

FORUM SOSTENIBILITÀ

▶▶▶ FORTUNE ITALIA

III EDIZIONE

HEALTHCARE È SOSTENIBILITÀ

Rapporti con il paziente, mercati e investimenti

DATI DI SCENARIO

Knowledge Partner

BCG



Changing societal context for business in the 20s

Escalating investor and social activism



Higher bars on rights to operate



Radical transparency on "ESG" performance



Investors skew capital



Powerful purpose



Good products doing good



Collaboration for collective action

Increasing pressure from healthcare context



• **Payers** expecting Biopharmas to drive drug accessibility and affordability



• **Patients** expecting Biopharmas to go “Beyond the Pill”



• **Employees** and future hires expecting a broader societal purpose



• **Investors** integrating ESG¹, performance into their investment decisions



• **Communities** asking Biopharmas to provide broad access to essential drugs



• **Public opinion** placing Cos under scrutiny on their environmental & social footprint



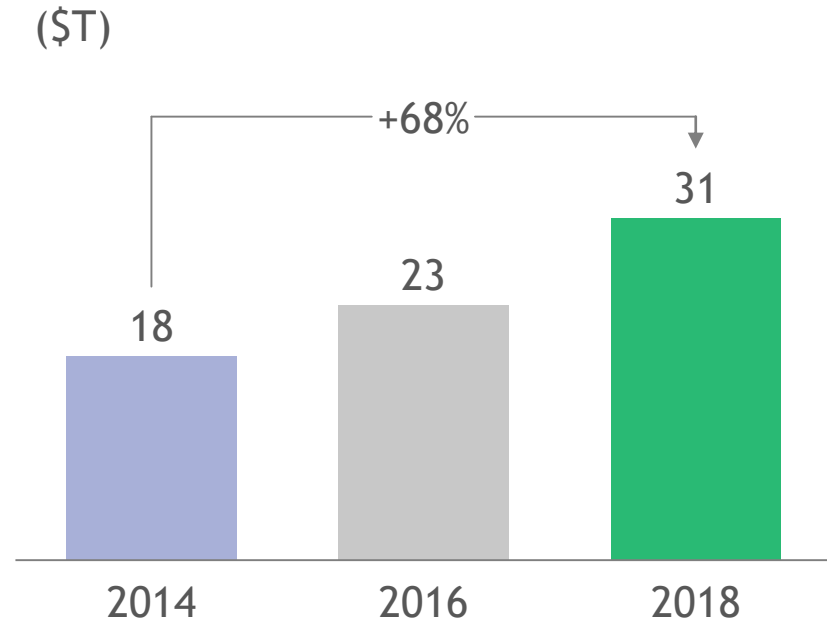
From a changing attitude amongst investors ...

“To prosper over time, every company must not only deliver financial performance, but also show how it makes a **positive contribution to society**.”
(Larry Fink, CEO of BlackRock, 2017)

... to a real shift

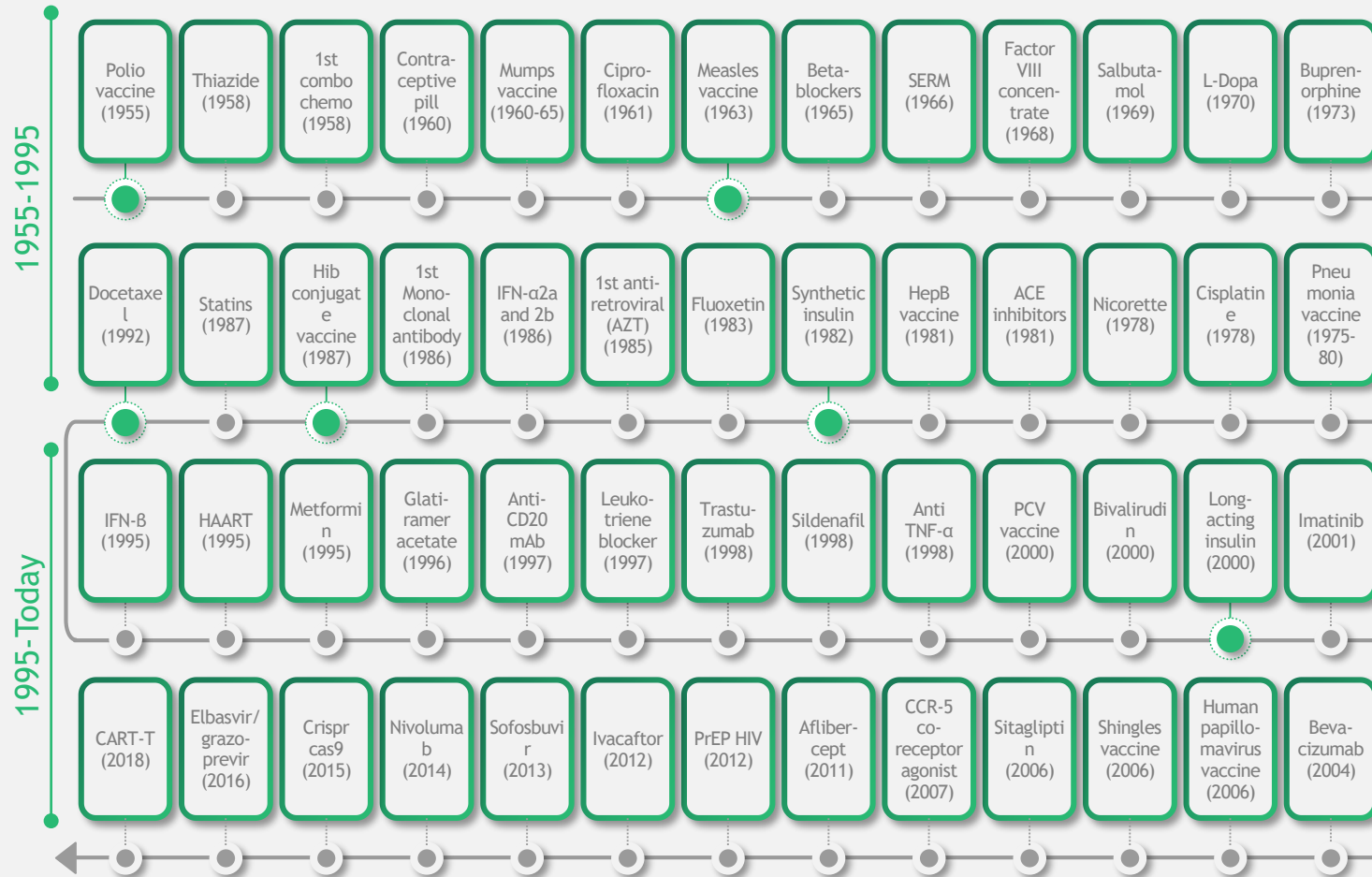
“We are going to see evidence over the long term that **sustainable investing is going to be at least equivalent to core investments**. I believe personally it will be higher.”
(Larry Fink, CEO of BlackRock, 2018)

