



Scorecards:

rating the companies in ASN Beleggingsfondsen
investment universe

Based on the report “from policy to practice”

November 2022

Introduction to Scorecards

In 2016, ASN Bank followed up on the findings in the Sustainalytics report ('from policy to practice') on behalf of its client ASN Impact Investors. Since then we engaged in talks with ten companies in the investment universe of ASN Beleggingsfondsen (ASN Investment Funds) for which the report served as the basis. In order to assess where the companies stood and the progress they made, we created scorecards to guide our dialogue with these companies. From the evaluation report of March 2019 stems that while the pharmaceutical sector has made progress in recent years, further progress is yet to be made. We excluded four companies from our investment universe from the initial engagement after thorough evaluation and one company was already removed before due to serious controversies. A new company was added to the universe in 2019. For the six companies that are now included in our investment universe, we provide for an update with these scorecards.

Before dealing with the individual scorecards, we would like to elaborate on our line of thought. How did we arrive at this approach?

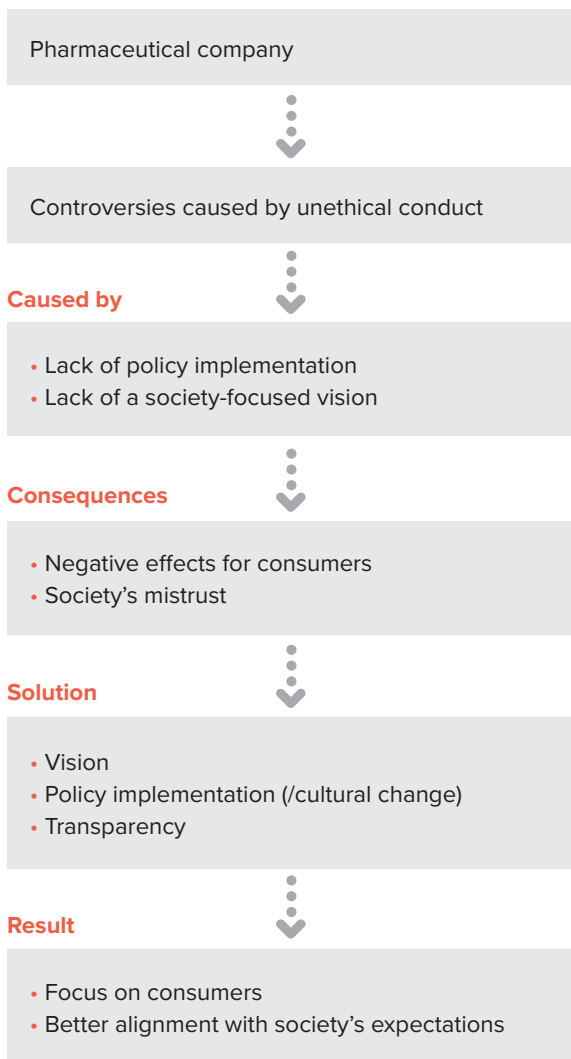
Because of the serious misconduct that was identified in this industry the above mentioned report was commissioned to Sustainalytics in 2016. A closer look revealed that these controversies could roughly be divided into four topics: ethical conduct, development and distribution, marketing, and remuneration (volume-driven sales targets).

As most of the companies have proper policies in place for these topics, the primary cause of this misconduct – according to the analyses that were done in 2016 and 2019 – is the lack of implementation of these policies and often also the lack of a vision that sufficiently addresses society's expectations (developing useful, reliable and good medicines).

Using the scorecards below, we call companies to account about their vision and how they implement their policies and commitments.

This year we have assessed the companies for the fifth time. In addition, we have evaluated our engagement using the scorecards over the past years. We conclude that it is not possible to draw clear conclusions regarding progress made by the pharmaceutical companies. During the coming months we will explore possible engagement strategies that may be more effective and have more leverage.

Please find below the description and the elements that we have assessed across the four different topics: ethical conduct, development and distribution, marketing, and remuneration.



What is our contribution?

- use scorecards to measure and trace the level of transparency and accountability of the selected companies
- engage with companies in ASN's Investment Universe

The rationale behind our ratings

When companies adopt policies, implement them, and are transparent about the positive and negative effects and the obstacles they encounter in practice, they become accountable for their conduct. Aside from an overarching vision, we believe this to be the basis for better alignment with society's expectations. We have structured our scorecards accordingly. Set out below is an explanation of what the various ratings mean, followed by the scorecards (one for each of the ten companies assessed).



