

Access to Medicine reporting in the pharmaceutical industry, 2023

Large pharmaceutical companies increasingly report their efforts to make R&D efforts more inclusive

Introduction

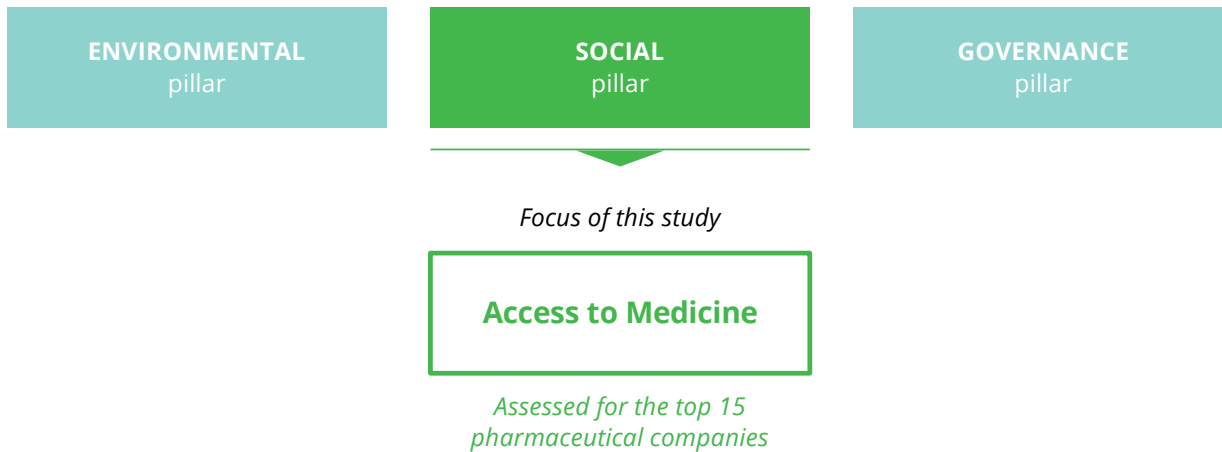
Improving Access to Medicine is increasingly recognized by all stakeholders in the healthcare ecosystem as a critical lever to address the greatest health challenges globally. Last year, we analyzed the Environmental, Social and Governance (ESG) indicators reported for 2021 by the 15 highest-revenue pharmaceutical companies and observed that Social Impact reporting efforts on Access to Medicine have increased in recent years, reflecting the growing focus on this topic.

In this year's study, we analyzed the indicators reported for 2022 to further understand key trends and areas of Access to Medicine that companies consider as priorities, based on what they measure and report.

Some indicators are increasingly adopted in the pharmaceutical industry ("Baseline" indicators), while others are receiving increased attention ("Rising Stars"), and finally others are more rarely reported but could represent the "Next Frontier." This year's analysis confirms strong momentum in the R&D area, with each of the R&D indicator categories now covered by 9 to 13 companies out of 15. Within these R&D indicators, we observed an expansion of reporting on the topics of "Diversity in Clinical Trials" and "R&D Capabilities & Investment." We also observed an interesting expansion of companies reporting on the topics of "Patent / IP Sharing" and "Licensing." ➔

Finally, we looked at the level of standardization of reporting and noted that certain indicators are being consistently communicated across the industry, while for others, companies report heterogeneous information and metrics. In light of these findings, we believe that reporting can serve as a key enabler for pharmaceutical companies to demonstrate to external stakeholders, including investors, how they create positive societal impact.

The key elements of ESG reporting



The approach: Analyzing the Social Impact reporting of large pharmaceutical companies

The Life Sciences industry is moving toward a more sustainable and inclusive model, where Social Impact is a growing element of value creation. As part of this shift, pharmaceutical companies have been intensifying efforts in Access to Medicine, and reporting is becoming a mean for healthcare system stakeholders to understand what pharmaceutical companies are achieving in this area.

For the second year, Deloitte has analyzed Social Impact indicators—more specifically, indicators related to Access to Medicine reported by the top 15 global pharmaceutical companies. Like last year, the analysis was conducted using our proprietary framework, which comprises 4 pillars and 19 indicator categories (detailed in the Appendix):

1. Governance

Governance of companies' Social Impact and ATM efforts through a proactive assessment of priorities, setup of relevant processes, metrics and objectives, and assignment of roles and responsibilities. Broader performance indicators (e.g., Access to Medicine Index ranking) and financial instruments linked to ESG / Social Impact performance (e.g., sustainability bonds) are also included.

