

# ESG in Pharma Procurement: No More Than Wishful Thinking? A Quantitative View on Award Criteria in Tenders in the EU5

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## Objectives

As regulators push narratives promoting sustainable inclusion of Environmental, Social and Governance (ESG) principles into procurement, screening award criteria helps to unveil buyers' actual behaviors toward ESG. Our research aims to quantify the weight of ESG criteria in contract award notices, in comparison with economic and pricing ones.

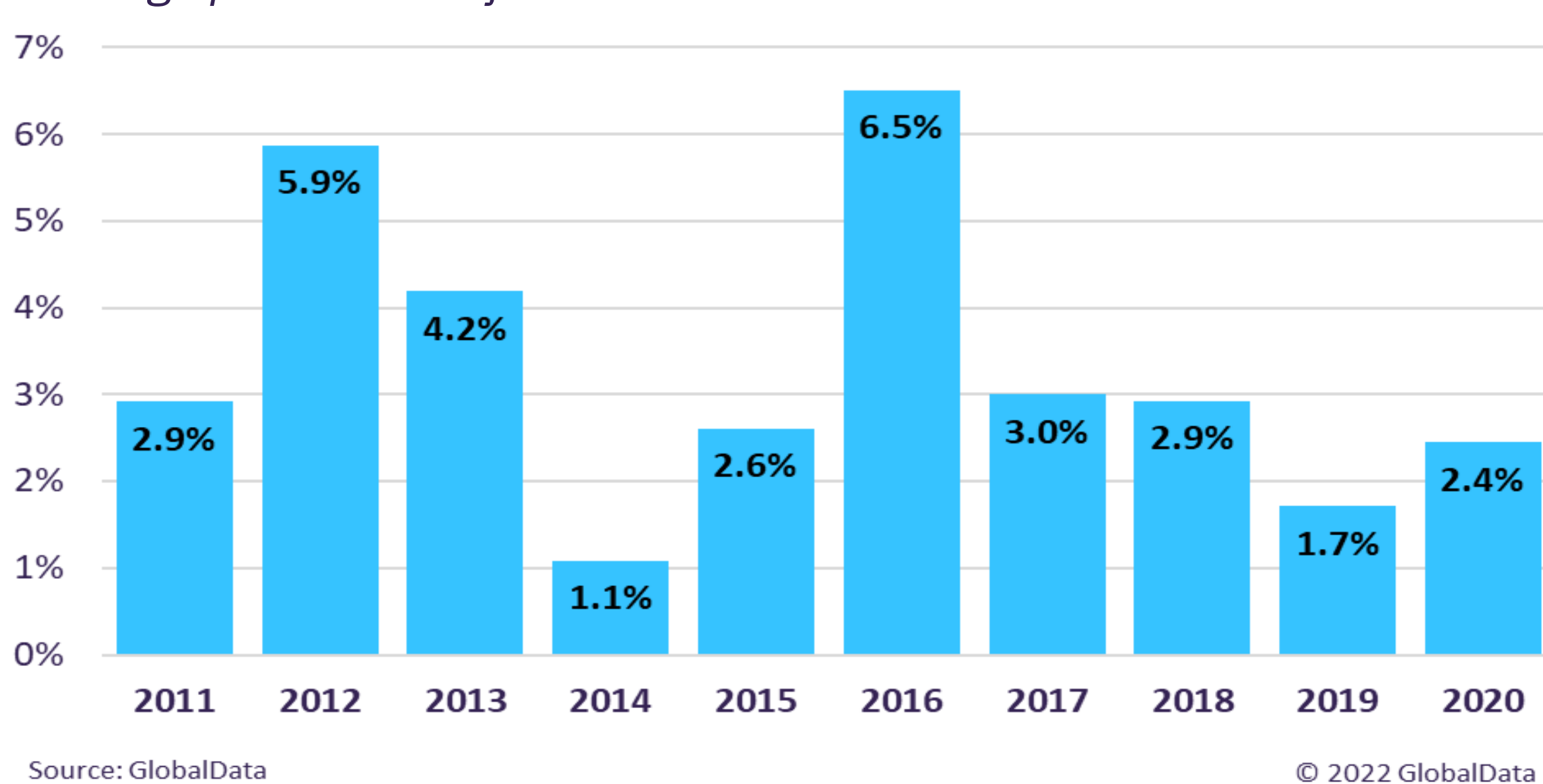
## Methods

Quantitative research on contract award notices (CAN) published in the European public procurement journal (TED) was carried out in the 2011-2020 period. We selected lots and tenders dealing with pharmaceutical products (classified under 33600000 CPV category), in the EU5, only with specified award criteria (82,749 identified in total). We ran a statistical analysis of criteria trends (mentions and prevalence) in each country.