* /Renders account

Description of the ratings

- 1) **Not transparent and no procedures**
- 2) **Basic procedures**
The company has limited procedures in place and does the minimum to counter bribery and corruption and to promote ethical conduct.
- 3) **Internally implemented**
The company has internally implemented the basic procedures.
- 4) **Externally verified**
The company has internally implemented the basic procedures and subjects them to external verification.
- 5) **Transparent and accountable**
The company has internally implemented the basic procedures and discloses the findings of internal and external verifications. As a result, the company is transparent and can be held accountable for its responsibilities.

Ethical conduct

What procedures does the company have in place to counter conduct it has prohibited in its rules of conduct (such as bribery, corruption and fraud of and/or by staff and executives) and to promote ethical behaviour?

- **Not transparent and no procedures**
- **Basic procedures**
The company has a whistleblower programme in place under which misconduct can be reported anonymously 24/7. The company actively informs staff of the policy and the whistleblower programme. Violations of the rules are subject to sanctions.
- **Internally implemented**
The company not only meets the basic procedures, but also engages in internal audits. Executives and managers are responsible for policy compliance. In addition, staff undergo annual training to ensure that they are familiar with the contents of the rules of conduct.
- **Externally verified**
The company not only meets the basic procedures and internal implementation, but also engages in external audits in addition to the audits that are legally required.
- **Transparent and accountable**
The company meets the basic procedures and internal implementation and engages in external audits. In addition, the company is transparent. It takes responsibility for its operations by declaring its rules of conduct applicable to third parties as well. It discloses the audits and the progress made in this regard. For example, the company publishes how many instances of misconduct have been reported and what action it has taken to resolve misconduct.

Development and distribution

What procedures does the company have in place to develop, manufacture and distribute safe and healthy medicines?

- **Not transparent and no procedures**
- **Basic procedures**
The company monitors the safety of its medicines. It has an action plan in place that takes effect when misconduct is detected. It has a system in place to take action in case of emergency.
- **Internally implemented**
The company not only meets the basic procedures, but also engages in internal audits.
- **Externally verified**
The company not only meets the basic procedures and engages in internal audits, but also engages in external audits in addition to the audits that are legally required.
- **Transparent and accountable**
The company not only meets the basic procedures and engages in internal and external audits but is also transparent and takes responsibility for its operations. It publishes on successful and terminated clinical trials through independent sources, while disclosing the raw data of the tests. The company also publicly reports on the findings of the audits.

Marketing

What procedures does the company have in place to ensure that medicines are placed on the market in a responsible manner?

- Not transparent and no procedures
- Basic procedures

The company has joined or endorses leading initiatives in this regard. This also entails that the company has translated these into internal policies. The company applies specific guidelines and gives its staff pointers on how to deal with healthcare professionals. The company continuously analyses the risks of the markets in which it operates.

- Internally implemented

The company not only meets the basic procedures, but also enforces internal compliance. The company ensures compliance by means of executive responsibility, inclusion of the basic procedures in internal audits and annual staff training, in order to make them aware of what is expected of them in this regard.

- Externally verified

The company not only meets the basic procedures and internal implementation, but also includes this topic in external audits.

- Transparent and accountable

The company not only meets the basic procedures, internal implementation and external verification, but is also transparent and takes responsibility for its operations. The company discloses misconduct as well as the action it has taken to resolve this misconduct. It also discloses what payments it makes to healthcare professionals. The company's aim is to terminate payments made to healthcare professionals for marketing purposes.

Remuneration

What procedures does the company have in place to encourage ethical conduct by employees through their remuneration?

- Not transparent and no procedures
- Basic procedures

The company aspires to terminate the sales volume-based remuneration of sales staff.

- Internally implemented

The company meets the basic procedures and implements them internally by setting goals and deadlines.

- Externally verified

The company not only meets the basic procedures and has implemented them internally, but also publicly reports on the progress made with the implementation of policy.

- Transparent and accountable

The company not only meets the basic procedures, internal implementation and external verification, but is also transparent and takes responsibility for its operations. It does so by rewarding sales staff on the basis of the quality of their services instead of the number of products they have sold.

NB: Two additional remarks regarding the ratings:

- * In some cases, a company's rating is a combination of two weightings, for example: "internally implemented/externally verified". This means that the company does not fully comply with the elements of either rating but does comply with one or more elements of both ratings.
- ** In some cases, companies do not have all elements of a rating. In those cases, we give the company the benefit of the doubt and award them that rating nonetheless.

