

Investors urge pharmaceuticals to embed Access to Medicines in remuneration policies

Recommendations for effective KPIs for pharmaceutical companies



Initiated by Achmea Investment Management, institutional investors are calling on pharmaceutical companies to embed access to vaccines, medicines, diagnostics, and healthcare in general in their strategic considerations and related remuneration policies. Achmea IM has been discussing this topic with pharmaceutical companies since 2021 but believes that too little progress has been made so far. The collective of 38 investors has therefore formulated a series of recommendations to establish effective key performance indicators (KPIs) for this topic. These recommendations are based on earlier discussions with pharmaceuticals, experts and the objectives of the Access to Medicine Index.

The recommendations are part of a broader engagement program of Achmea IM on making affordable medicines more widely available worldwide. As investors, we favour executive compensation practices that embed ESG objectives in both strategy development and execution. In addition, linking ESG metrics to executive pay is becoming increasingly common among listed companies, especially on topics such as climate risk management and corporate diversity and inclusion goals.

Access to Healthcare is a theme close to Achmea IM's heart. In the COVID-19 pandemic, for example, Achmea IM was the initiator of two Investor Statements in which pharmaceutical companies were called upon to commit themselves to a fairer distribution of vaccines to less developed countries. To guarantee this, a group of 65 institutional investors asked to make it part of the remuneration policy of the board.

During the discussions, it became apparent that companies have not yet sufficiently integrated the subject into their remuneration policy and this topic was insufficiently in scope. At the same time,

companies signalled that they were open to including the subject in the revisions of the executive compensation policy planned this year. However, companies indicated that they were struggling with the question of which objectives, or more concretely which KPIs are most suitable for this.

In the letter, the collective of investors therefore provides pharmaceutical companies with a set of guidelines for formulating clear and useful KPIs regarding access to medicine. These are based on our principles of good governance, our ongoing commitment to the companies and the objectives of the Access to Medicine Index:

1. There must be a clear link between actions taken and positive social impact. This applies to the (emerging) markets where the company operates and where access to medicine is most salient.
2. The metrics should be clearly linked to the business strategy and, if possible, link to existing business goals.
3. The chosen goals and standards must be publicly reported on and be verifiable.
4. The chosen objectives and benchmarks must be sufficiently ambitious.
5. Embedding Access to Medicines and Healthcare in the strategy should not lead to disproportionate expansion of compensation packages. So, adding new ESG factors should be offset by reducing the weight of existing compensation metrics.
6. The Remuneration and Appointments Committee ensures sufficient knowledge and insight into the subject, for example by consulting experts and stakeholders.