## Results

In 10 years, average mentions of ESG criteria in all tenders never exceeded 6.5% in a single year, with an erratic distribution from one year to another.

Average prevalence of ESG related criteria in EU5

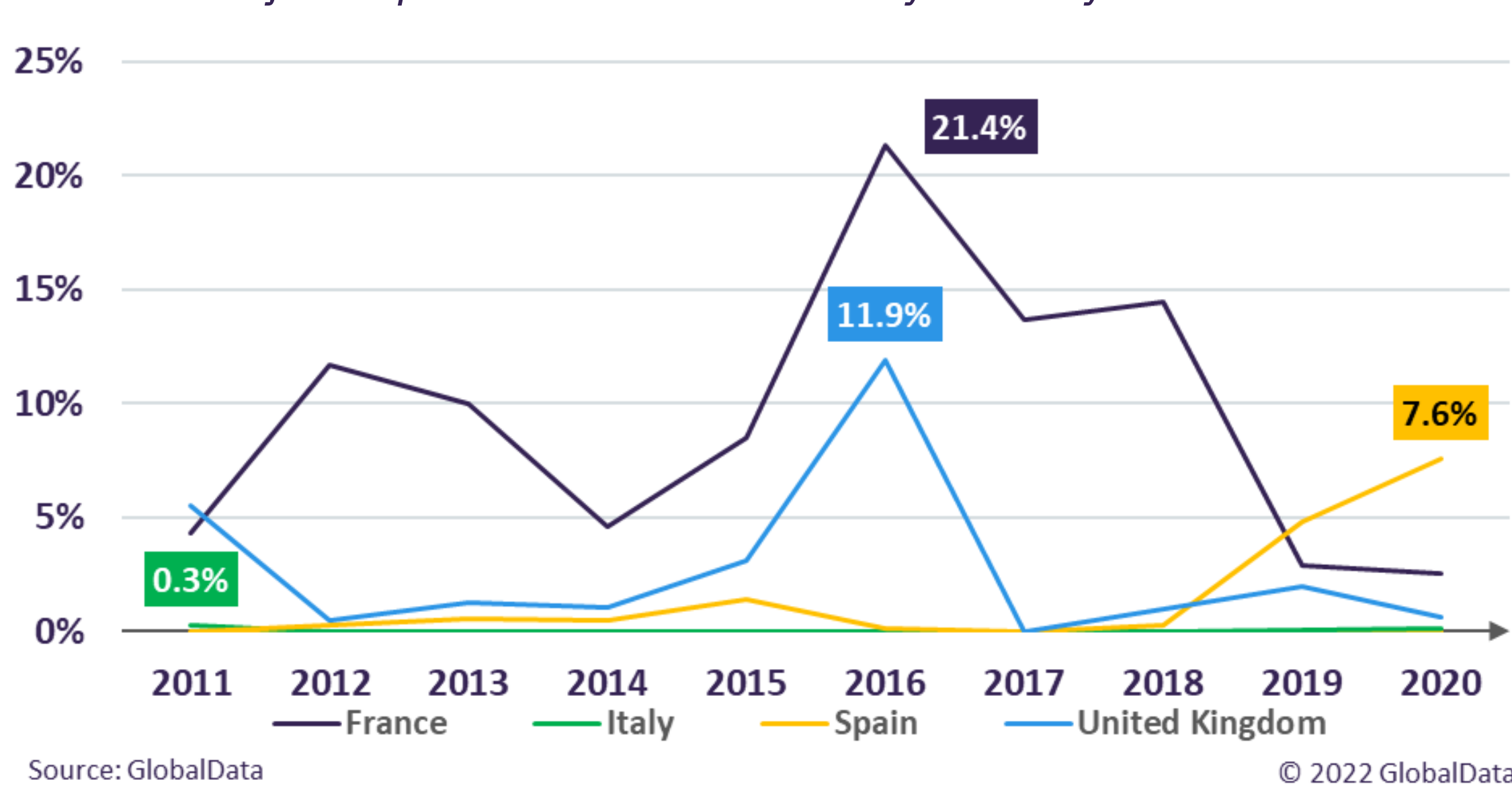


France (average 8.9% in the period) and the UK (3.4%) were the most proactive markets in this matter.

Interestingly, in both markets, ESG related criteria reached their peak in 2016, a year after the 21<sup>st</sup> Conference of the Parties (COP21) (21.4% and 11.9% respectively).

