

February 2017



## Scorecards:

rating the companies in ASN Bank investment universe

Based on the report "from policy to practice"

## Introduction to Scorecards

In 2016, ASN Bank followed up on the findings in the Sustainalytics report ('from policy to practice'). We engaged in talks with the ten companies in our investment universe. In order to assess where the companies stood and the progress they made, we created scorecards to guide our dialogue with these companies. After a year of engagement, it is time for an update. As we only engaged in dialogue with companies from our investment universe, this update relates to those ten companies alone.

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

As an investor, we have identified serious misconduct in this industry for a number of years now. A closer look reveals that these controversies can roughly be divided into four topics: ethical conduct, development and distribution, marketing, and remuneration (volume-driven sales targets).

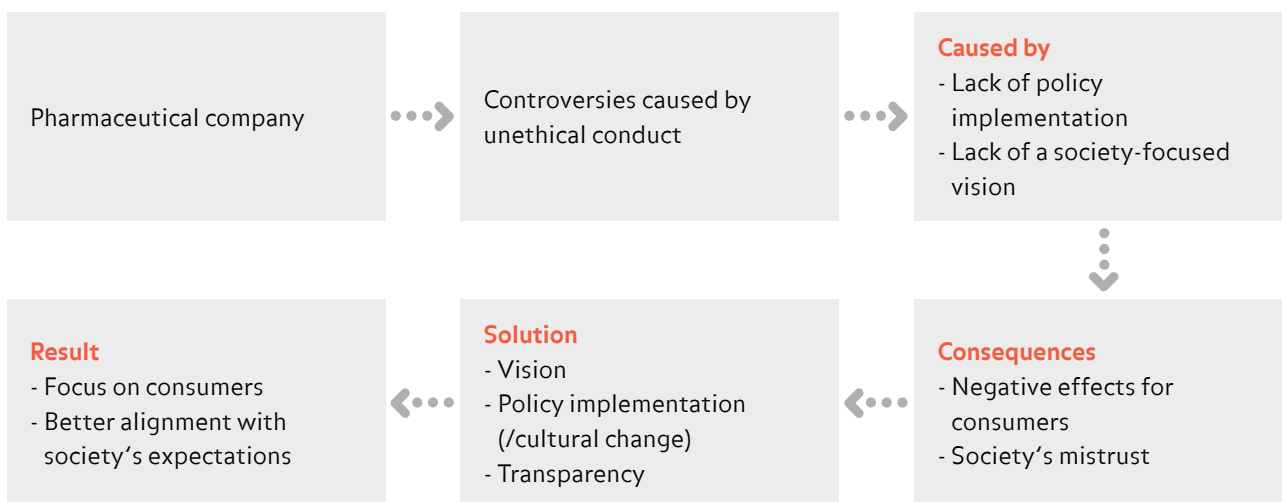
As most of the companies have proper policies in place for these topics, the primary cause of this misconduct – according to our analysis – is the lack of implementation of these policies and often also the lack of a vision that sufficiently addresses society's expectations (developing useful, reliable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

As a result, consumers suffer the negative consequences of misconduct and society's mistrust of the industry is growing.

The industry can (hopefully) regain this trust by formulating a vision that focuses on society, by implementing policy, by being transparent and through accountability, allowing consumers and patients to have complete faith in its products once again.

The industry still has a long way to go. Using the scorecards below, however, we will call companies to account about their vision (or their lack of a vision) and how they implement their policies and commitments.

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

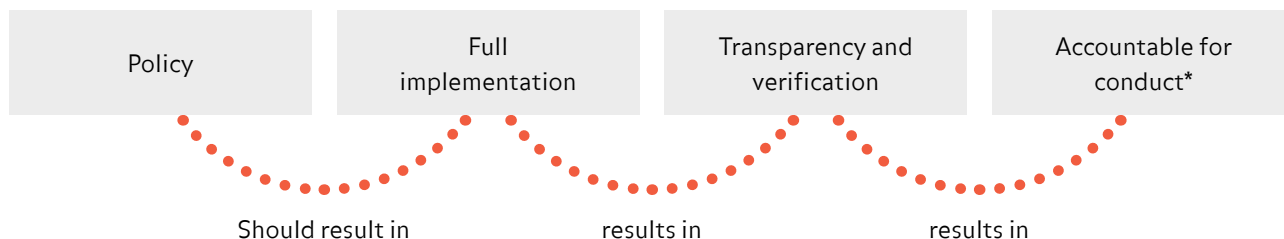


### What is ASN Bank's contribution?

- use scorecards to measure and trace the level of transparency and accountability of the selected companies
- raise questions at shareholders' meetings
- engage in dialogue with companies in ASN's Investment Universe
- inform other stakeholders (investors, CSOs, clients)