2. Research and Development (R&D)

Consideration of Access to Medicine in R&D, notably including the selection and prioritization of diseases with high unmet medical need or high disease burden in Low- and Middle-Income Countries (LMICs), the existence of access plans developed during clinical development stages, and efforts related to diversity in clinical trials.

3. Product Delivery

End-to-end optimization of Access to Medicine across all steps of pharmaceutical product launch and delivery, from registration to last-mile supply. This also includes indicators related to pricing and donations.

4. Healthcare Systems Capacity Building

Support for local healthcare systems through investments or the engagement of local communities and organizations, as well as building local capacities that allow access to care and treatments, including manufacturing, supply chains, and training of patients and healthcare professionals.

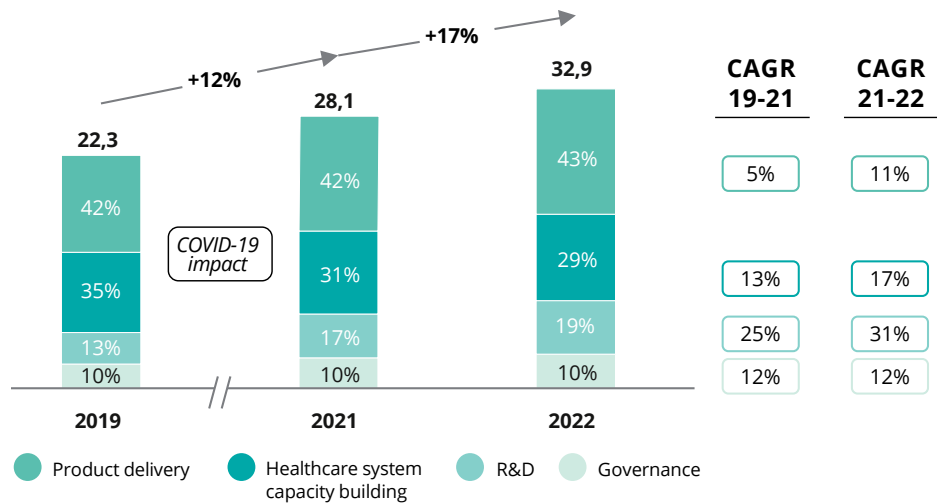
We believe that analyzing public reporting provides a valuable perspective on what large pharmaceutical companies are prioritizing and investing in. This year's assessment enabled us to both confirm previously identified trends and identify emerging patterns.

Although the momentum of Covid-19 is slowing down, pharmaceutical companies' efforts to report on Access to Medicine continue to expand

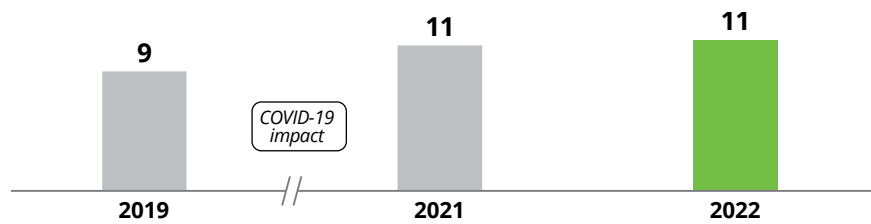
Increased number of indicators reported (greater depth) – While Covid-19 fostered ESG reporting, the trend was confirmed in 2022, with a continued increase in the number of indicators reported (+17% vs. 2021). “Product Delivery” remains the key pillar, with pharmaceutical companies systematically reporting 3 to 5 indicators on average within the categories “Equitable Pricing & Access Strategies” and “Donations.”

Steady number of indicator categories covered (consistent breadth) – Meanwhile, the number of indicator categories covered has stabilized vs. previous years, confirming a trend toward more “depth” than “breadth” in reporting. In line with what we observed last year, pharmaceutical companies cover on average 11 indicator categories in their Social Impact reporting, up from 9 in 2019. Although the categories remain overall similar to last year, some are being adopted by an increasing number of companies (e.g., “Manufacturing & Supply” and “R&D Capabilities & Investment”), offsetting decreased coverage in other categories (e.g., “Prioritized Diseases”).

Average number of indicators used by top 15 pharma companies, by pillar



Average number of categories reported by top 15 pharma companies, among 19 categories



Notes: Company scope has been slightly updated vs. last year's analysis (1 company out of 15) but the analysis was conducted using the same methodology



Three types of indicator categories

Similar to last year's analysis, we examined indicator categories from three different angles based on the level of adoption by the industry, which echoes pharmaceutical companies' priorities in Access to Medicine reporting.