Growth of SRI Assets 2014-2018



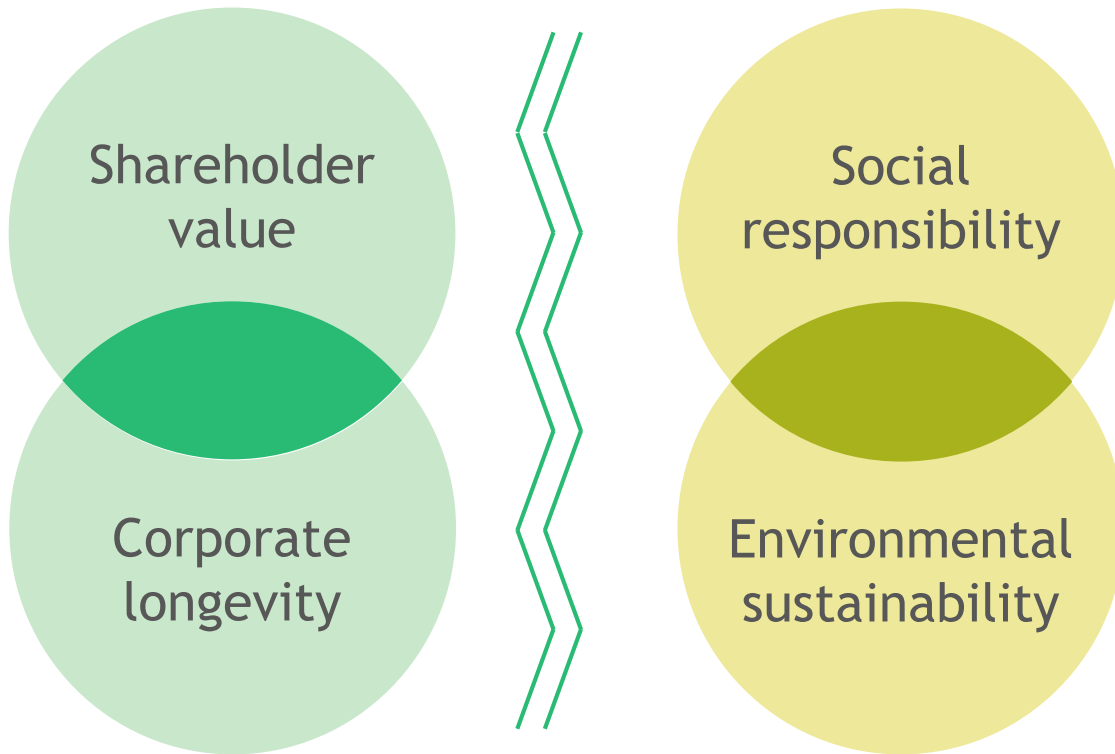
In 2018, global SRI assets accounted for >25% of total managed assets in the US and ~50% in Europe

A long history of practice changing innovations

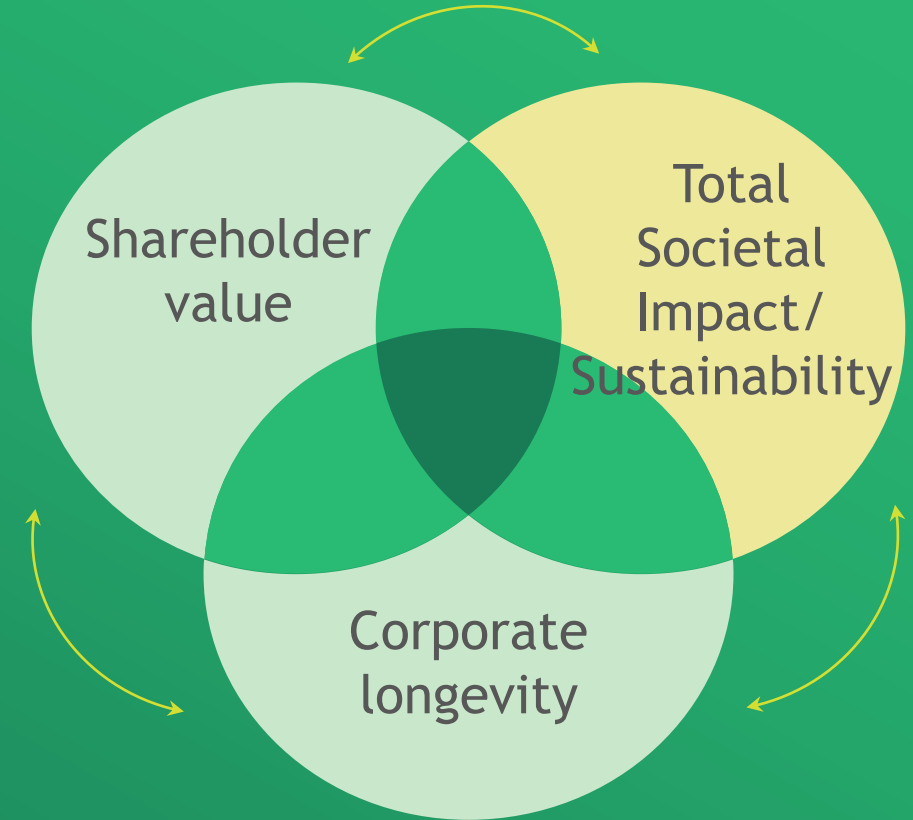


Healthcare innovations have been providing intrinsically positive value for societies for decades