## 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 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 (in alphabetical order): P. 6 - 15**

- Astellas Pharma	P. 6
- AstraZeneca	P. 7
- Bristol-Myers Squibb	P. 8
- BTG	P. 9
- GlaxoSmithKline	P.10
- Indivior	P. 11
- Merck & Co	P.12
- Novartis	P.13
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- Orion	P.15

## Astellas Pharma

Astellas Pharma Inc. manufactures, markets, imports and exports pharmaceutical products worldwide. The company focuses on urology, oncology, immunology, nephrology, neurology, muscle disorders and ophthalmology. Products made by the company include Prograf, Vesicare, Protopic and Harnal. The company was founded in 1923 and is headquartered in Tokyo, Japan.

### Ethical conduct

Not transparent and no procedures

Basic procedures

The company has very limited procedures. Missing criteria include:

- a whistleblower programme under which misconduct can be reported anonymously 24/7;
- sanctions for violations of the rules.

### Development and distribution

Basic procedures

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 as it does meet all of the other conditions for *basic procedures*. Its rating is insufficient for *internal implementation*, *external verification* and *transparency*. Missing criteria include:

- internal audits;
- regular external safety audits in respect of products and services;
- public disclosure of the results of safety audits.

### Marketing

Not transparent and no procedures

Basic procedures

The company has very limited procedures. Missing criteria include:

- disclosure of all payments made to healthcare professionals;
- regular internal and external audits;
- regular risk analyses.

### 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, inflammatory, autoimmune and infectious diseases, and oncologic, neurological and psychiatric disorders. 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 *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- external audits;
- procedures for processing whistleblower reports.

### Development and distribution

**Internally implemented**

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 *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- regular external safety audits in respect of products and services;
- public disclosure of the results of safety audits.

### Marketing

**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:

- objectives and targets for ethical medicine promotion;
- 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.

## Bristol-Myers Squibb

Bristol-Myers Squibb Company develops, manufactures, licenses and markets pharmaceutical products worldwide. It provides chemically synthesised medicines or small molecules, and biologics in the areas of virology, HIV infection, oncology, neuroscience, immunoscience and cardiovascular diseases. Products made by the company include Baraclude, Reyataz, Yervoy, Abilify and Eliquis. Bristol-Myers Squibb Company was founded in 1887 and is headquartered in New York, USA.

### Ethical conduct

Basic procedures

Internally implemented

The company received this rating because it meets some of the conditions for *basic procedures* and *internal implementation* but has an insufficient rating for *external verification* and *transparency*. Missing criteria include:

- actively informing staff of the policy and the whistleblower programme;
- annual ethical conduct training for both employees and board;
- external audits.

### Development and distribution

Not transparent and no procedures

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

### Marketing

Not transparent and no procedures

Basic procedures

The company has very limited procedures. Missing criteria include:

- disclosure of all payments made to healthcare professionals;
- monitoring of compliance with rules, including internal and external audits;
- regular risk analyses.

### Remuneration

Not transparent and no procedures

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



## BTG

BTG plc develops and manufactures pharmaceutical products and markets them worldwide. These are antidote products used in emergency rooms and intensive care units and oncology and vascular products. The company's product brands include LC Bead, EkoSonic, TheraSphere and Voraxaze. Furthermore, the company licenses technologies. BTG plc was founded in 1948 and is headquartered in London, United Kingdom.

### Ethical conduct

Basic procedures

Internally implemented

The company received this rating because it meets some of the conditions for *basic procedures* and *internal implementation* but has an insufficient rating for *external verification* and *transparency*. Missing criteria include:

- annual ethical conduct training for both employees and board;
- external audits;
- procedures for processing whistleblower reports.

### Development and distribution

Basic procedures

Internally implemented

The company received this rating because it meets some of the conditions for *basic procedures* and *internal implementation* but has an insufficient rating for *external verification* and *transparency*. Missing criteria include:

- regular external safety audits in respect of products and services;
- incident investigation and corrective action.

### Marketing

Basic procedures

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 because it does meet all of the other conditions for *basic procedures*. Its rating is insufficient for *internally implemented*, *external verification* and *transparency*. Missing criteria include:

- disclosure of all payments made to healthcare professionals;
- regular external safety audits in respect of products and services.

### 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, NiQuitin, Sensodyne and Aquafresh. GlaxoSmithKline plc was founded in 1935 and is headquartered in Brentford, United Kingdom.