"Baseline" indicators: Key reporting topics

"Baseline" indicators refer to the most widely adopted indicator categories (covered by at least 14 out of the 15 top pharmaceutical companies, with over 30 indicators reported within the category). These indicators are integrated into companies' ways of operating and reflect the standard in reporting on Access to Medicine.

This year's study confirms the 4 "Baseline" indicator categories that were identified last year: **"Governance Systems"** (covered by 15 companies out of 15), **"Healthcare System Strengthening"** (15 companies), **"Equitable Pricing & Access Strategies"** (14 companies), and **"Donations"** (14 companies).

The detailed analysis of these "Baseline" indicators revealed that levels of reporting depth (i.e., number of indicators reported within the category) vary significantly:

- For example, while there is a widespread practice of reporting "Governance" endeavors (e.g., formalization of strategic frameworks and pillars to oversee ESG efforts), the way companies communicate on this topic remains broad. Companies tend to report only a limited number of "Governance" indicators (~2 per company), and they often lack granularity. This may be explained by the fact that it is challenging to concretize the impact of Governance-related efforts in a measurable way, both for Access to Medicine and broader ESG topics.
- In contrast, pharmaceutical companies have increased reporting efforts on "Equitable Pricing & Access Strategies," leading to a higher number of indicators reported (on average close to 5 per company). Reporting focuses on responsible pricing policies in LMICs, year-on-year changes in net prices, especially in the US, as well as Patient Assistance Programs initiatives led globally. This trend reflects pharmaceutical companies' commitment to tackle priority access challenges globally: by addressing both affordability barriers in LMICs (classified as

the number one challenge by the WHO) and for underserved populations (e.g., individuals with low socio-economic status) in high-income countries such as the US.

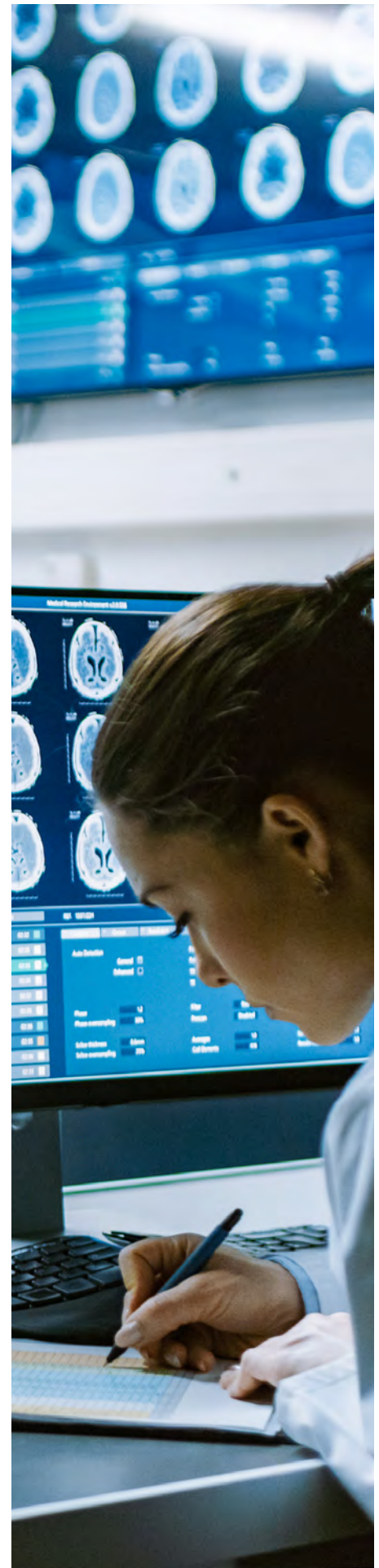
One noteworthy observation is that several other indicator categories, while not categorized as "Baseline" in this year's assessment, have still been widely adopted by the industry (covered by over 11 companies, with a high number of indicators reported) and could potentially become "Baseline" in the future. For example, the increased adoption of "Volunteering, Community & Charity" indicators is driven by companies' willingness to show their commitment to patient communities and give employees a stronger sense of purpose. Companies are also increasingly communicating on "Patient Reach / Coverage" more systematically across their entire portfolios.

"Rising Star" indicators: Areas of increased attention

"Rising Stars" refer to indicator categories that have gained in importance over the past year. To identify them, we look first at whether the category has been adopted by a growing number of companies, before examining the number of indicators reported. Unlike "Baseline" indicators, "Rising Stars" are associated with the transformation of standard operating procedures by pharmaceutical companies.