Today: CSR set-up as a side topic



Tomorrow: TSI/Sustainability fully integrated in Strategy

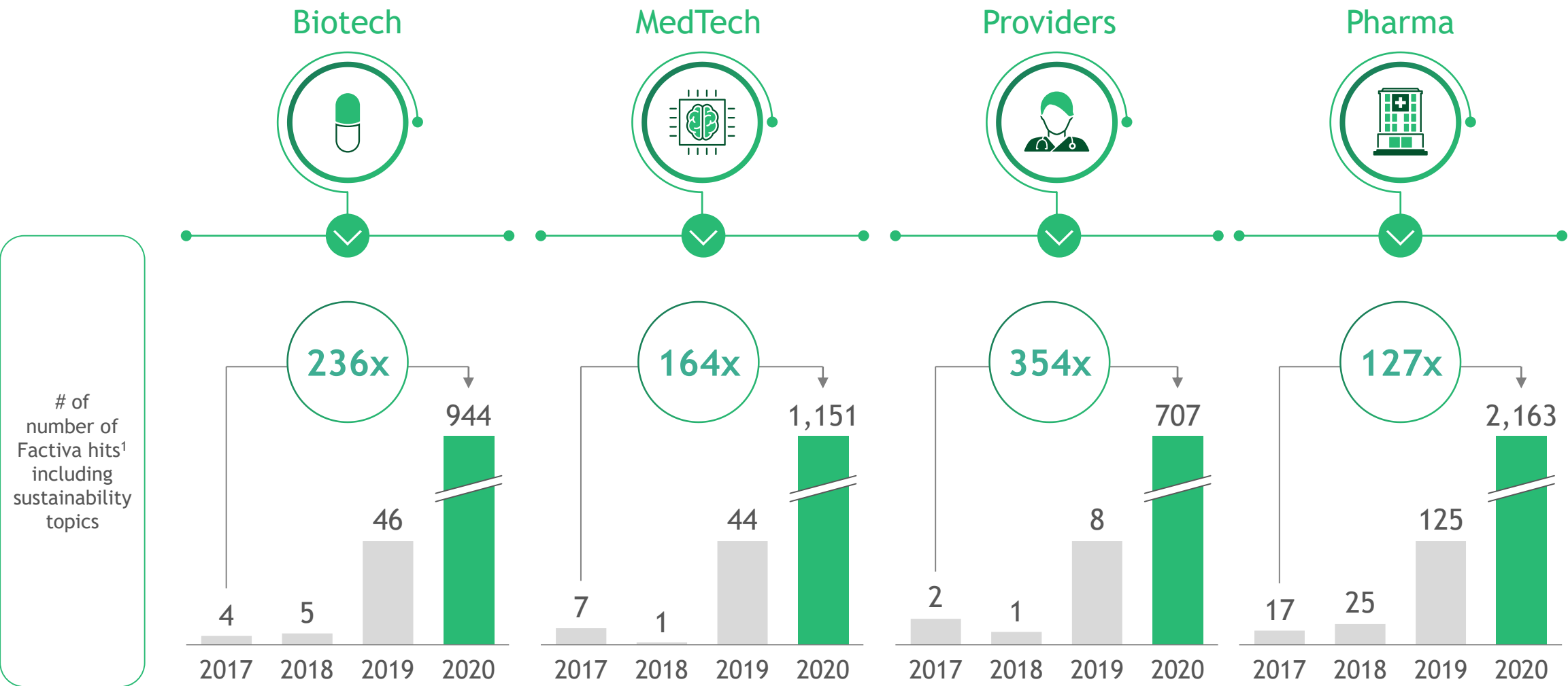


Total Societal Impact in HC is driven by 6 elements



1. Local provider being, e.g., physicians, wholesalers, hospitals, pharmacies

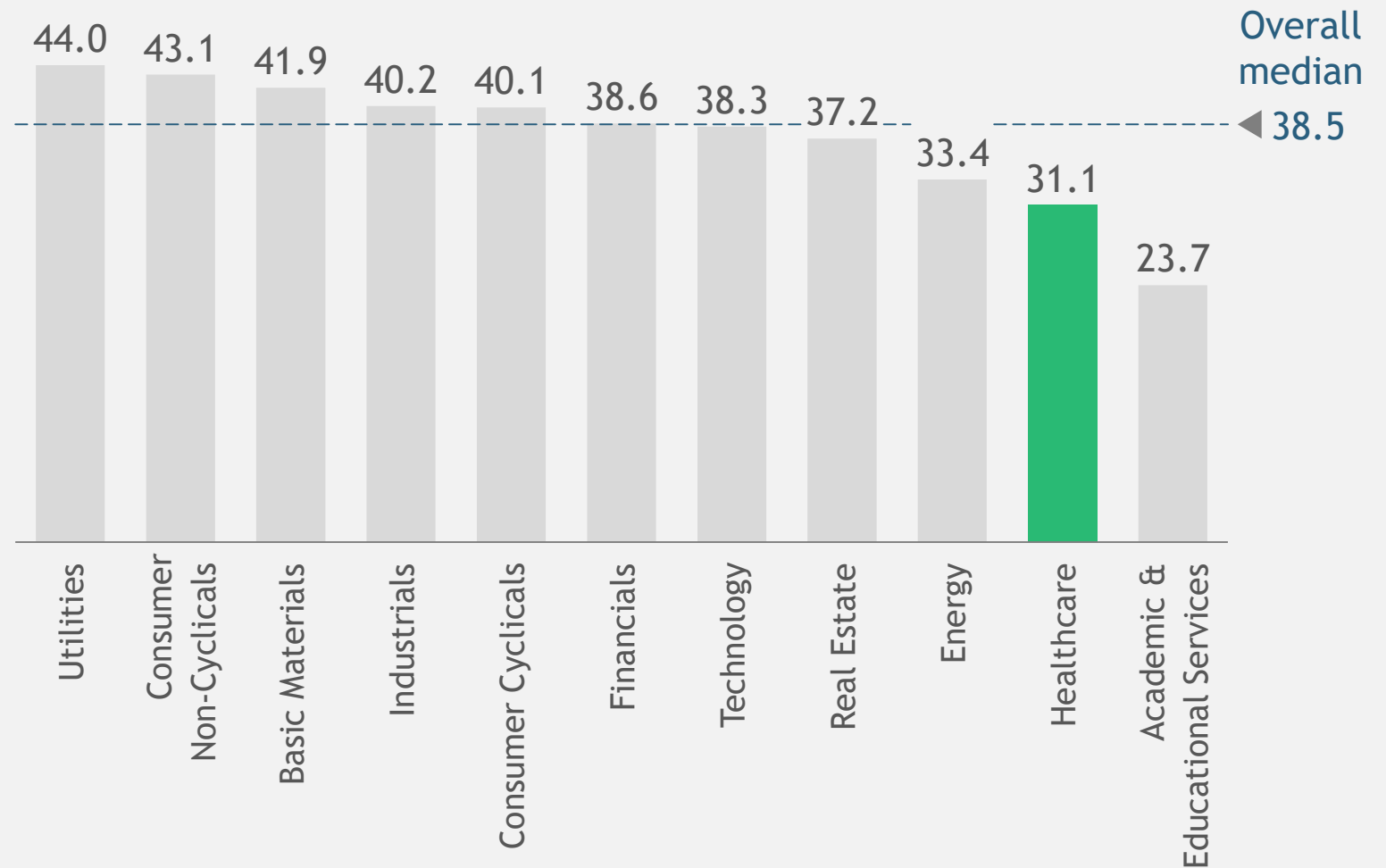
Healthcare sectors are communicating hard on sustainability topics