Scorecards per company

- Astellas Pharma	P. 7
- AstraZeneca	P. 8
- GlaxoSmithKline	P. 9
- Merck KGaA	P. 10
- Novo Nordisk	P. 11
- Orion Oyj	P. 12

Astellas Pharma

Astellas Pharma Inc. established in 2005, merging from Yamanouchi Pharmaceutical Co., Ltd. and Fujisawa Pharmaceutical Co., Ltd., founded in 1923 and 1894 respectively and is headquartered in Tokyo, Japan. Astellas Pharma Inc. manufactures, markets, imports and exports pharmaceutical products worldwide. The company focuses on oncology, urology, nephrology, immunology and neurology. The company's main products are XTANDI, XOSPATA, Prograf and Betanis/Myrbetriq/BETMIGA.

Ethical conduct

Internally implemented

The company received this rating because it meets the conditions for *basic procedures* and *internally implemented*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- external audits;
- disclosure of the number of reports received, the types of misconduct and the measures taken.

Development and distribution

Transparent and accountable

The company does not meet one of the criteria for *basic procedures*, specifically that procedures for corrective action are missing. However, we have decided to give the company the benefit of the doubt as it does meet all of the other conditions for basic procedures.

The company does meet the criteria for *internally implemented*, *external verification* and *transparent and accountable*.

Marketing

Externally verified

The company does not meet one of the criteria for *internally implemented*, specifically managerial responsibility for responsible drug marketing is missing. However, we have decided to give the company the benefit of the doubt as it does meet all of the other conditions for *external verification*. Its rating is insufficient for *transparency*. Missing criteria include:

- disclosure of all payments made to healthcare professionals;
- public reporting on monitoring outcomes, violations and corrective action.

Remuneration

Not transparent and no procedures

The company received this rating because it does not meet any of the criteria it was screened for.

AstraZeneca

AstraZeneca PLC engages worldwide in the development, manufacture and marketing of prescription medicines for the treatment of cardiovascular, metabolic, respiratory, autoimmune and infectious diseases, oncologic, neurological and vaccines. Its main products are Onglyza, Iressa, Faslodex, Zoladex, Pulmicort and Seroquel XR. AstraZeneca PLC was founded in 1992 and is headquartered in London, United Kingdom.

Ethical conduct

Internally implemented

The company received this rating because it meets all of the conditions for *internally implemented*. Its rating is insufficient for *external verification*. Missing criteria include:

- external audits.

Development and distribution

Internally implemented

The company does not meet one of the criteria for *basic procedures*, specifically that it investigates incidents and takes corrective action, and the company does not meet the criteria for *external verification*. However, we have decided to give the company the benefit of the doubt because its rating is sufficient for *internally implemented* and *transparency*. Missing criteria include:

- incident investigation and corrective action;
- regular external product/service safety audits.

Marketing

Externally verified

The company does not meet one of the criteria for basic procedures and for *transparency*. However, we have decided to give the company the benefit of the doubt because the company meets the conditions for *internally implemented* and *external verification*. Missing criteria include:

- regular risk assessments of the markets in which it operates;
- disclosure of all payments made to healthcare professionals.

Remuneration

Not transparent and no procedures

The company received this rating because it does not meet any of the criteria it was screened for.

GlaxoSmithKline

GlaxoSmithKline plc develops and manufactures pharmaceutical products such as vaccines, over-the-counter medicines and consumer healthcare products, and markets them worldwide. Examples include medicines for the treatment of respiratory diseases, antivirals, medicines for the central nervous system and cardiovascular diseases, dermatology products, vaccines and HIV products. The company's well-known product brands include Panadol, Sensodyne and Aquafresh. GlaxoSmithKline plc was founded in 1935 and is headquartered in Brentford, United Kingdom.

Ethical conduct

Transparent and accountable

The company does not meet one of the criteria for *internally implemented*, specifically that managerial responsibility for ethical conduct is missing. However, we have decided to give the company the benefit of the doubt because it does meet all of the conditions for *basic procedures*, *external verification* and *transparency*.

Development and distribution

Transparent and accountable

The company does not meet one of the criteria for *basic procedures*, specifically that it has a system in place to take action in case of emergency. However, we have decided to give the company the benefit of the doubt because it does meet all of the conditions for *internally implemented*, *external verification* and *transparency*.

Marketing

Internally implemented

The company does not meet one of the criteria for *basic procedures*, specifically that it continuously analyses the risks of the markets in which it operates. However, we have decided to give the company the benefit of the doubt as the company meets all of the conditions for *internally implemented*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- monitoring of compliance with rules, including internal and external audits;
- public reporting on monitoring outcomes, violations and corrective action.

