

Fair Insurance Guide

Taming Big Pharma

Assessing how insurers push pharmaceutical companies to improve access to medicine and pay fair taxes

Importance of influencing Big Pharma



Major responsible business conduct issues

- Investment in and engagement processes with pharmaceutical companies
- In their investment and screening policies, engagement processes and voting policies and practices:
- Inclusion of fair payment of taxes by pharmaceutical companies
 - Inclusion of access to affordable medicines

Company focus

- This study assesses the role played by nine insurance companies – Achmea, Aegon, Allianz, ASR, CZ, Menzis, NN Group, VIVAT and VGZ
- 2019 figures: combines investment over € 14 billion in 19 selected companies – based on the Acces to Medicine Foundation's index

Normative guidance

OECD guidelines and guidance for institutional investors, GRI reporting standard for financial services, UN Principles for Responsible Investments (PRI), ESG criteria, Access to Medicine Index

Insurance companies' investments and transparency about engagement with pharmaceutical companies

- Most insurers provide some degree of transparency
- Transparency on engagement activities and the results thereof varies widely
- There are good systems in place to provide transparency on exercising voting power
- Several companies have their sustainability report audited – no assurance on key GRI sector disclosure indicators

Recommendations on investments and transparency

1. Insurers should implement the government-backed guidance provided by the OECD with regard to due diligence and responsible business conduct by institutional investors. This guidance document contains several recommendations and practical tips for insurers with regard to transparency and communication about their due diligence processes and actions.
2. Insurers should follow the example of Menzis and provide a transparent overview of their investment portfolio (shares and bonds), which includes the names of the companies in which they invest and the relative weight of each investment in its overall portfolio.
3. Insurers should publish transparent and regular reports on their engagement processes, which should include the names of the companies engaged, the status of these engagements, the specific issues on which these engagements focus and success rates.
4. Insurers should have their annual sustainability report and/or other non-financial reporting audited for compliance with GRI Sustainability Reporting Standards by an independent external auditor.

Fair payment of taxes

- The high risk of unethical tax avoidance by pharmaceutical companies is generally not recognised
- General policies and policies specific targeted at fair payment of taxes
- Only Achmea and CZ have specific engagement on fair payment of taxes - report little progress and improvement by pharmaceutical companies.
- Achmea, ASR, CZ, VIVAT provided a written commitment to undertake concrete action on the issue of fair payment of taxes within one year

Recommendations on fair payment of taxes

5. Insurers should demand companies in which they invest must follow the OECD Guidelines for Multinational Enterprises and pay their fair share of taxes in jurisdictions where economic activity takes place and refrain from using corporate structures that facilitate tax avoidance.
6. Insurers should include tax transparency in the ESG criteria they use for company screenings, which should include country-by-country reporting and publishing a full list of subsidiaries in every country where they operate.
7. Insurers should engage companies on their tax policies and practices, specifically on the aspects mentioned in recommendations 4 and 5, and set clear objectives for these engagements.
8. Insurers should have a clear strategy on disengagement in case its engagement process with a company fails to meet its objectives.
9. Insurers should demand companies in which they invest should disclose all contributions made to political candidates, policy-makers, trade associations, think tanks, coalitions and other political entities to influence policy.
10. Given the limited impact of insurers' current engagement with pharmaceutical companies regarding fair payment of tax, insurance companies should increase pressure on pharmaceutical companies by increasing joint efforts with other investors or legal actions.

Provision of affordable medicines

- Five insurers (Achmea, ASR, CZ, Menzis and VIVAT) include the Access to Medicine Index in their engagement decisions or as a topic of discussion within their engagements with pharmaceutical companies.
- Some insurers hold relatively larger shares in the pharmaceutical companies performing best on the Access to Medicine Index than others. Some insurers dedicate relatively large shares of their investments to the seven worst performing companies on the Access to Medicine Index.
- There is a significant amount of engagement by insurers with pharmaceutical companies on this issue generally, but transparency about the exact subjects, intensity and results are largely lacking.
- Six insurers (Achmea, Allianz, ASR, CZ, NN Group and VIVAT) all voted in favour of resolutions that addressed the issue of access to medicine at the 2018 shareholder meetings of six pharmaceutical companies.
- In the five years since the previous Fair Insurance Guide report, Aegon and Allianz have still not signed the Access to Medicine Index Investor Statement. Four of the nine insurers examined – Achmea, ASR, NN Group and VIVAT – have currently signed the Investor Statement.
- Two insurers provided a written commitment to undertake concrete action on the issue of access to medicine within one year.

Recommendations regarding the provision of affordable medicines: page 1/2

11. Insurers should address access to medicine in their investment policies and specify their strategies to progress on this issue.
12. Insurers should endorse the Access to Medicine Index Investor Statement.
13. Insurers should integrate access to medicine in their ESG screening policies, in line with the Access to Medicine Index Investor Statement.
14. Insurers should use their voting rights to jointly file and support resolutions on the issue of access to medicine at the shareholder meetings of all companies in the Access to Medicine Index.
15. Insurers should jointly engage with the 19 listed companies on the Access to Medicine Index on the issue of access to medicine. Investors should specifically demand from pharmaceutical companies that they publicly declare actual spending on R&D, production and marketing of medicines and commit to full transparency on medicine prices, results of clinical trials and patent information. Moreover, investors should request that pharmaceutical companies declare their support for the UN High-Level Panel on Access to Medicines and its recommendations, including governments' right to use mechanisms in the World Trade Organization (WTO) Agreement on Trade-Related Intellectual Property (TRIPS) to reduce medicine prices, affirming that intellectual property protection must not take precedence over public health needs. Insurers should also encourage pharmaceutical companies to implement the company-specific recommendations from the Access to Medicine Foundation.

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16. As recommended by the OECD guidance for institutional investors, insurers should have a clear strategy for when an engagement process fails to meet its objectives, which also specifies when investors decide to disengage/divest.
17. Insurers should include improving access to medicine as one of the intended positive outcomes of their impact investment strategies.
18. Insurers should demand that pharmaceutical companies endorse the OECD Guidelines for Multinational Enterprises.
19. Insurers should report in a transparent way on their efforts to address the issue of access to medicine, the outcomes of these actions and the way access to medicine is integrated in the ESG screening process.
20. Given the limited impact of insurers' current engagement with pharmaceutical companies regarding affordable medicine, insurance companies should increase pressure on pharmaceutical companies by increasing joint efforts with other investors or legal actions.

Table 6 Summary of findings of insurers' performance relative to each other, by issue

Issue	Frontrunners	Middle performers	Laggards
Transparency of investments and engagement	Achmea, ASR, Menzis, VIVAT	CZ	Aegon, Allianz, NN, VGZ
Fair payment of tax by pharma companies	Achmea, ASR, VIVAT, CZ	Allianz, NN	Aegon, Menzis, VGZ
Provision of affordable medicines by pharma companies	Achmea, ASR, VIVAT, CZ, Menzis	VGZ, NN	Aegon, Allianz
Proportion of investments in pharma companies scoring well vs poorly on Access to Medicine Index	Achmea, ASR, VIVAT	Aegon, CZ	Allianz, Menzis, NN, VGZ*

* VGZ is included with the laggards here because it did not provide information on the specific value of its investments in pharmaceutical companies, so the proportions are unknown.

Thank you!

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Report available at:

<https://eerlijkegeldwijzer.nl/media/495692/2019-04-praktijkonderzoek-taming-big-pharma.pdf>