This year's analysis confirms a strong growing dynamic in R&D, with each of the R&D indicator categories now covered by 9 to 13 companies out of 15. Within these R&D indicators, we observed a shift in reporting focus from "Priority Diseases" (for which previous growth was essentially tied to Covid-19 and increased communication on pandemic-related initiatives) to the 2 other R&D indicator categories that are considered the 2022 "Rising Stars":

- **"Diversity in Clinical Trials"** (covered by 10 companies; +2 indicators reported on average vs. last year), confirming that representativity in trials is an increasingly important topic, driven by public debate and regulators (e.g., a new law enacted in December 2022 which requires pharmaceutical companies to submit diversity action plans to the FDA for late-stage clinical trials)



• **“R&D Capabilities & Investment”** (covered by 13 companies; +1 indicator vs. last year): While companies have historically communicated these elements in their annual reports, they are now increasingly reporting on their R&D capabilities in link with ESG actions (i.e., in their ESG reports) in order to demonstrate their capacity and readiness to solve future health challenges, as well as business sustainability

The continued rise of reporting on R&D signals that large pharmaceutical companies are increasingly willing to communicate on their commitment to adopt transformative practices in both their R&D investment strategies (“R&D Capabilities & Investment”) and approach to R&D (“Diversity in Clinical Trials”).

“Next Frontier” indicators:

Less observed but emerging

Some indicator categories are less represented in pharmaceutical companies’ Access to Medicine reporting but could become the “Next Frontier.” In our studies, we define as “Next Frontiers” the indicator categories that are covered by less than 10 out of the 15 companies in scope, but which have experienced rapid growth in recent years both in coverage and in the number of indicators reported.

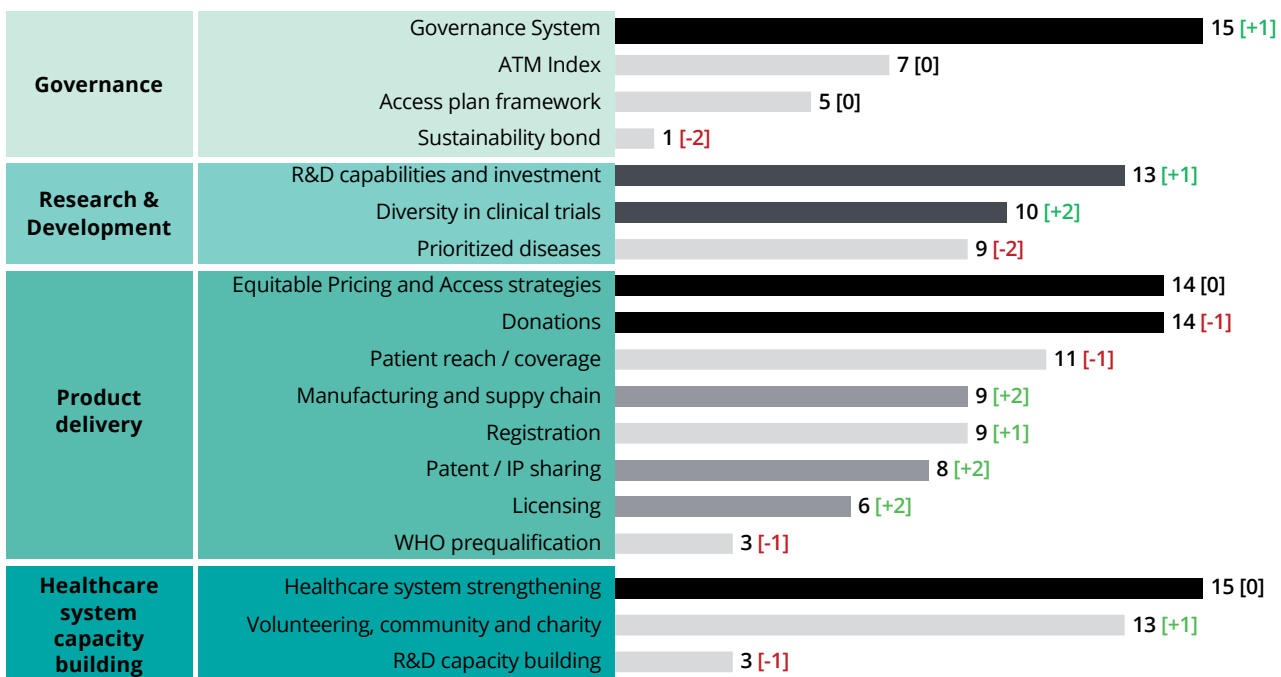
However, for these on-the-rise indicators, it remains uncertain whether consensus will emerge in the future and drive further adoption, especially because these could be perceived as sensitive or controversial topics. Companies may not be willing to take the risk to publicly communicate or commit on these issues, as these potentially present uncertainties in the long run.

