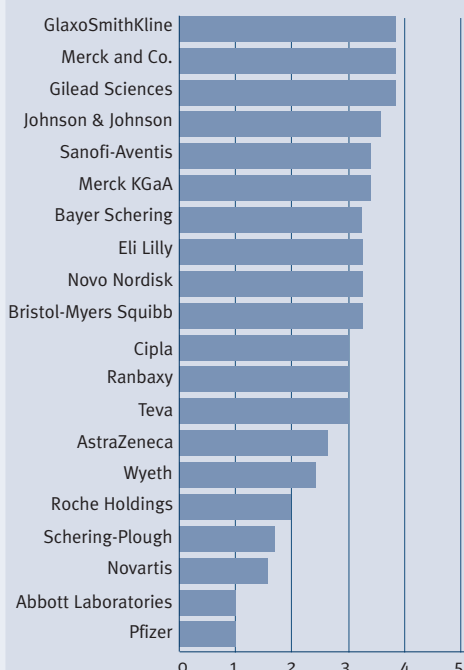
Based on metrics for: transparency; advocacy policy; political contributions; board approval process.

source: ATMF 2008

research and development

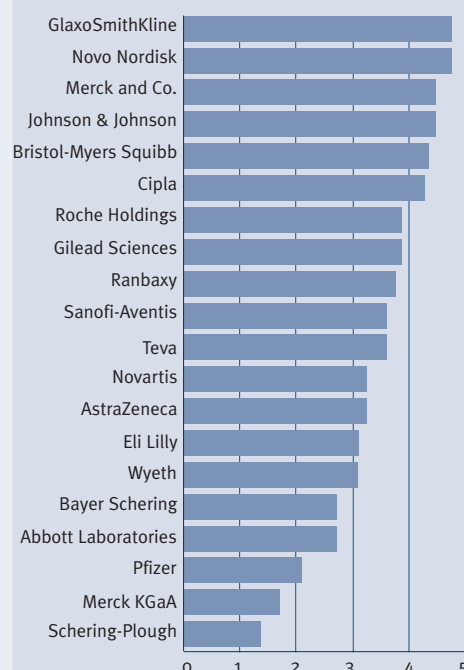


patents and licensing



Based on metrics for: agreements with local generic companies in developing countries; policy on TRIPS (Trade-Related Aspects of Intellectual Property Rights).

equitable pricing



Based on metrics for: registration of products; pricing mechanisms for infectious diseases; collaboration with international agencies on vaccines; programmes in developed countries.

guest column

league tables cannot make sense of a complex picture

By all means compare company behaviour, but we must avoid over-simplified rankings, says Julia King



Julia King

GlaxoSmithKline (GSK), the company I work for, recently came top in a new pharmaceutical industry ranking – The Access to Medicine Index (see page ten). Of course I am very pleased. It is testament to the efforts of many GSK employees executing our commitment to help address the healthcare challenges of the developing world in a sustainable way, making our vaccines and medicines more widely available.

Gratifying though this is, however, our rejoicing has been muted. My main conclusion is that the corporate responsibility world may need to rethink its approach to assessing performance – in every industry, not just pharmaceuticals. There has been a widespread assumption that if only companies produced good enough information it would be possible to make simple comparisons of performance. But it seems to me that this really is a holy grail, meaning it is unattainable.

On the face of it, it looks quite easy to develop a ranking showing how a smallish group of quite similar companies is performing on a specific aspect of corporate responsibility. What's more, the Access index had the benefit of stakeholder input and the expertise of the analysts Innovest. Despite all that, the methodology has been seriously questioned – and not just by those who came lower than they would have liked. Access to medicines has many facets, including researching what are known as 'neglected diseases', preferential pricing and licensing strategies, drug donations and support for healthcare infrastructure. Scoring these different aspects is problematic, to say the least. When you apply a common set of criteria to such a complex issue and very different companies, it is clear that one size does not fit all.

Isn't this the same for just about any aspect of corporate responsibility in just about any industry? How should we rank the climate performance of banks, for example? Clearly not just on emissions from their own operations. But how to factor in the climate impact of lending, investments and advisory work? The same goes for supply chain performance – you can add together code infringements and other data that companies can divulge, but that's unlikely to tell you which company is doing most to improve working conditions.

This is absolutely not an argument against transparency. GSK will continue to publish extensive data, as I am sure other companies will. Rather, this is an argument for avoiding excessive expectations arising from the comparisons and rankings that such data will support.

Data is important in corporate responsibility as in every aspect of business. But performance is largely qualitative – about how well you do things as well as how much you do. Comparing performance must be based on judgements more than measurements. So while I welcome efforts to make comparisons easier, I don't want to see the complexities of responsible behaviour reduced to simple tables – even when GSK comes out on top!

Julia King is vice president of corporate responsibility at GlaxoSmithKline. julia.f.king@gsk.com

consultancy

companies take strategic view of climate change

Companies seeking climate change advice are choosing consultancies that offer commercial and financial guidance rather than those provide technical expertise only.

An analysis of the global climate change consultancy market by the business research company Verdantix says that the topic 'is moving from an environmental issue into an economic issue,' and that as a result managers responsible for implementing climate change programmes are 'seeking advisers who combine technical expertise with business advice and financial analysis skills'.

Verdantix director David Metcalfe said this demand for a combination of 'proven environmental expertise with a business analysis edge' poses a challenge for those now entering the market, some of whom have good technical credentials but less experience of strategy. He believed this applied particularly to IT firms moving into the field.

Metcalfe said buyers of climate change consulting

services 'face a really complex task in selecting the right provider for their needs, as there are so many different consultancies attacking the market with different types of expertise'. He expects this confusion to increase as climate change consultants proliferate. Verdantix estimates demand from corporates for climate change advice is currently growing at 25 per cent a year.

The Verdantix research measured 16 climate change business consultancies against 74 criteria and identifies US-based ICF International as the market leader because the firm combines 'deep environmental expertise' with business analysis skills.

Specialist climate change teams formed by some of the other global advisory firms more than two years ago, such as Deloitte, ERM, KPMG, McKinsey, PwC and URS, are winning customers. However, those that have started up in the past 18 months are having greater difficulty, according to Verdantix.

Further information: www.verdantix.com

consultancy

IBM enters the market

IBM has diversified into corporate responsibility consultancy.

The group's Global Business Services division, which previously concentrated on mainstream strategy advice, is to offer advisory services on labour practices, carbon management, philanthropy, workplace safety and related areas.

The unit will be relatively small, but the expansion is significant as IBM has 3500 consultants worldwide and is one of the leading management consulting practices.

IBM said the operation, based in the US, will guide clients in understanding and

improving their 'societal impact'. It has developed a 'corporate social responsibility benchmarking utility' so that clients can assess the effectiveness of their strategies and identify gaps in their programmes.

Advice will also be offered on sustainable procurement, supply chain management, and stakeholder engagement.

Simultaneously, IBM has introduced a Green Sigma service to advise corporate clients on reducing energy and water use. The service is based on IBM's existing Lean Six Sigma package, aimed at improving overall business efficiency.

Further information: www.ibm.com/services