

EdenTree SRI Expert Briefing – November 2014



Access to Medicine Index (ATM)



“For millions of people worldwide, medications are expensive, non-existent, inaccessible or of low quality”

Q. What is the context for the ATM?

A. Four of the eight UN Millennium Development Goals relate to improving health in the developing world. A decade and a half of focus on this once neglected area has seen real progress. However, tropical diseases (such as Ebola) continue to be health burdens, and treatment for some conditions remains limited at best. Diarrhoeal and pneumonic diseases remain key child killers in many countries; HIV, Malaria and tuberculosis are endemic in many low-income territories. Medicines are key in delivering better health, and access therefore remains a fundamental impediment (or benefit) to enhanced life chances. The UN estimates that up to 2bn people do not have access to health related products.

Q. What does access depend on?

A. Access to medicine depends on a number of factors:

- **Availability:** ensuring new or existing products are adapted for local use
- **Accessibility:** ensuring people can receive products and know how to administer them
- **Affordability:** ensuring patients, healthcare providers and government can afford the product
- **Acceptability:** ensuring products are safe, efficacious and work as intended

Q. What is the ATM?

A. The Access to Medicine Index is a ranking of the world’s largest pharmaceutical companies efforts to improve access to medicines. 34 global investors including EdenTree, representing \$4.4 trillion of assets under management, have signed an investor statement pledging their support to the initiative. The data generated by the Index is made publicly available and is utilised by investors, governments, NGOs and the pharmaceutical industry with the aim of improving access to medicine. The point of the Index is not to ‘name and shame’, but to provide insight and stimulate co-operation and improvement. The Index covers 20 of the largest research based pharmaceutical companies, operating in 106 countries across a broad range of products (drugs, vaccines & diagnostic testing) focussed on 47 conditions and diseases. The 2014 Index Report, published on 17 November, can be found [here](#).

Q. How does the ATM score and rank pharmaceutical companies?

A. Factors such as the extent to which the pharmaceutical companies distribute drugs at cost to poorer nations, allow the sharing of research data to enhance drug development, provide licenses so drugs can be made and distributed cheaply, and choose to research drugs for less profitable, but higher impact diseases, all help determine a company’s score and ranking across 95 separate indicators.

Q. How does EdenTree use the ATM Index?

A. Healthcare is one of our 9 positive screening pillars that we consider when investing in companies to generate ‘profit with principles’. For us, ‘affordable healthcare’ and ‘access to medicine’ underpin our ethical case for investing in the pharmaceutical sector. We use the ATM to support our research when evaluating and engaging with companies in

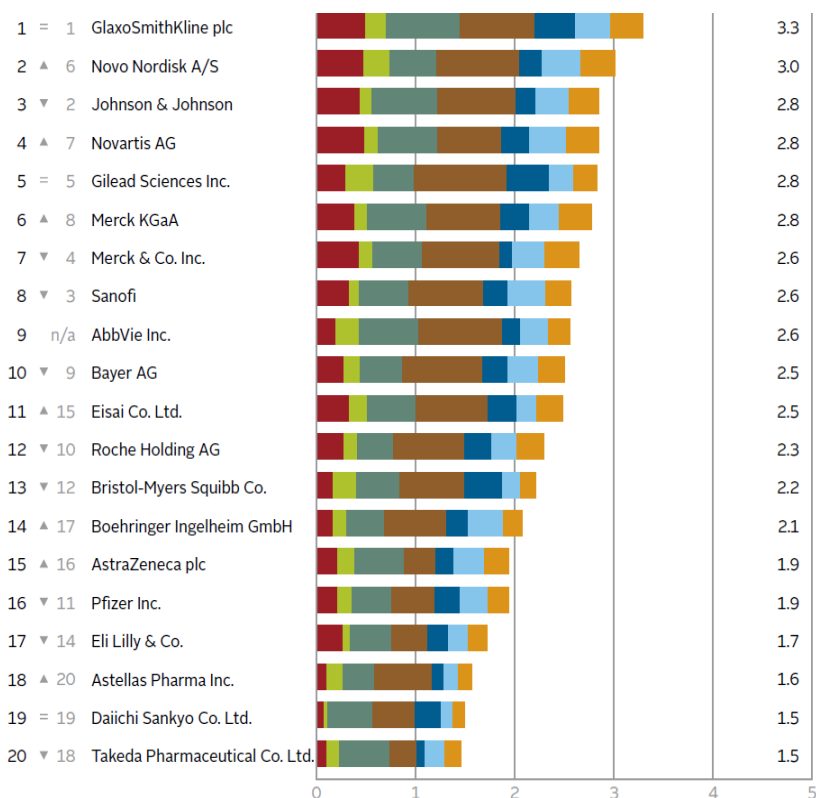
relation to these criteria. GlaxoSmithKline (GSK), which we hold in a number of the Amity Funds, is once again Index leader.