To a lesser extent, Spain (2.8%) saw a late emergence of these criteria. ESG in Italian procurement was reduced to almost nothing (0.04%), while in Germany there is no mention at all.

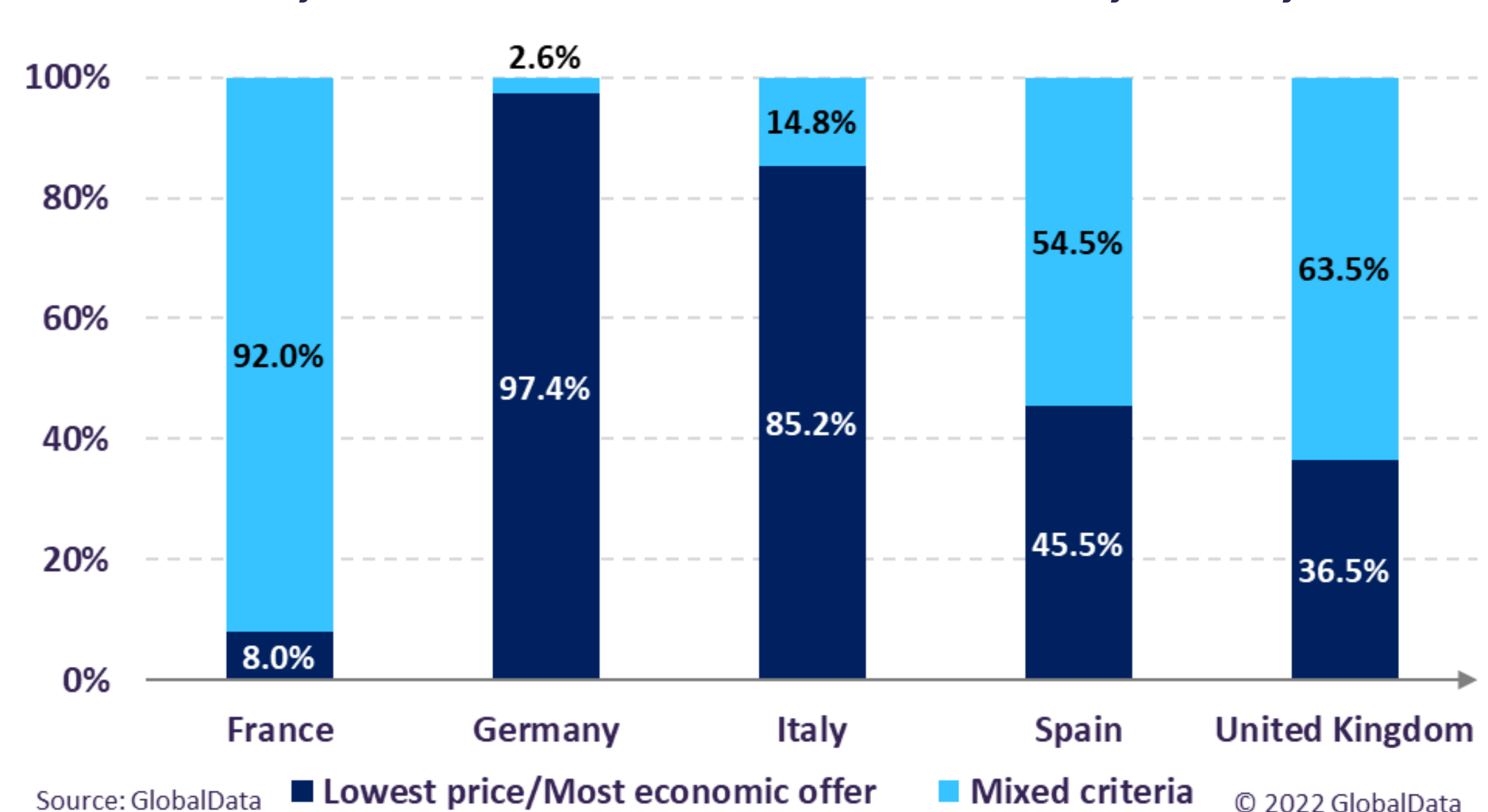
Evolution of ESG prevalence in criteria by country



In every market, ESG has always been encountered as a component of a mix of different criteria, while purely economic considerations can be the sole requirement in a tender. For instance, in Italy and Germany, notices with only economic criteria are the norm (average of 85.2% and 97.4% in the period, respectively).