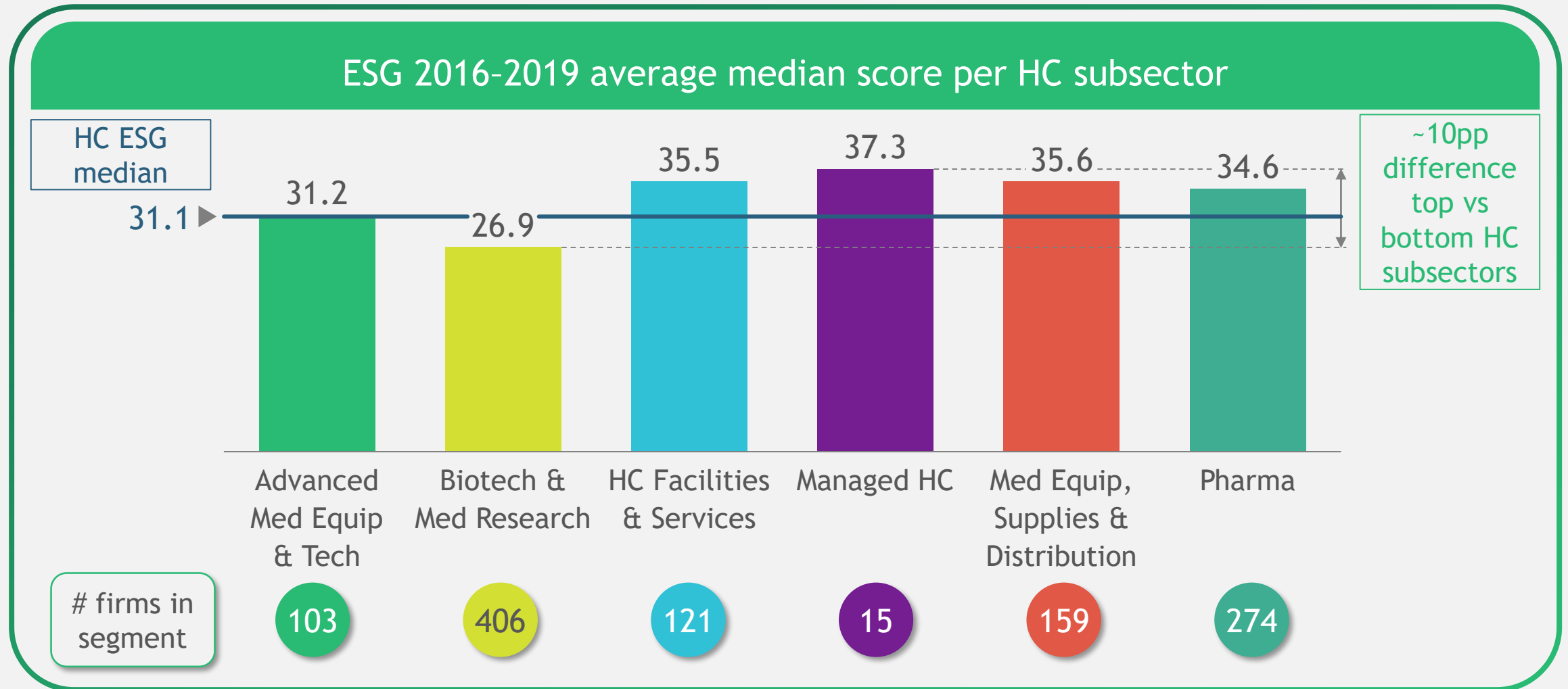
1. List in which search engines present their results to help to minimize the time required to find information and the amount of information which must be consulted
Source: Factiva; BCG Analysis

However the
Health Care
presents high
opportunity of
improvement in
sustainability
vs. the other
industries

ESG 2016-2019 average median score per industry



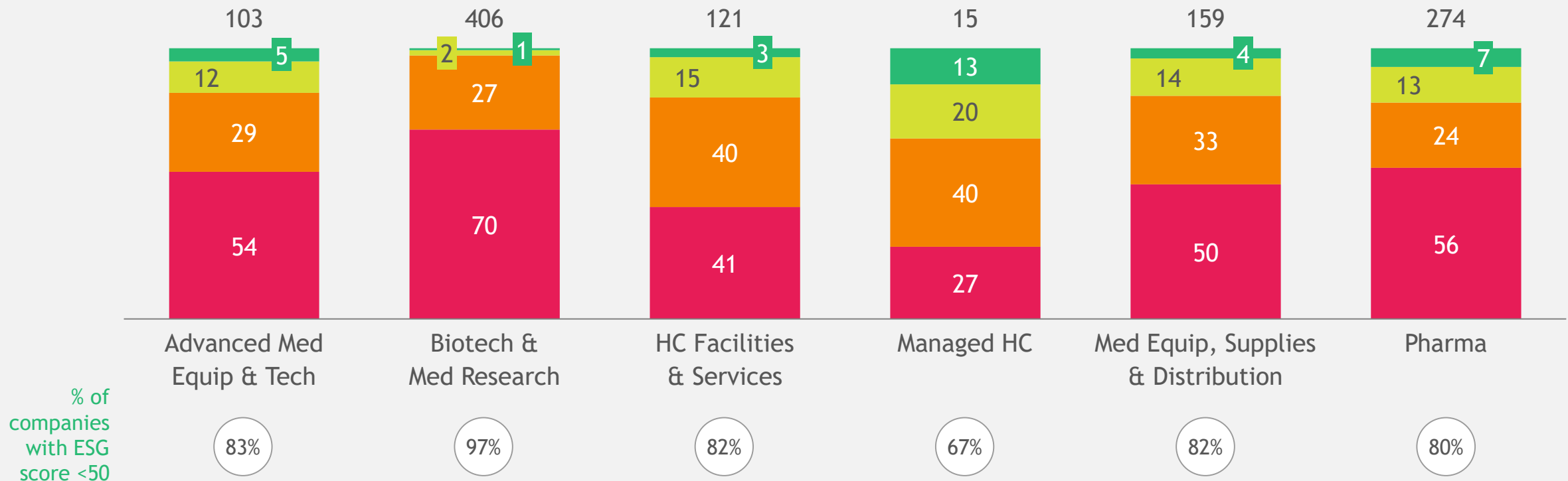
Even if average total score seems to be similar across the different Healthcare subsectors ...