• **“Patent / IP Sharing” and “Licensing”** are examples of such indicator categories. Companies are still hesitant to adopt a systematic reporting approach, due to the tension between expected access upsides and risks associated with these tactics. However, we have observed an interesting momentum, as 2 additional companies reported on “Patent / IP Sharing”, and 2 additional companies reported on “Licensing.”

• **“Manufacturing & Supply”**, which is mainly driven by new initiatives following Covid-19, aims at reinforcing manufacturing and supply chain resilience.

Number of companies reporting on the category & change vs. last year

companies reporting on the category in 2022
[change vs. 2021]



■ “Baseline” ■ “Rising Stars” ■ “Next Frontiers”

Disparate levels of standardization across Access to Medicine reporting

Heterogeneity remains in the type and nature of Social Impact indicators that pharmaceutical companies choose to disclose. **While some indicator categories show a significant level of standardization, for many others, no consensus has been reached on reporting.**

In our assessment, we distinguish 3 levels of standardization: **highly standardized indicator categories** (i.e., indicator categories for which there is a strong homogeneity in reporting, with prevailing use of 1 or 2 common indicators by most companies); **moderately standardized indicator categories** (i.e., medium homogeneity, with companies using a limited number of different indicators [2-3]); and **lowly standardized indicator categories** (i.e., low homogeneity, with companies using a range of different indicators within the category [>3]).

The most standardized indicator categories include the following:

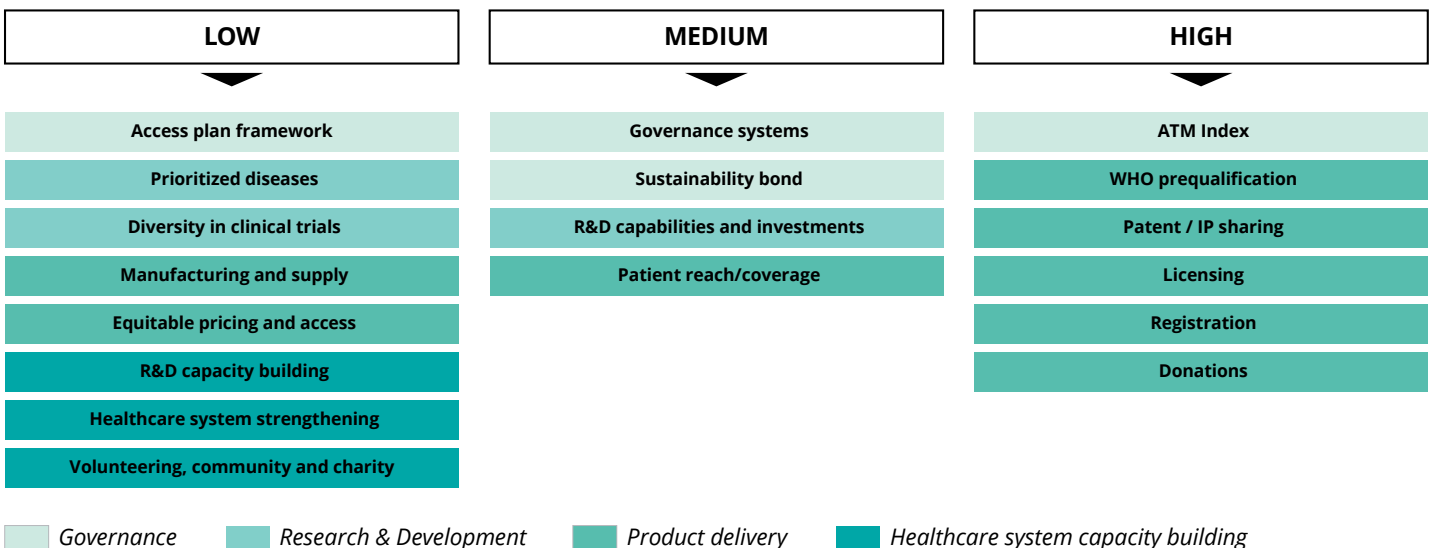
- **“Access to Medicine Index”** – most-used indicator: ranking in the Access to Medicine Index