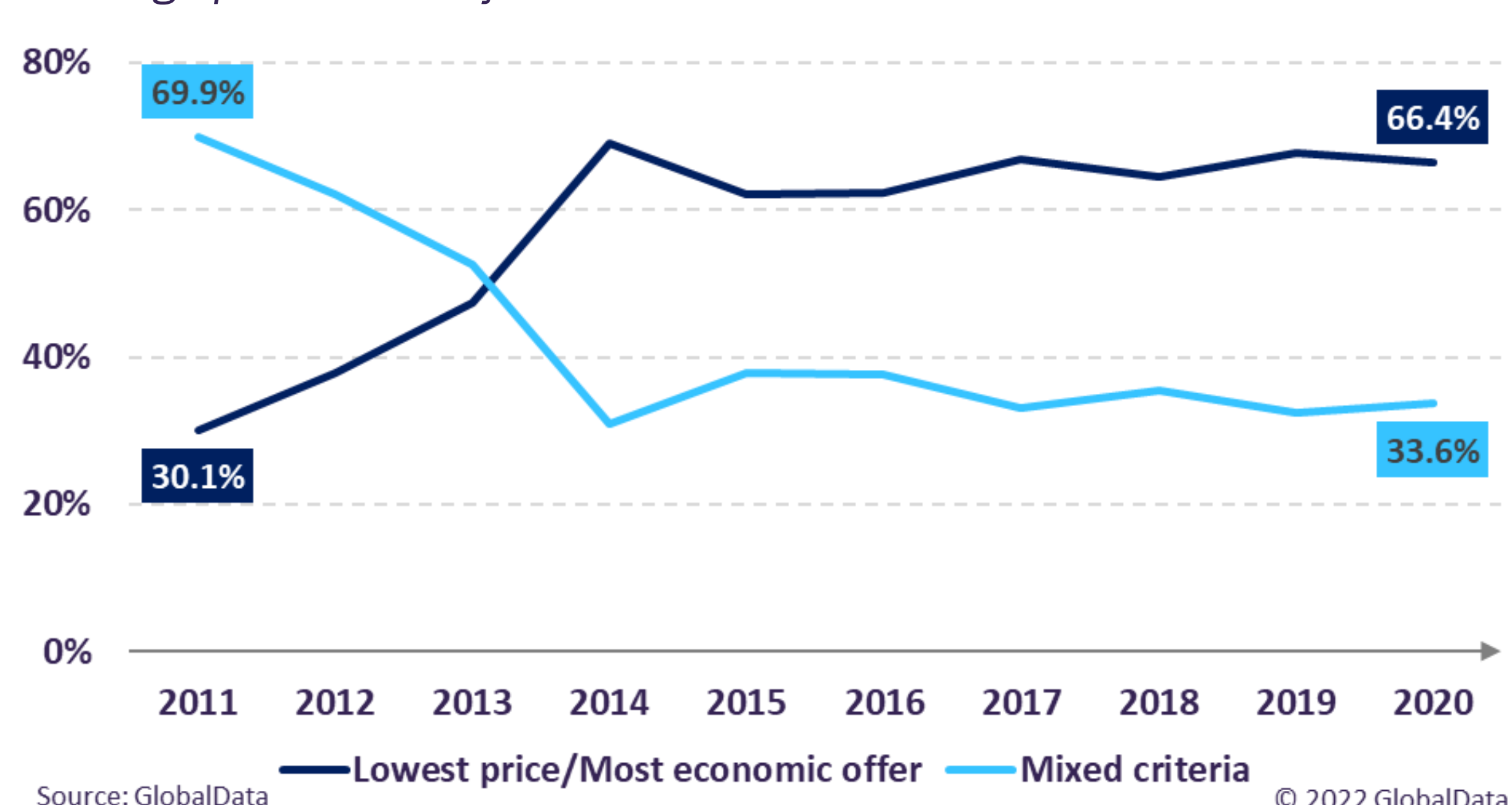
Conversely, in Spain (54.5%) and the UK (63.5%), expectations towards suppliers are more balanced, with significant shares of mixed criteria. In France, purely economic-driven tenders tend to be the exception (8%).

Prevalence of economic criteria vs. mixed criteria by country



The prevalence of mixed criteria – mainly focusing on technical and logistic requirements – in the EU5 has been reversed over the last 10 years (from 69.9% to 33.6%), while weight of economic considerations has more than doubled, reaching two third of all tenders.

Average prevalence of economic criteria vs. mixed criteria in EU5



## Conclusions

EU5 pharmaceutical procurement decisions continue to be primarily driven by short term budget constraints, rather than longer term reflections around ESG. Governments and purchasing organizations are in the very early stages of establishing a necessary change in paradigm, with ESG criteria starting to be introduced, but sporadically. However, more decisive efforts are certainly needed for these critical considerations to gain more routine relevance in procurement decision-making.