

ENGAGEMENT FACTSHEET

Roche Holding AG

ENGAGEMENT RATIONALE

We engaged with Roche on two issues in a short period of time: sales incentives and the company's response to the Covid outbreak in early 2020.

BACKGROUND

Roche (like some other pharma companies) is on the UNGC watchlist of MSCI due to its alleged involvement in the bribery of the Ministry of Health officials in Iraq. We are concerned that the aggressive sales incentives in the pharma sector might lead to bribery and we sought to get more insight into this issue. Also, at the outbreak of Covid-19 in Europe in early 2020, all countries were struggling with testing capacity. Roche possessed the recipe for a lysis buffer solution that was an essential ingredient of their Covid-19 diagnostic test. In order to ramp up testing capacity, the question came up whether Roche could share the recipe to enable the scaling up of the production of this solution. The issue got a lot of attention in the Dutch press and was potentially negative for Roche.

THEME FOR ENGAGEMENT

Governance. We sought better insight into the governance of sales incentives in and the governance of collaboration with the Dutch government in the context of an unprecedented global viral outbreak.

E

S

G

ENGAGEMENT OBJECTIVES

- x More insights in the sales incentives Roche uses, particularly in China.
- x Asked Roche to explain their side of the story related to the recipe. We signaled that in a time like the Covid pandemic facilitating testing should perhaps be prioritized over economics.

DEVELOPMENT



MILESTONE



ENGAGEMENT RESULTS

- x Company has taken a proactive stance on collaborating with public authorities, healthcare providers, suppliers and laboratories to help address the COVID-19 outbreak. The company also shared the lysis buffer solution recipe with the Dutch government.
- x The company made adjustments to the structure of sales incentives for Roche Pharma in China after running pilot projects in 2020. Roche has increased the share of behavior-based metrics and is further committed to increase the overall sustainability and efficiency of its sales incentive system by exploring additional non-promotional KPIs. The company has also developed a new customer engagement model.

SUBSEQUENT STEPS

- x Continue dialogue on sales incentives.
- x Continue dialogue on further embedding corporate social responsibility into the DNA of the company.



COMPANY

Roche is the largest pharmaceutical company in the world, a leading provider of cancer treatments globally.

COUNTRY

Switzerland

SECTOR

Pharmaceuticals

MARKET CAP

Large Cap

ISSUE

Sales incentives & Covid-related responsibilities

MATERIALITY

Incentives of sales staff is a contingent issue in the pharmaceutical sector (need targets looking at 12 months) to ensure targets don't lead to aggressive behaviour and are aligned with long-term relationships of trust and knowledge sharing between sales people and their customers. In the context of Covid, Roche has been in the spotlight to help ramp up testing capabilities to get the pandemic's scale in scope & help control it.

MSCI ESG RESEARCH

UN Global Compact: Pass
ESG Rating: A (MSCI ESG)