... and no HC segments showing strong prevalence of Sustainability champions ...

Number of companies distribution according to ESG 2016-2019 average median score

76 - 100 51 - 75 26 - 50 0 - 25

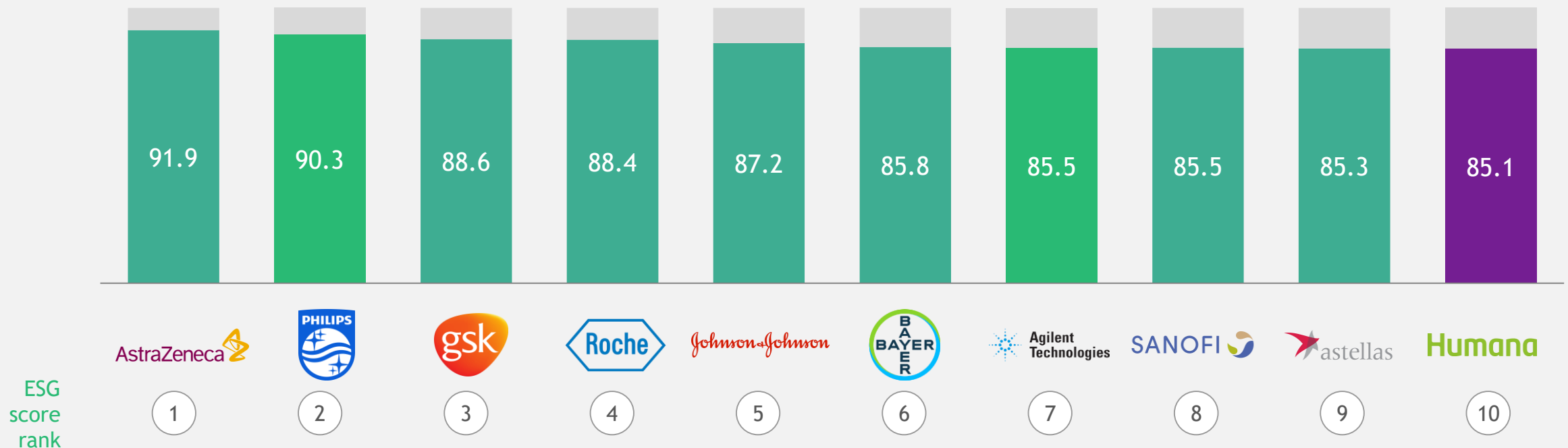


Source: Refinitiv; BCG analysis

... Pharma sectors accounts for the majority of top scores (7 out of top 10 companies) ...

ESG 2016-2019 average median score per company



















































Advanced Med Equip & Tech HC Facilities & Services Med Equip, Supplies & Distribution
Biotech & Med Research Managed HC Pharma



ESG
score
rank

Source: Refinitiv; BCG analysis

... however no One still in the "Shape" position

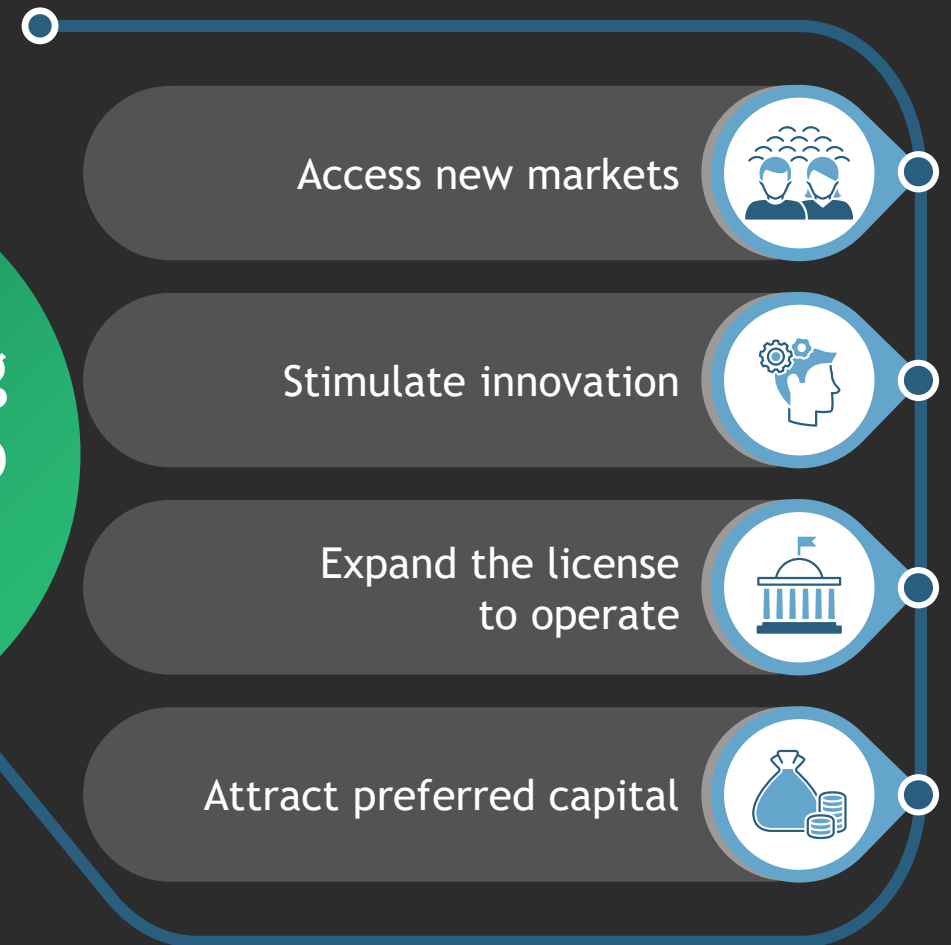
	 License to operate	 Compete	 Shape
 Patient's Well-being	      Developing app to improve mental health for MS	  Multiple digital interfaces to improve patient's exp.	
 Local Communities Enablement	      Awareness raising campaigns (e.g. malaria); evidence-based solutions to support HC systems	 Initiatives to improve HC systems (e.g. IT systems); Ambitious education programs	
 Incentives alignment	      Strong EU footprint; Stakeholders engagement for cancer drugs pricing	 Value/outcome-based approach for selected drugs; advocacy	
 Responsible value chains	     -50% scope 1 & 2 target	 Carbon negativity across supply chain	
 Increased access	    R&D, donations and local capabilities strengthening for various diseases	  Price cap; no patent in least dev countries; R&D focused on TB, Malaria & HIV and NTDs	
 Focused and Ethical investment	      Significant investments allocated e.g., initiative to add more than 275 megawatts of clean power to the electrical grid		

