

PRESS RELEASE 29 AUGUST 2007

The Burden of Innovation

Covalence Pharmaceutical Industry Report 2007

Pharmaceutical companies carry increasing ethical risks related to innovation, states a report released on 29 August 2007 by Geneva-based ethical reputation research firm Covalence, *Covalence Pharmaceutical Industry Report 2007*.

These innovation-related risks deal with intellectual property rights, drug pricing, clinical trials, drug side-effects and transparency. In terms of ethical reputation, innovation seems to bring more trouble than benefit to R&D oriented pharmaceutical companies. From July 2006 to July 2007, the pharmaceutical industry only ranks ninth out of ten industries in Covalence's EthicalQuote reputation ranking.

Other factors explaining the recent flattening of the pharmaceutical industry's EthicalQuote curve are:

Missing the environmental boom - Environmental efforts made by the Pharmaceutical industry are far less visible than what can be observed within other industries.

Pioneer time has passed - Historically, large pharmaceutical companies have been pioneers in Corporate Social Responsibility (CSR). Since 1999, the industry has faced heavy pressure regarding access to HIV/AIDS drugs in developing countries. Massive responses have been given such as drug donations, differential pricing, partnerships with international organizations, or patent agreements with emerging markets generic drug producers. Beyond HIV/AIDS, the pharmaceutical industry has long been at the forefront of Product Social Utility: life saving drugs draw substantial amounts of attention. Nowadays, most industries have implemented CSR strategies at all levels of working conditions, production, product and government relations; therefore, allowing them to catch up to pharmaceuticals in Covalence's EthicalQuote ranking.

While spectacular announcements are heard every day, and innovation is scrutinized by suspicious observers, pharmaceutical companies have to develop and invent additional ways to be recognized as sustainable, using lessons learned during pioneer time.

Within the industry (14 among the largest Pharmaceutical companies in market capitalization), the EthicalQuote reputation curves calculated from 2002 to July 2007 show GlaxoSmithKline leading the list ahead of Bristol Myers Squibb and Johnson & Johnson, while Takeda and Schering Plough occupy the last positions. Results representing the Reported Performance of companies (positive news accounted over the last 12 months) place Pfizer in first position, followed by Abbott, Novartis, and AstraZeneca.

More information on Covalence Pharmaceutical Industry Report 2007:

- > [Extract: Covalence Pharmaceutical Industry Report 2007](#)
- > [Offer & Order form: Covalence Pharmaceutical Industry Report 2007](#)
- > [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 of business contribution to human development 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. Since September 2006, Covalence research is being distributed by Reuters.

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.

More information on Covalence company and methodology:

Company

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