Q. What are the key findings from the 2014 Index survey?

A. The 2014 Index is led by six high performing companies that are doing more than ever to improve access; but progress is uneven. Five companies are developing more than half of all pipeline products for developing countries; the top 20 companies are, in total, developing 327 relevant products and compounds, with more than half targeting just five diseases. More than half of the surveyed companies are developing medicines specifically for children, with 7% of pipeline devoted to this area of access. More than two thirds of the surveyed universe is actively building access capability in 75 out of 106 target countries, improving access reach more proactively than ever before. Key to this is tailored pricing, where more companies than ever before are using commercial pricing strategies that take into account developing world socio-economic factors.

Q. What were the most significant ranking outcomes compared to earlier surveys?

A For the fourth successive time, **GSK** leads the survey of 20 companies with a total score of 3.3 out of 5. **Novo Nordisk** rises to second position from sixth.



Nordisk rises to second position from sixth. Other notable changes include French company Sanofi falling five places to eighth position, and Merck & Co. Inc. falling three places to seventh position. AstraZeneca rises by one place to 15th position out of the 20. By and large USA and Japanese companies continue to perform poorly; this reflects their smaller exposure to developing markets. Although in total 47 conditions are being tackled, more than 50% of the relevant pipeline is in just five areas: lower respiratory infections; diabetes; cirrhosis (linked to hepatitis); HIV/AIDS and Malaria. The other main targeted conditions include diarrhoeal diseases, tuberculosis, meningitis, obstructive pulmonary disorders and Chagas Disease. These ten disorders represent 71% of the access pipeline. Least attention is being given to maternal and neo-natal health conditions and the WHO list of neglected tropical diseases. Only 13% of pipeline is targeted at

Under the Index methodology, companies are analysed using a framework of 95 indicators relating to seven areas of corporate activity. These are represented above (from, left to right) as **Management** (10%); **Public Policy** (10%); **R&D** (20%); **Pricing, Manufacturing & Distribution** (25%); **Patents and Licensing** (15%); **Capability Advancement** (10%); **Product Donations** (10%) = 100%. These seven areas are weighted against four strategic pillars: **Commitments** (25%); **Transparency** (25%); **Performance** (40%) and **Innovation** (10%) = 100%

some of these neglected conditions (Chagas, rabies, Dengue and trypanosomiasis) and 4% at maternal health. Most products for neglected tropical conditions are in very early stages of development. **Ebola** emphasises the importance of access. The illness is not covered by the survey because its outbreak is so sporadic, rare and localised, but it does highlight the need for government, industry and healthcare professionals to come together rapidly to deploy an efficient response to a major regional killer. It remains true, that there is little incentive to

develop products to treat conditions such as Ebola because of their localised rarity; it isn't even on the WHO's list of 17 neglected tropical diseases!¹