1. Hence, mainly determined by structured communication approach, with articulated impact on measured KPIs. Sources: Sanofi's Annual Report 2018; AstraZeneca Annual Report 2018; Novartis in Society Report 2019; Merck Annual Report 2018; GSK Annual Report 2018; Roche Annual Report 2018

Improves business performance



TSI
create strong
foundations to
improve the
TSR



Expands opportunity

In a review of
200+ studies,
industry reports,
articles, and
books we saw
how TSI can boost
performance

90%

(26 of 29) of studies on the
cost of capital indicate TSI
standards contribute to **lower
cost of capital**

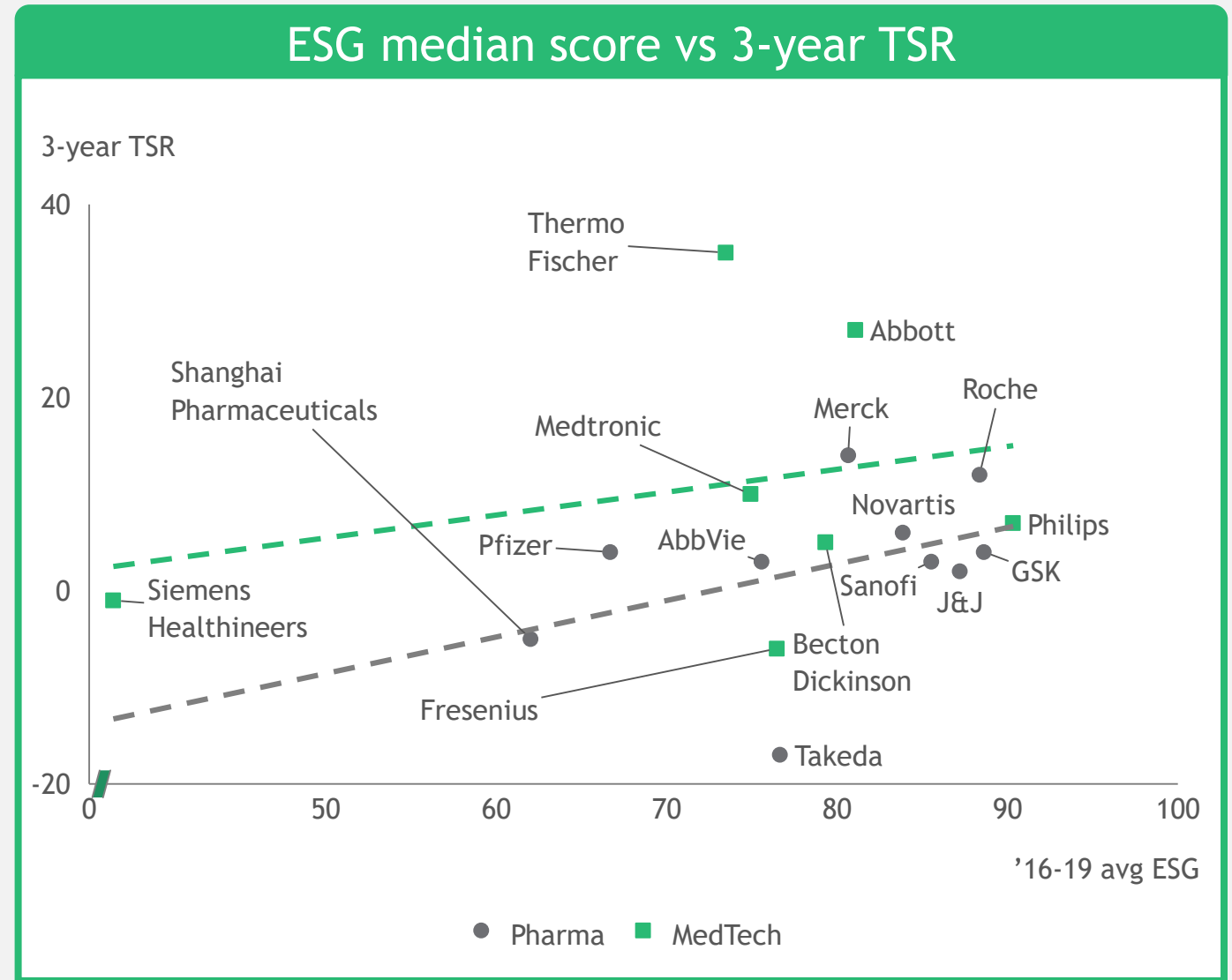
88%

(45 of 51) of studies show TSI
practices result in **better
operational performance**

80%

(33 of 41) of studies
demonstrate that good TSI
practices **positively influence
stock price performance**

Better TSI translates in superior TSR for **Pharma and MedTech** companies



Italian HC companies need to broaden communication and implement measurable KPIs vs international peers



Low degree of communication on sustainability topics



Top Italian MedTech and Pharma companies registering <10 ESG topics hits in 2020 ...

... whereas top international players register >4-6x hits (e.g., AstraZeneca, Novartis)



Listed HC companies ranked below 30th position on ESG score



Pharma and MedTech listed firms (Recordati, Diasorin, Amplifon) have ESG score 50-65 range ...

