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Pharmas Challenged by Product Risk and Philanthropy Fatigue

Covalence Pharmaceutical Industry Report 2008

Increased attention on product human risk and smaller media coverage of drug donations have challenged Pharmaceuticals's ethical reputation last year, states a report published today by Geneva-based research firm Covalence – *Covalence Pharmaceutical Industry Report 2008*.

The pharmaceutical industry dropped from the first to the third rank of Covalence all-time EthicalQuote ranking across 10 industries. It has been surpassed by Automobiles & Parts and Technology Hardware that progressed greatly because of their environmental actions. Considering the last 12 months (August 2007 – July 2008) Pharmaceuticals achieved only the 8th rank. This situation raises questions regarding the future of the industry's public reputation and its global license to operate.

Product Human Risk contributed highly to the industry's EthicalQuote score reduction. Major issues have been cancer, legal, lawsuits, class-actions, settlements, fines, Zyprexa, CellCept, Evergreening, Vytorin, HIV/Aids, Trovan/Kano, Paxil, and Vioxx.

Philanthropy fatigue is another factor explaining the current flattening of Pharmaceuticals' ethical reputation. Media coverage of drug donations has reduced lately. Such stories seem to have lost part of their news worth.

Thirdly, Pharmaceuticals are **better at social than environmental** criteria. In the current green era, showing their positive contributions to society is difficult. A return of social priorities on top of global political agendas should help them improve their reputation.

Innovative drugs to be used in poor countries are the best thing pharmaceuticals can do from the point of view of an ethical analyst, as it often adds specific pricing, intellectual property rights and distribution schemes to the product vital value, revealing a truly integrated responsible behavior. In our view companies that today earn the most points on criteria **Socially Innovative Product** are likely to appear among the leaders of tomorrow's ethical rankings: GlaxoSmithKline, Novartis, Pfizer, Merck & Co, Eli Lilly, and Roche are all possible candidates.

Only such strong, integrated, product-oriented commitments are likely to compensate negative stories that hurt the public opinion, and therefore improve global license to operate, demonstrate an ability to balance self and global interest, corporate and patient health, and an understanding of the world's disparities.

Last year major positive issues were Access to Drugs, CSR awards & Rankings, Climate Change, Student Grants, Community, and Cancer. Major negative issues were Access to Drugs, Job Creations/Cuts, Side & Adverse Effects, Cancer, Ethics & Compliance, Marketing Practices, and Evergreening.

Looking at the historical EthicalQuote ranking within the pharmaceutical industry, the leaders are GlaxoSmithKline, Bristol Myers Squibb, and Johnson & Johnson, while Wyeth, Schering Plough, and Amgen Inc. are last. During the last 12 months, the best performers were GlaxoSmithKline, Abbott and Boehringer Ingelheim.

More information on Covalence Pharmaceutical Industry Report 2008:

- > [Extract: Covalence Pharmaceutical Industry Report 2008](#)
- > [Offer & Order form: Covalence Pharmaceutical Industry Report 2008](#)
- > [Public version of EthicalQuote](#)

About Covalence

Covalence' s ethical quotation system is a reputation index based on quantifying qualitative data, which are classified according to 45 criteria such as *Labour standards*, *Waste management*, *Product social utility* or *Human rights policy*. It is a barometer of how multinationals are perceived in the ethical field.

The system integrates thousands of documents found among media, enterprise, NGO and other sources, for producing the EthicalQuote curves. These curves measure the historical evolution of the reputation of companies regarding ethical issues. They are created through the cumulative addition of positive news (documents coded as "ethical offers", which are weighed as +1, curve ascends) and negative news ("ethical demands" weighed as -1, curve descends). The Reported Performance measure is given by cumulating positive news only.

This tool received the Cantonal Sustainable Development Prize (Geneva) in 2004 and prompted Covalence among the finalists of the Social Entrepreneur of the Year 2005 award organised by the Schwab Foundation. Covalence research is also distributed by Reuters, Thomson Financial and Bloomberg.

Covalence is closely monitoring 10 sectors including 200 companies that are classified as the largest market capitalizations in the Dow Jones World Index. Covalence is a limited company that was founded in Geneva in 2001 by six persons coming from social sciences and finance.

Online information: Covalence company and methodology

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