### Ethical conduct

**Transparent and accountable**

The company received this rating because it meets all of the conditions for ethical conduct.

### Development and distribution

**Internally implemented**

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 *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- regular external safety audits in respect of products and services.

### 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 because it does meet all of the conditions for *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- monitoring of compliance with rules, including internal and external audits;
- disclosure of all payments made to healthcare professionals;

### Remuneration

**Transparent and accountable**

The company received this rating because it meets all of the conditions for remuneration.

## Indivior

Indivior develops, manufactures and sells medicines worldwide to treat opiate dependency. Its products have been developed to treat chronic diseases resulting from various types of addiction, such as schizophrenia, alcohol use disorders and cocaine intoxication. The company was founded in 1994 and is headquartered in Richmond, Virginia, USA.

### Ethical conduct

#### Basic procedures

The company received this rating because it meets all of the conditions for *basic procedures* but has an insufficient rating for *internal implementation*, *external verification* and *transparency*. Missing criteria include:

- internal and external audits;
- procedures for corrective action.

### Development and distribution

#### Basic procedures

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 as it does meet all of the other conditions for *basic procedures*. Its rating is insufficient for *internal implementation*, *external verification* and *transparency*. Missing criteria include:

- internal audits;
- regular external safety audits in respect of products and services;
- public disclosure of the results of safety audits.

### Marketing

#### Not transparent and no procedures

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

### Remuneration

#### Not transparent and no procedures

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

## Merck & Co

Merck & Co., Inc. develops, manufactures and sells medicines and consumer and animal health products worldwide. The company offers therapeutic and preventive agents to treat cardiovascular diseases, type 2 diabetes, fungal infections, male pattern hair loss and fertility diseases. It also produces antidepressants, cholesterol modification products and products to prevent chemotherapy-induced and post-operative nausea and vomiting. Further, it offers veterinary medicines, including antibiotics, vaccines and parasiticides. The company was founded in 1891 and is headquartered in Kenilworth, New Jersey, USA.

### Ethical conduct

**Internally implemented**

The company does not meet one of the criteria for *basic procedures*, specifically that violations of the rules are subject to sanctions. However, we have decided to give the company the benefit of the doubt because it does meet all of the conditions for *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- external audits.

### Development and distribution

**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:

- regular external safety audits in respect of products and services;
- managerial responsibility for product and service safety.

### 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 because it does meet all of the conditions for *internal implementation*. Its rating is insufficient for *external verification* and *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.

## Novartis

Novartis AG researches, develops and manufactures a range of healthcare products and markets them worldwide. It offers patented prescription medicines in areas including oncology, cardio-metabolism, immunology and dermatology, retinal diseases, respiratory diseases and neuroscience. Its Alcon division supplies various eye care products, including surgical products, medicines for eye conditions, vision care products and ophthalmic surgical equipment. It also supplies generic medicines such as antibiotics. Novartis was founded in 1895 and is headquartered in Basel, Switzerland.

### Ethical conduct

#### Internally implemented

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

- external audits;
- rules of conduct to which third parties are also subject.

### Development and distribution

#### Internally implemented

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 *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- regularly tested emergency response procedures;
- regular external safety audits in respect of products and services.

### Marketing

#### 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:

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

### Remuneration

#### Basic procedures

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

- goals and deadlines that are set internally;
- public reporting on implementation of policy.

## 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:

- rules of conduct to which third parties are also subject;
- disclosure of the number of whistleblower reports received, the types of misconduct and the measures taken.

### Development and distribution

**Internally implemented**

The company received this rating because it meets some of the conditions for *basic procedures*. However, we have decided to give the company the benefit of the doubt because it does meet all of the conditions for *internal implementation*. Its rating is insufficient for *external verification* and *transparency*. Missing criteria include:

- regularly tested emergency response procedures;
- action plan for when misconduct is detected;
- incident investigation and corrective action.

### 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 because it does meet all of the conditions for *internal implementation*. Its rating is insufficient for *external verification* and *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.

## Orion Oyj

Orion Oyj develops, manufactures and sells medicines and diagnostic tests 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. In addition, the company develops, manufactures and markets tests for diagnosing diseases and monitoring treatments. The company was founded in 1917 and is headquartered in Espoo, Finland.

### Ethical conduct

Not transparent and no procedures

Basic procedures

The company has very limited procedures. Missing criteria include:

- a whistleblower programme under which misconduct can be reported anonymously 24/7;
- regular internal and external audits.

### Development and distribution

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:

- regular external safety audits in respect of products and services;
- publication of results of successful and terminated clinical trials through independent sources.

### Marketing

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:

- 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.