

Kearney research study conducted exclusively for Leem
**12 recommendations for reinvigorating the French pharmaceutical policy in
the post-Covid world**

A week after the French government unveiled its Recovery Plan, which includes a €15 billion budget for “relocalization and innovation”, global strategy consultants Kearney today submitted their report of the analysis conducted on behalf of Leem to assess the impacts of the Covid-19 crisis on the French pharmaceutical industry, and the lessons to be learned from it. Kearney has extracted 12 recommendations from its independent strategic analysis that will inform the Leem roadmap, paving the way for the preparation of the next Strategic Council for the Healthcare Industries (CSIS) in July next year.

Commissioned by Leem in May this year to conduct an overall assessment of the impacts of the Covid-19 crisis on pharmaceutical companies, and how they can most effectively contribute to the economic recovery of France and achieve strategic autonomy for the healthcare sector, strategy consultants Kearney have submitted their findings.

The coronavirus has revealed the strengths of the pharmaceutical industry...

The Covid-19 crisis has revealed the ability of pharmaceutical companies to adapt in order to:

- Accelerate the pace of research to identify effective therapeutic responses to the pandemic in the shortest-possible time
- Boost production capacity to ensure continuity of access to all treatments
- Mobilise its 100,000 employees to work within the healthcare system (in the context of the French Health Reserve), extend the capability of healthcare providers and guarantee delivery of the best-possible care for the population of France

The results of the Kearney research study corroborate these facts, and focus on the versatility and strategic importance of the pharmaceutical industry:

- In terms of public health by being an industry key to therapeutic progress and the overall response to the COVID-19 crisis
- In terms of healthcare system efficiency and its transformation
- In terms of being a major force for economic recovery and the revival of French regional manufacturing policy

... and laid bare its weaknesses

At the same time as highlighting the impressive levels of resilience and commitment shown by the industry, the COVID crisis has also laid bare the fragility of the French manufacturing base; an issue that has been the subject of Leem warnings for a number of years. In France, as elsewhere in Europe and around the world, the crisis has shown the high degree to which the industry depends on international manufacturing chains based in countries outside the EU, and especially - although not exclusively - China. After half a century of rapid offshoring to low-cost countries, the Covid-19 crisis has generated strong demand for healthcare and economic security, particularly in terms of pharmaceutical supplies. France is currently the 4th-largest manufacturer of pharmaceuticals in Europe by value (€21 billion of finished products) behind Switzerland, Germany and Italy, having been the continent's largest manufacturer between 1995 and 2008. It is closely followed in the European rankings by Ireland and the UK. The Kearney analysis confirms this decline in French industrial production compared to its major European neighbours (-0.9% between 2010 and 2017, against +2.8% for Italy and +1.6% for Germany).

Leem understands the reasons behind this loss of competitiveness, some of which have been well documented by the Kearney team: cumbersome economic regulation, long market access lead times, taxation on production as well as simultaneous complexity and instability of standards. The proposals brought forward by Kearney overlap significantly with the Leem analysis. Implementing these recommendations involves the use of several distinct levers. Taxation on production is one issue that cuts right across industry and extends beyond pharmaceuticals, where reductions will be made in the next Finance Bill (PLF), according to a recent French Government announcement. The Framework Agreement, Sectoral Strategic Committee for Healthcare Industries and Technologies (CSF) and/or Strategic Council for the Healthcare Industries (CSIS) could provide the basis for further measures.

A new reality for the healthcare system

From the need for strategic autonomy in R&D and manufacturing to the eco-transformation of manufacturing processes, the expansion of healthcare data platforms, European cooperation and changes to the processes governing funding of innovative pharmaceuticals, the Covid-19 crisis has revealed a raft of new needs. More generally, the findings of the Kearney research study call for a reconsideration of pharmaceutical policy governance, with particular focus on policy simplification and a more holistic vision of the policy by including all stakeholders, from public bodies and the industry itself to healthcare professionals and patients.

Leem Chairman Frédéric Collet: *“This unprecedented report should actively feed into our strategic thinking and the contribution we make to informing the policy deadlines that lie ahead, including the National Recovery Plan, the CSIS 2021, the new framework agreement and the Leem electoral stance for the 2022 presidential election. Some of Kearney's recommendations echo the commitments made by Leem before the health crisis: preventing supply disruptions, the funding of major innovative pharmaceuticals, transforming our manufacturing base, digitalising the healthcare ecosystem and European cooperation. Important as it is to capitalise on these avenues for reflection, some of them are not the responsibility of Leem as a professional body, but of individual companies and public authorities. In any event, this report is a valuable benchmark for Leem, which intends to play a proactive role in the economic reconstruction of France. We are encouraged by recent announcements, and we would like to believe that they recognise the strategic importance of our industry in ensuring that treatment remains available to all patients under all circumstances, and the need to boost the appeal of France for inward*

investment in the pharmaceutical industry. It is with these considerations in mind that we will be paying close attention to the consistency of any measures introduced in the months ahead”.

The 12 recommendations made by Kearney consulting:

1. Ensure the strategic autonomy of healthcare
2. Establish the pharmaceutical industry in France as a European leader in terms of innovation and manufacturing capacity
3. Improve the competitiveness and resilience of the manufacturing base
4. Develop a strategy for healthcare data sharing, access and analysis
5. Accelerate the pace of healthcare ecosystem digitalisation
6. Expand European cooperation
7. Update healthcare ecosystem operating mechanisms by redesigning governance and certain public/private processes
8. Increase the level of funding for innovation and introduce additional funding resources
9. Develop the human capital of the pharmaceutical industry and biotechs
10. Learn the lessons of the crisis in terms of the need to adapt certain legal and regulatory frameworks
11. Provide a framework of sustainable development within which the pharmaceutical industry can implement its initiatives
12. Consolidate and implement a pharmaceutical industry-wide commitment pact to help France emerge from the crisis

Read a summary of the Kearney research study at www.leem.org

Press contacts:

Stéphanie Bou - Tel.: +33 (0)1 45 03 88 38 - e-mail: sbou@leem.org

Virginie Pautre – Tel.: +33 1 45 03 88 87 - e-mail: vpautre@leem.org