



Interfaith Center on
Corporate Responsibility

Inspired by faith, committed to action

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FOR IMMEDIATE RELEASE
November 30, 2006

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BENCHMARKING AIDS: 2006 YEAR END UPDATE

Pharmaceutical companies improve performance in certain areas

Faith-based investors warn of continued failure to fully appreciate risks to industry from pediatric HIV and generalized HIV-TB-Malaria pandemics.

New York, NY — Pharmaceutical companies continue to fall short on providing access to essential medicines, faith-based investors concluded today in an updated analysis of company practices. However, investors found that some companies have taken steps towards improving public health in poor countries and protecting long-term shareholder value.

At the 16th Global AIDS Conference in Toronto in August 2006, faith-based investors presented *Benchmarking AIDS: Evaluating Pharmaceutical Company Responses to Public Health Crisis in Emerging Markets*. The report systematically articulated best practices for the pharmaceutical sector in responding to the HIV-TB-Malaria pandemics, and then evaluated each of fifteen global companies on their level of compliance with these practices.

As World AIDS Day approaches, faith-based investors have reviewed pharmaceutical policy changes since the release of *Benchmarking AIDS* and found significant movement on several key report recommendations. Highlights include:

- Increased licensing and technology transfer to generic drug companies;
- More focus on middle-income markets such as India; and
- Some lowering of prices of life-saving medicines.

However, asset managers and faith leaders maintain the public health crisis in emerging markets continues to pose substantial risks to pharmaceutical companies. On many issues, the ICCR analysis found little movement:

- Little improvement in the availability of pediatric formulations of anti-retroviral drugs;
- Companies are struggling with access to medicines needs as HIV spreads rapidly in markets other than sub-Saharan Africa; and
- Managing these challenges will require enhanced management structures and board-level attention.

Lauren Compere, Chief Administrative Officer for Boston Common Asset Management and co-chair of ICCR's Access to Health Care Working Group, said, "I remain deeply concerned that children living with AIDS do not have access to appropriate and affordable formulations of life-saving anti-retroviral medicines. Pharmaceutical companies can mitigate headline risk and

improve relationships with regulators and policymakers by investing in the research & development of pediatric formulations and by lowering pediatric drug prices. Less than 10% of pregnant women in poor countries have access to the medicines which protect their newborns from HIV. This is a staggering failure to protect childrens' health."

Just-released UNAIDS figures report 380,000 child AIDS deaths in 2006, and 530,000 new infections in children under the age of 15.¹

Five companies, one-third of the companies evaluated by *Benchmarking AIDS*, made substantial policy shifts, often after consultation with shareholders, communities impacted by HIV-TB-Malaria, and non-governmental organizations.

"Will these actions alone meet the needs of people living with HIV, long-term investors, and civil society? No," said Cathy Rowan, a corporate responsibility consultant to the Maryknoll Sisters and Trinity Health and co-chair of ICCR's Access to Health Care Working Group. "Prices in middle-income countries remain too high. Generic availability of second-line drugs remains too low. But these actions begin to bring industry practice in line with the needs of long-term investors and public health."

Below is a selection of positive policy shifts ICCR observed:²

Abbott Laboratories NYSE: ABT	<i>Benchmarking AIDS</i> found:	Low-middle-income country prices are not predictable or transparent, and the company requires each government to negotiate individually.
	ICCR Recommended:	Transparent, predictable prices in middle-income countries, so health care providers and governments do not have to individually negotiate.
	Abbott's Recent Action:	Lopinavir+ritonavir tablets are now \$2,200 per patient per year for all World Bank classified low-middle-income countries. ³
	ICCR Recommended Next Steps:	Abbott should engage key stakeholders, license technology to generic companies to lower prices, and partner with branded companies to develop fixed dose combinations using its products.
Gilead Sciences NASDAQ: GILD	<i>Benchmarking AIDS</i> found:	Gilead had issued only one voluntary license, to South Africa's Aspen Pharmacare
	ICCR Recommended:	Greater focus on middle-income countries and increased voluntary licensing.