... whereas top 10 listed Pharma and MedTech companies register ESG scores >72 and >83



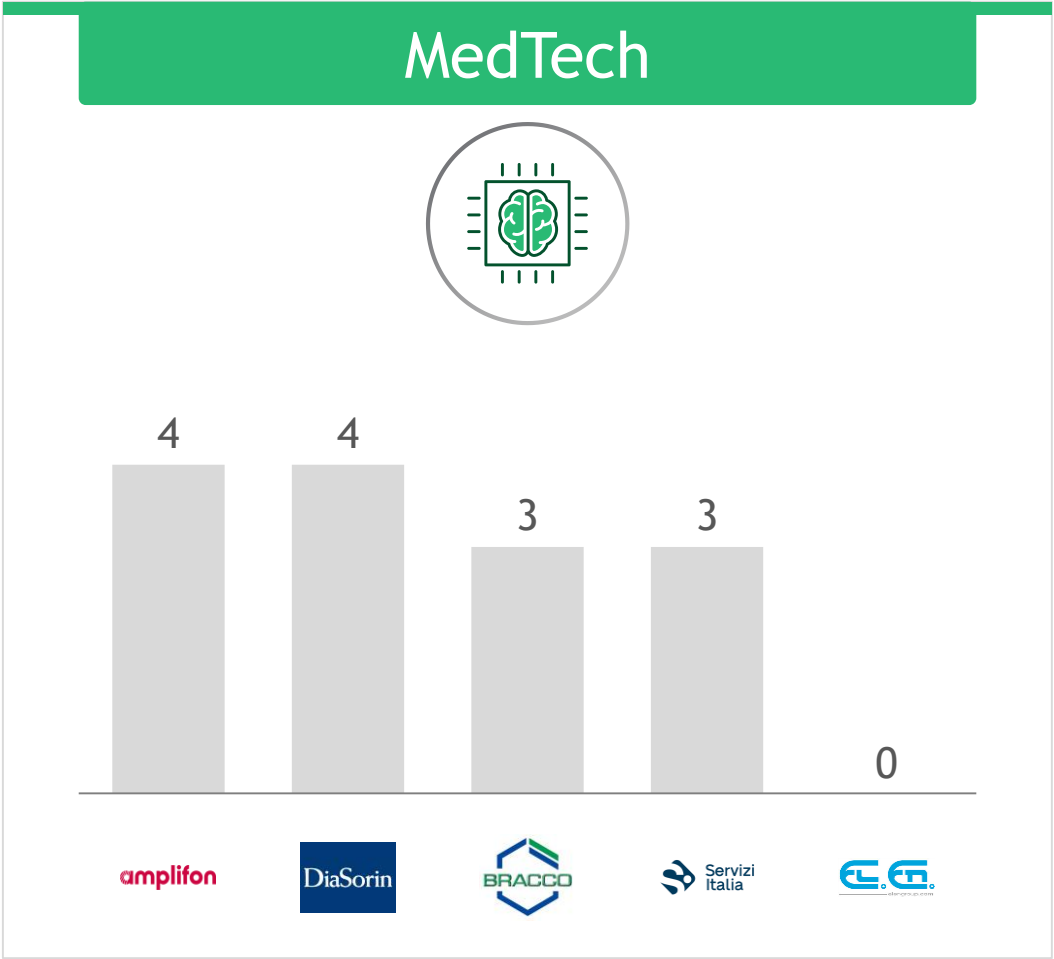
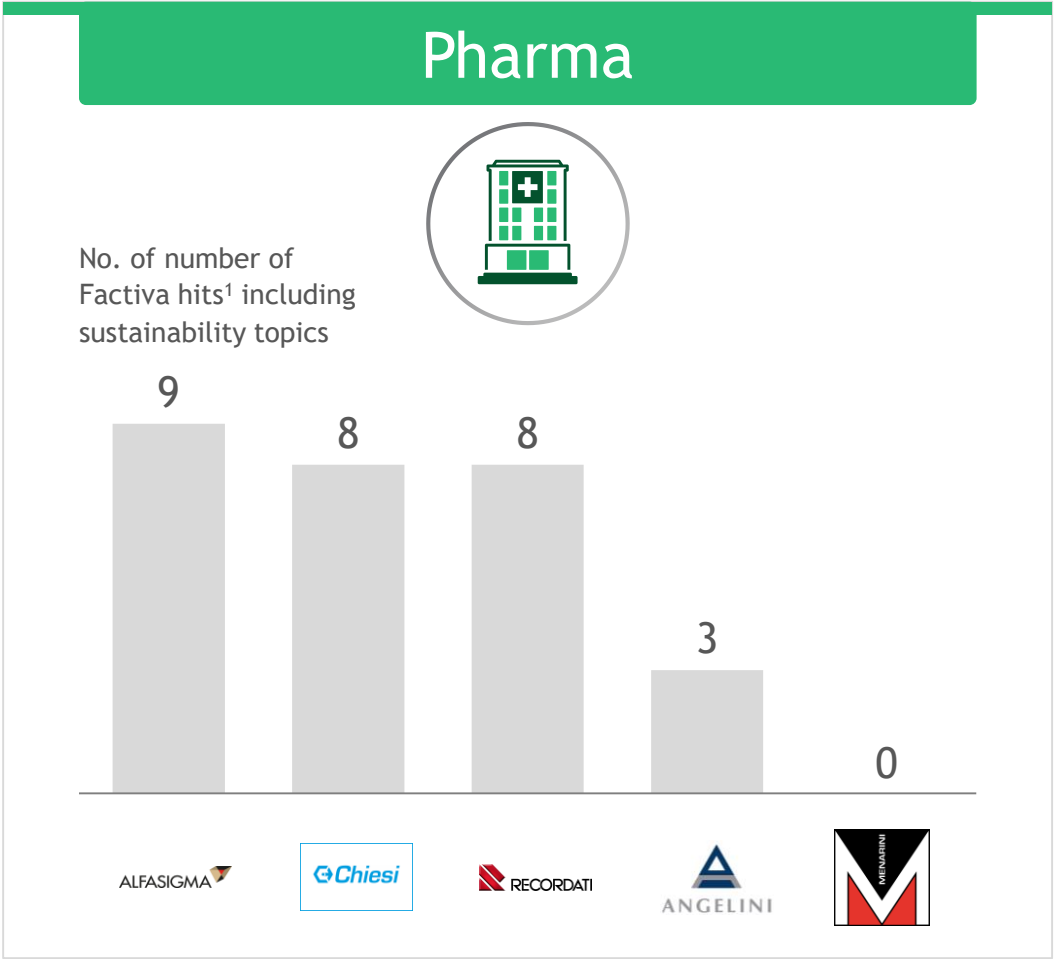
No concrete set of KPIs and target values for sustainability topics



Italian HC sustainability reports have general claims on improvement of ESG topics ...