Remuneration

Basic procedures

The company meets two of all assessed criteria on this element. The company does meet the conditions for *external verification* and *transparency*. However, its rating is insufficient for *internally implemented*. Overall, its rating is therefore insufficient for *external verification* and *transparency*. Missing criteria include:

- a sales personnel remuneration strategy which eliminates volume-based targets;
- quantitative targets or deadlines.

Merck

Merck KGaA manufactures, markets, imports and exports pharmaceutical products worldwide. The company focuses on oncology, endocrinology, multiple sclerosis, and fertility. Products made by the company include Rebif, Erbitux, Bavencio and Mavenclad. Besides the healthcare segment, the company also operates in the segments life sciences and performance materials. The company was founded in 1668 and is headquartered in Darmstadt, Germany.

Ethical conduct

Internally implemented

The company does not meet one of the criteria for *internally implemented*, specifically that board responsibility for ethical conduct is missing. However, we have decided to give the company the benefit of the doubt as it does meet all of the other conditions for *internally implemented*. Its rating is insufficient for external verification because the criteria external audits is missing.

Development and distribution

Basic procedures

The company does not meet two of the criteria for *basic procedures*. However, we have decided to give the company the benefit of the doubt as it does meet all of the other conditions for *basic procedures* and also conducts internal audits. Its rating is insufficient for *internal implementation*, *external verification* and *transparency*. Missing criteria include:

- regularly tested emergency response procedures;
- incident investigation and corrective action;
- regular external product/service safety audits.

Marketing

Internally implemented

The company does not meet one of the criteria for *basic procedures*, specifically regular risk assessments of the markets it's operating in is missing. However, we have decided to give the company the benefit of the doubt as it does meet all of the conditions for *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- public reporting on monitoring outcomes, violations and corrective action;
- monitoring of compliance with rules, including external audits.

Remuneration

Not transparent and no procedures

The company received this rating because it does not meet any of the criteria it was screened for.

Novo Nordisk

The company Novo Nordisk A/S engages in the development, manufacture and marketing of pharmaceutical products worldwide. In addition to products for the treatment of diabetes and haemophilia, it also offers products for growth hormone therapy and hormone replacement therapy. Novo Nordisk A/S was founded in 1925 and is headquartered in Bagsværd, Denmark.

Ethical conduct

Internally implemented

The company received this rating because it meets all of the conditions for *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- external audits;
- disclosure on the number of reports received, the types of misconduct and measures taken.

Development and distribution

Internally implemented

The company does not meet one of the criteria for *basic procedures*, specifically that it regularly tested emergency response procedures. However, we have decided to give the company the benefit of the doubt as it does meet the other conditions for *internally implemented*. Its rating is insufficient for *externally verified* and *transparency*. Missing criteria includes:

- external audits.

Marketing

Basic procedures

Internally implemented

The company received this rating because it partially meets the conditions for *basic procedures* and *internal implementation*. Its rating is insufficient for *externally verified* and *transparency*. Missing criteria include:

- managerial responsibility for responsible drug marketing;
- external audits;
- disclosure of all payments made to healthcare professionals;
- public reporting on monitoring outcomes, violations and corrective action.

Remuneration

Not transparent and no procedures

The company received this rating because it does not meet any of the criteria it was screened for.

Orion Oyj

Orion Oyj develops, manufactures and sells medicines for people and animals worldwide. The company supplies medicines in the areas of the central nervous system, oncology and pneumology. It also produces generic medicines, over-the-counter medicines, ingredients for generic and patented medicines and vitamins. Further, the company supplies patented and generic veterinary medicines and distributes veterinary medicines produced by other international companies. The company was founded in 1917 and is headquartered in Espoo, Finland.

Ethical conduct

Internally implemented

The company does not meet one of the criteria for *basic procedures*, specifically that a reporting hotline is available 24/7 and one of the criteria for *internally implemented*, specifically board responsibility for ethical conduct. However, we have decided to give the company the benefit of the doubt as it does meet the other criteria for *basic procedures* and *internally implemented*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria includes:

- regular external audits.

Development & distribution

Externally verified

The company received this rating because it meets all of the conditions for *external verification*. Its rating is insufficient for *transparency*. Missing criteria include:

- publication of results of terminated trials;
- publication of all clinical trial results in credible databases or peer reviewed journals.

Marketing

Basic procedures

Internally implemented

The company received this rating because it meets the conditions for *basic procedures* but only partly meets the conditions for *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- monitoring of compliance with rules, including worldwide internal and external audits;
- public reporting on monitoring outcomes, violations and corrective action.

Remuneration

Not transparent and no procedures

The company received this rating because it does not meet any of the criteria it was screened for.