	<p>Gilead's Recent Action:</p> <p>ICCR Recommended Next Steps:</p>	<p>Gilead announced three additional licensees during the Global AIDS Conference in August, and another eight licensees in mid-September. This means up to twelve generic companies will manufacture and sell Gilead products. Importantly, these companies will serve the Indian market as well as sub-Saharan Africa.</p> <p>Generic partners now include: Aspen Pharmacare, Emcure Pharmaceuticals, Hetero Drugs, Strides Arcolab, Alkem Laboratories, Aurobindo Pharma, FDC, J.B. Chemicals & Pharmaceuticals, Matrix Laboratories, Medchem International, Ranbaxy Laboratories and Shasun Chemicals & Drugs.⁴</p> <p>Gilead should report regularly to stakeholders as it registers its products with national regulators. Gilead should engage communities impacted by AIDS, TB, and Malaria when it considers patent filings in developing countries such as India.</p>
<p>GlaxoSmithKline NYSE: GSK</p>	<p><i>Benchmarking AIDS</i> found:</p> <p>ICCR Recommended:</p> <p>GlaxoSmithKline's Recent Action:</p> <p>ICCR Recommended Next Steps:</p>	<p>GSK's lamivudine+zidovudine was the first anti-retroviral to be considered for a patent in India, under the terms of India's new TRIPS-compliant patent legislation. No decision had been issued by the patent office.</p> <p>GSK improve transparency around political activities, lobbying, patent activity, and political spending, and bring a greater focus to middle income markets such as India.</p> <p>GSK withdrew their patent application for lamivudine+zidovudine in Thailand and India after taking note of community opposition.</p> <p>GSK notes their underlying public policy position on the TRIPS agreement has not changed.⁵</p> <p>GSK should engage with communities impacted by AIDS, TB, and Malaria when it considers future patent filings in low and middle income countries.</p>
<p>Novartis NYSE: NVS</p>	<p><i>Benchmarking AIDS</i> found:</p> <p>ICCR Recommended:</p>	<p>Novartis provides the malaria medicine Coartem (a fixed-dose combination containing artemether, an artemisinin derivative, and lumefantrine) at cost, about \$2.40 per treatment, in least developed countries.</p> <p>A multi-pronged accessibility strategy combining technology transfer with differential pricing.</p>

Roche VTX: ROG	Novartis' Recent Action:	Novartis has announced a program to subsidize the cost of Coartem so it can be provided for \$1 per treatment in least developed countries. The company also announced a dramatic increase in demand, from 4 million treatments annually in 2004 to 50 million in 2006. ⁶
	ICCR Recommended Next Steps:	Novartis should explore the possibility of generic partnership on Coartem production.
	<i>Benchmarking AIDS</i> found:	Roche's Technology Transfer Initiative for saquinavir was too new to evaluate its effectiveness, and generic partners had not been announced.
	ICCR Recommended:	Aggressive implementation of the technology transfer program.
	Roche's Recent Action:	Roche has reach agreement with three African generic manufacturers, Aspen, Cosmos and Universal Corporation. The company reports an additional twenty-two generic companies are interested in the program. ⁷
	ICCR Recommended Next Steps:	Roche should expand the number of generic partners and strengthen its reporting on the concrete outcomes of the technology transfer.

“These new actions demonstrate that when pharmaceutical companies work with generic partners, non-governmental organizations, and above all communities impacted by HIV-TB-Malaria, both long-term shareholder interests and public health are better served.” said Julie Tanner of Christian Brothers Investment Services, an investment advisory firm serving Catholic institutional clients. “Now it is up to these companies to build on these changes and take additional steps to protect their reputations, market opportunities, and long-term shareholder value.”

ABOUT *Benchmarking AIDS*

Benchmarking AIDS may be purchased at www.iccr.org. The executive summary is available for free download at:

http://www.iccr.org/news/press_releases/pdf%20files/CEvol34no6-7AIDSexecsum.pdf.

The Business & Human Rights Resource Center, an independent, international, non-profit organization not affiliated with ICCR, asked pharmaceutical companies to publicly respond to *Benchmarking AIDS*. Those responses are available here:

<http://www.business-humanrights.org/Documents/ICCRAIDSresponses>

ICCR did not attempt to re-calculate the scoring in Benchmarking AIDS based on this new information, but from time to time will provide updates as company policies move in-line with ICCR-identified best practice. We have made an effort to ensure that this information is accurate, but make no assurances it is complete or comprehensive. This report does not recommend the purchase or sale of specific securities and should not be relied on for investment advice.

ABOUT ICCR

The Interfaith Center on Corporate Responsibility is a 35-year-old international coalition of 275 faith-based institutional investors including denominations, religious communities, pension funds, healthcare corporations, foundations and dioceses with combined portfolios worth an estimated \$110 billion. ICCR seeks to build a more just and sustainable society by integrating social values into corporate and investor decisions. ICCR is one of the foremost shareholder advocacy organizations in the world. More detailed information about shareholder resolutions is available from ICCR's Ethvestsm, the comprehensive, on-line, subscription-based, ethical investor database, and at www.iccr.org.

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¹ UNAIDS State of the Epidemic 2006.

² All *Benchmarking AIDS* findings are from: Daniel Rosan, Kieran Hartsough, and Lisa Sachs, "Benchmarking AIDS: evaluating pharmaceutical company responses to the public health crisis in emerging markets." *Corporate Examiner* Vol. 34 No. 6-7, August 1st, 2006.

³ Abbott Press Release, August 13th, 2006

⁴ Gilead Press Release, August 14th, and September 22nd 2006.

⁵ GSK Press Release, August 10th, 2006.

⁶ Novartis Press Release, September 29th, 2006.

⁷ Roche Press Release, September 22nd, 2006.