Q. What differentiates the leaders from the rest?

A GSK was found to have robust performance across most areas, complemented by more innovative practices than its peers. Strong governance and transparency was particularly highlighted, as was its innovative business model for Africa. It leads the Index for R&D, with a large and relevant pipeline. GSK fell slightly on pricing and on Public Policy owing to its widely reported corruption challenges in China and elsewhere. **Novo Nordisk** is focused on a single access condition but nevertheless has jumped from eighth position in 2010 to second in the 2014 survey. This was judged on its integrated approach and transparent governance. Its equitable pricing strategy was singled out for commendation. **Johnson & Johnson** (3rd), Novartis (4th), Gilead (5th) and Merck KGaA (6th) are all clustered very closely in final positioning, but vary greatly in terms of strengths and weaknesses. J&J, for instance, is strongest in child access, R&D and equitable pricing. **Novartis** has the largest relevant pipeline of any company in the survey, and is the only company voluntarily to share pharmacovigilance data with national authorities beyond legal requirements. **Gilead** remains a leader in intellectual property, and waives data exclusivity within its licenses; it is one of only two companies surveyed to have no settlements or convictions for breaches. Finally **Merck KGaA** has risen from 17th position in 2010 to a commanding 6th in the latest survey. It has developed a strategic focus on access, and takes a pro-active approach to intellectual property management and licensing.

Q. What exposure does EIM have to the survey constituents?

A Healthcare is one of EIM's nine core pillars of positive screening, and the sector is well represented across the Funds. EIM has exposure to 11 of the 20 (55%) pharmaceutical companies surveyed in the Access to Medicine Index, held in one or more of our Amity Funds. Companies held are: GSK, Johnson & Johnson, Novartis, Merck KGaA, Sanofi, AbbVie, Bayer, Roche, AstraZeneca, Pfizer and Takeda.

The EdenTree SRI Team

We have a specialist in-house Socially Responsible Investment (SRI) team who carry out thematic and stock-specific research to identify ethically responsible investment ideas for our range of [Amity Funds](#). Headed up by our Senior SRI specialists Ketan Patel, CFA, and Neville White, 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. For investors, it's an added layer of assurance that client money is being invested in companies that are operating in a responsible and sustainable way. 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 knowledge and professional insight.



EdenTree – The Ethical Investment Specialist



Since launching the [Amity UK Fund](#) in 1988, EdenTree has taken a leadership role in managing ethical investments through our research, engagement and strong fund performance. Consequently, we were delighted to receive the Moneyfacts Award for Best Ethical Investment Provider 2014. This was the sixth consecutive year of winning this award. We were particularly pleased to win as it is voted for by the IFA community. In 2013, the [Amity UK Fund](#) was rated 'Highly Commended' in the Investment Week Climate Change and Ethical Investment Awards. We were also awarded Money Observer Best Ethical-SRI Bond Fund for the [Amity Sterling Bond Fund](#), and the [Amity UK Fund](#) won Best Equity Fund in the 2014 Money Observer Ethical/SRI category. Today we offer six SRI funds, four under our Amity banner and two charity funds, covering the major markets and investment classes.

This information is for investment professional only and should not be relied upon by private investors.

Further information

For further information on EdenTree's SRI range of Amity Funds please contact your EdenTree Business Development Manager, visit www.edentreeim.com or call our IFA support team on 0800 011 3821.

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¹The World Health Organisation compiles a list of 'neglected tropical diseases', which currently number 17. These are a medically diverse group of infections caused by a variety of pathogens such as viruses, bacteria, protozoa and helminths. The 17 priority conditions affect a global population of 1 billion people in 149 countries. The current list comprises - Dengue/Severe Dengue; Rabies; Chagas Disease; Human African trypanosomiasis (sleeping sickness); Leishmaniasis; Cysticercosis/Taeniasis; Dracunculiasis (guinea-worm disease); Echinococcosis; Foodborne trematodiasis; Lymphatic filariasis; Onchocerciasis (river blindness); Schistosomiasis; Soil-transmitted helminthiasis; Buruli ulcer; Leprosy (Hansen disease); Trachoma; Yaws.