- **“WHO Prequalification”** – most-used indicator: number of drugs prequalified
- **“Patent / IP Sharing”** – most-used indicator: number of registrations / enforcement for patents in LMICs
- **“Licensing”** – most-used indicator: number of voluntary licenses
- **“Registration”** – most-used indicator: number of new products or indications approved
- **“Donations”** – most-used indicators: total donation value, value of medicines provided

On the contrary, for other indicator categories, no clear pattern emerges in the way companies report their efforts. For instance, in “Equitable Pricing & Access Strategies,” some companies choose to disclose the number of Patient Support Programs, the number of patients covered and/or the total investment, while others communicate on net price change vs. previous year or on the presence of post-trial access policies. Among the least standardized indicator categories, we believe there are some for which an industry-wide consensus will be difficult to achieve, because they are closely tied to specific company-level initiatives (e.g., “Healthcare Systems Strengthening”).

In our opinion, several other indicator categories could become more standardized in the future, such as “Access Plan Framework” and “Diversity in Clinical Trials.” This is likely to be driven by increasing levels of scrutiny from external stakeholders, including ESG ratings organizations (e.g., Access to Medicine Index reports on the number of assets for which access plan frameworks are used) and regulators (e.g., the FDA push for improved patient representativity in clinical trials).

Level of standardization per indicator category



Conclusion

Over the last three years, significant progress has been made in the way large pharmaceutical companies report and communicate on their efforts to expand Access to Medicine. More areas are being covered since 2019—including topics that could be perceived as sensitive, and more indicators are being reported—signaling that companies are communicating on their Access to Medicine initiatives more precisely. While strong heterogeneity remains in the nature and types of indicators that pharmaceutical companies choose to disclose, a trend toward standardization is emerging, potentially setting future standards in Access to Medicine reporting.

Moving forward, we anticipate this growing interest in Access to Medicine will persist and potentially accelerate, as investors ask for more disclosure and transparency and regulators encourage increased standardization.

Appendix

Taxonomy of Access to Medicine indicators

Pillars	Governance	Research & Development	Product delivery	Healthcare capacity building
Indicator categories	Governance systems <i>Definition of the ESG strategy, priorities, committees and compensation - linked objectives</i>	Prioritized diseases <i>Actions of resources committed to address prioritized diseases or antimicrobial resistance</i>	WHO prequalification <i>Product enrollment WHO prequalification of medicines program</i>	R&D capacity building <i>Collaborations with the HC ecosystem, contributing to R&D projects or R&D capacity development</i>
	Access to Medicine Index <i>Ranking in the Access to medicine index</i>	Diversity in clinical trials <i>Ensuring clinical trial patient selection reflects the right level of diversity, and broader diversity-related actions</i>	Patent / IP sharing <i>No filing or enforcement of patents in some low- and middle-income countries</i>	Healthcare system strengthening <i>Actions and partnerships to strengthen local health systems, incl. patient and HCP awareness and training</i>
	Sustainability bond <i>Creation of sustainability bonds and linkage of proceeds to the achievement of ESG performance</i>	R&D capabilities and investments <i>Resources and spending in R&D and the size and evolution of the R&D pipeline</i>	Licensing <i>Royalty free / voluntary license agreements (e.g., with generic manufacturers)</i>	Volunteering, community and charity <i>Grants and volunteering actions targeted towards the health and wellness development of specific communities</i>
	Access plan framework <i>Development of a company-wide approach to develop access plan and strategies for pipeline and portfolio assets</i>		Registration <i>Actions and KPIs related to product registration filings and marketing authorization approvals</i>	
		Manufacturing and supply <i>Resources and efforts to improve and expand product manufacturing and supply chain</i>		
		Equitable pricing and access <i>Resources and efforts committed to enable affordability (e.g., price evolutions, patient access programs)</i>		
		Donations <i>Donations of pharmaceutical products</i>		
		Patient reach <i>Quantification of the number of patients reached by company products</i>		

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Access to Medicine at Deloitte

At Deloitte, we support large pharmaceutical companies and biotechs to design and broaden their Social Impact strategy globally, leveraging our dedicated Access to Medicine team and our leading expertise at the intersection of Life Sciences and Sustainability. We help companies expand access to their products to underserved populations and geographies, and we accompany their organizational transformation and the development of the necessary capabilities to improve access.

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