Incentivising Company Performance in Fighting Corruption: The Access to Medicine Index

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Access to Medicine Foundation

Governance and Corruption in the Pharmaceutical Sector: Causes and consequences
29 September 2017, Toronto
Objectives for this session

- Understanding how the Access to Medicine Index incentivises companies to improve access to medicine in low- and middle-income countries (LMICs).

- Understanding the links between compliance, anti-corruption and access to medicine in LMICs.

- Learning about the 2016 ATM Index findings on compliance and anti-corruption.

- What is planned for the 2018 ATM Index?
The Access to Medicine Foundation
Our mission is to guide and incentivise pharmaceutical companies to improve access to medicine in low- and middle-income countries

Independent, non-profit organisation
Our tools for change
Our model for change

Build consensus on what to expect from the industry and where incentives and disincentives exist.

Stimulate a race to do well in key access-to-medicine areas, by creating competition on targets and topics.

Diffuse best practices to share information and new insights into the best approaches for driving change.
“The Index challenges us to think harder about how we drive innovation and enable access to our products.”

Sir Andrew Witty, former GSK CEO

“The Index is a useful and robust benchmark for companies, investors and stakeholders to compare a range of industry approaches to improve access to medicine.”

Yo Takatsuki
Associate Director, Governance and Sustainable Investment
BMO Global Asset Management (EMEA)

“While progress is uneven, many drug makers are, by and large, making headway. In fact, access is increasingly seen as a necessary business issue.”

Wall Street Journal
64 investors: AUM in excess of USD 5.5 trillion
Compliance, anti-corruption and access to medicine
WHO’s Access to medicine framework (2004)

1. Rational selection
2. Affordable prices
3. Sustainable financing
4. Reliable health and supply systems

Source: WHO
Why do compliance and anti-corruption matter for access to medicine?

- Corruption and misconduct in the health sector directly impact on global health outcomes in general, and on access to medicine in particular
  
  - WB: up to USD 300 million of annual global health expenditure is lost in corruption
  
  - WHO: medicines account for 3 of the top 10 leading sources of inefficiency in health systems – corruption being a leading source of inefficiency
Why do compliance and anti-corruption matter for access to medicine? (cont.)

- Traditionally, focus for access to medicine has been on pricing, infrastructure, IP rights

- Growing attention on consequences of corruption and misconduct as a further barrier to access to medicine, especially in low-middle income countries:
  - Unavailability of medicines in public sector due to money diversion
  - Impact on the poor for purchasing expensive medicines from private sector
The medicines chain is a system inherently challenging to govern

Source: Baghdadi-Sabeti, G. And Serhan, F. 2010
The Access to Medicine Index
A comprehensive report
Framework for analysis

4 Strategic Pillars
- General Access to Medicine Management: 15%
- Market Influence & Compliance: 10%
- Research & Development: 20%
- Pricing, Manufacturing & Distribution: 25%
- Patents & Licensing: 15%
- Capacity Building: 10%
- Product Donations: 10%

7 Technical Areas
- Commitments: 15%
- Transparency: 25%
- Performance: 50%
- Innovation: 10%
## Overall ranking

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>2016 Score</th>
<th>2014 Score</th>
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<tbody>
<tr>
<td>1</td>
<td>GlaxoSmithKline plc</td>
<td>3.43</td>
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<tr>
<td>2</td>
<td>Johnson &amp; Johnson</td>
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<td>3</td>
<td>Novartis AG</td>
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<td>Merck KGaA</td>
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<tr>
<td>5</td>
<td>Merck &amp; Co Inc</td>
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<td>6</td>
<td>Sanofi</td>
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<td>7</td>
<td>AstraZeneca plc</td>
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<td>8</td>
<td>Gilead Sciences Inc</td>
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<td>AbbVie Inc</td>
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<td>Bayer AG</td>
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<td>Boehringer Ingelheim GmbH</td>
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<td>17</td>
<td>Eli Lilly &amp; Co</td>
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<td>Daiichi Sankyo Co Ltd</td>
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<td>19</td>
<td>Roche Holding AG</td>
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<tr>
<td>20</td>
<td>Astellas Pharma Inc</td>
<td>1.32</td>
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Findings on Market Influence & Compliance
Market Influence & Compliance: Overall findings

- The 2016 Index found that strong commitments in implementing compliance systems do not correspond with good performance in terms of compliant and ethical behaviour:
  - Further research on causes is needed
  - **Stakeholders** expect stringent and effective compliance systems for companies expanding into low- and middle-income country markets → regulatory frameworks and prosecutorial systems may be unable to react appropriately to cases of misconduct
Market Influence & Compliance: Finding on commitments

- Ethical behaviour: codes of conduct on marketing and anti-corruption
  - All companies have a code of conduct for ethical marketing
  - 7 companies clearly enforce their codes of conduct on third parties
  - 7 companies have sales incentives not driven by sales targets
Market Influence & Compliance: Finding on breaches of laws and codes

- **4 companies** with no breaches during the period of analysis (2014-2016)

- A total of **51 breaches** were identified:
  - 31 breaches of *industry codes* of conduct
  - 20 breaches of *national laws*
Good practices: The compliance chain

**Hiring**
- Selection process
- Ethical screening
- Revolving door policy

**Onboarding**
- Interactions with politicians
- Conflicts of interest policy
- Ban on political contributions

**Working**
- Employee performance
- Disciplinary actions
- Non-sales related incentives for sales agents

- Interactions with public officials
- Dedicated training and guidelines

- Interactions with third parties
- Dedicated training and guidelines
- Enforcement of company codes on third parties

- Interactions with healthcare professionals
- Transparency of marketing practices
In conclusion: Looking towards the 2018 Access to Medicine Index

- Where can the ATM Index add most value?
- Stakeholders have pointed towards a need for strong internal control frameworks, including e.g.:
  - Structures (leadership, roles & responsibilities, reporting lines), ‘tone from the top’
  - More stringent internal processes (fraud-risk assessments, auditing mechanisms, segregation of duties, whistle-blower facilities)
Thank you

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