... whereas international peers have specific targets (e.g., carbon neutral within 2030)

Italian Pharma and MedTech top companies register low levels of share of voice on environmental and sustainability topics



1. List in which search engines present their results to help to minimize the time required to find information and the amount of information which must be consulted
Source: Factiva; BCG Analysis

Achieving TSI requires sustainable business model innovation and transformation

Own the
origins



Own the
whole cycle



Expand
societal
content



Expand the
chains



Re-localize/
regionalize



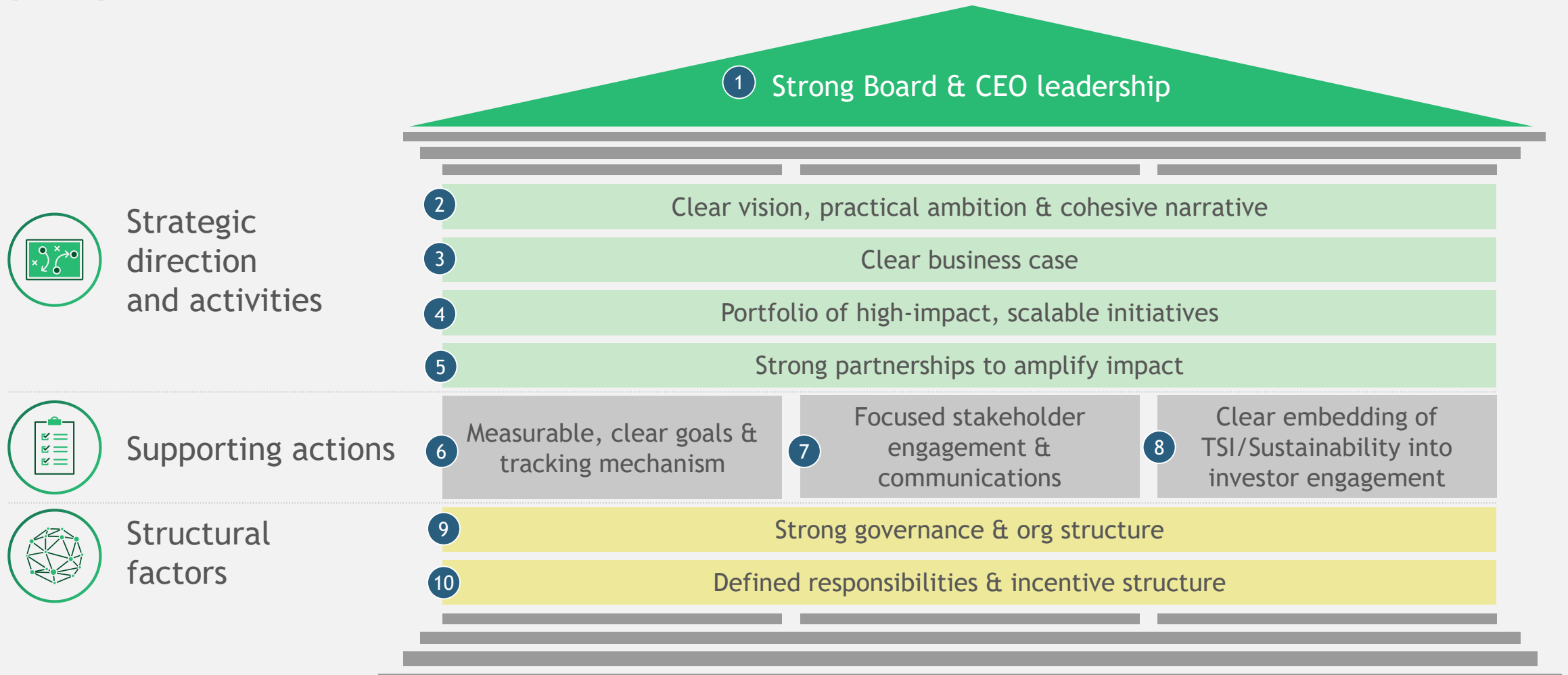
Energize
the brand



Build cross-
sector



10 key success factors make TSI a scalable & profitable proposition



Disclaimer

The services and materials provided by Boston Consulting Group (BCG) are subject to BCG's Standard Terms (a copy of which is available upon request) or such other agreement as may have been previously executed by BCG. BCG does not provide legal, accounting, or tax advice. The Client is responsible for obtaining independent advice concerning these matters. This advice may affect the guidance given by BCG. Further, BCG has made no undertaking to update these materials after the date hereof, notwithstanding that such information may become outdated or inaccurate.

The materials contained in this presentation are designed for the sole use by the board of directors or senior management of the Client and solely for the limited purposes described in the presentation. The materials shall not be copied or given to any person or entity other than the Client ("Third Party") without the prior written consent of BCG. These materials serve only as the focus for discussion; they are incomplete without the accompanying oral commentary and may not be relied on as a stand-alone document. Further, Third Parties may not, and it is unreasonable for any Third Party to, rely on these materials for any purpose whatsoever. To the fullest extent permitted by law (and except to the extent otherwise agreed in a signed writing by BCG), BCG shall have no liability whatsoever to any Third Party, and any Third Party hereby waives any rights and claims it may have at any time against BCG with regard to the services, this presentation, or other materials, including the accuracy or completeness thereof. Receipt and review of this document shall be deemed agreement with and consideration for the foregoing.

BCG does not provide fairness opinions or valuations of market transactions, and these materials should not be relied on or construed as such. Further, the financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard valuation methodologies, are not definitive forecasts, and are not guaranteed by BCG. BCG has used public and/or confidential data and assumptions provided to BCG by the Client. BCG has not independently verified the data and assumptions used in these analyses. Changes in the underlying data or operating assumptions will clearly impact the analyses and conclusions.



bcg.com