

IdealRatings®

Enabling Responsible Investment

SRI Performance Report

AstraZeneca

AstraZeneca 

October 2019

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About this Report

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Environmental KPIs

79.5/100



Social KPIs

86/100



Governance KPIs

64/100

Business Involvement

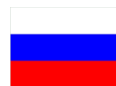


GMO



Animal Testing

Countries of Concern



Russia



Zimbabwe

AstraZeneca plc at a Glance

Company Description



AstraZeneca PLC (AstraZeneca) is a biopharmaceutical company. The Company focuses on discovery and development of products, which are then manufactured, marketed and sold. The Company focuses on three main therapy areas: Oncology, Cardiovascular & Metabolic Disease (CVMD) and Respiratory, while selectively pursuing therapies in Autoimmunity, Infection and Neuroscience. In CVMD, it is expanding its portfolio into the cardiovascular-renal area with late-stage assets, such as ZS-9 and roxadustat, as well as investing to explore the benefits of its SGLT2 and GLP-1 franchises in chronic kidney disease (CKD) and heart failure (HF). The Company has approximately 40 projects in Phase I, including 29 new molecular entities (NMEs), and 11 oncology combination projects. It has approximately 40 projects in Phase II, including 25 NMEs; four significant additional indications for projects that have reached phase II, and seven oncology combination projects.

Nation



United Kingdom

Primary Exchange



London
Stock Exchange

London Stock Exchange

Industry



Pharmaceuticals - Diversified

ISIN

GB0009895292

Website

<https://www.AstraZeneca.com/>

ESG Performance Drivers for Pharmaceuticals-Diversified

Industry

The Key Performance Indicators (KPIs) relevant to the Pharmaceuticals-Diversified Industry and their weighted contributions to the E, S and G pillar scores are described and illustrated below. Each pillar has a maximum score of 100, and the sum of the three pillar scores becomes the company's overall ESG Score.

Environmental Pillar

Having the suitable management systems would ensure the company's abidance by the required procedures. Emissions coming from companies during drugs' manufacturing process, water consumption, and proper wastes management are among the key aspects that should be given appropriate attention. Reporting environmental data is considered important as it enhances the level of transparency.



Social Pillar

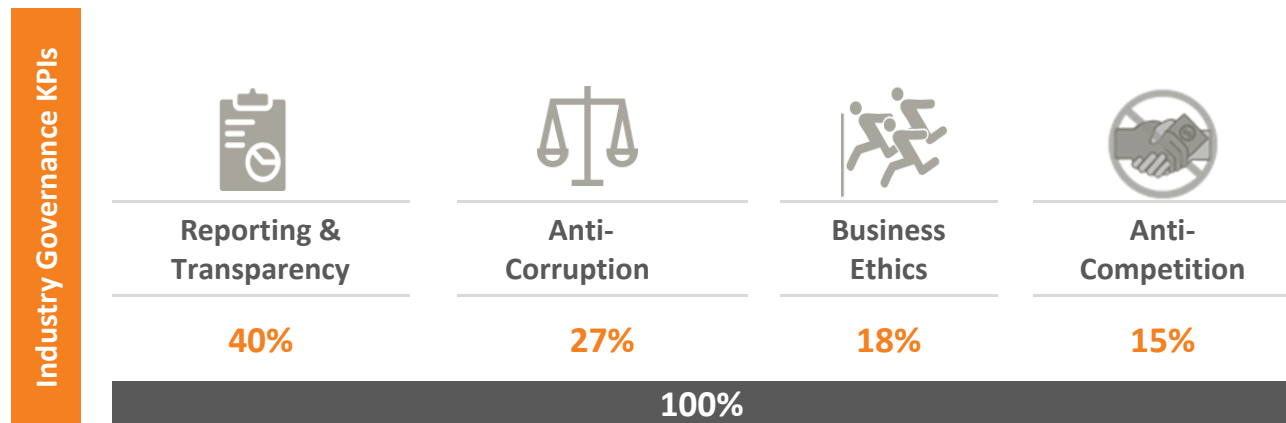
Given the nature of the pharmaceuticals industry, the social aspect takes the major focus. The industry is driven by innovations which require acquiring and retaining the best talents available. That can be done through applying and monitoring the guidelines of human rights in addition to motivating employees through offering suitable compensations and benefits. Moreover, maintaining the health and safety of its workers is a vital aspect. The main target of the pharmaceuticals industry is the patients who are the core of this sector. Maintaining a good customer relationship and ensuring providing the required services with the highest level of quality measurements is deemed important. As for the procurement, pharmaceutical companies should give high significance to the suppliers they deal with and ensure they are following the

required guidelines that should be set by the company. Giving back to the community, especially when it comes to health and accessing medicines, is a very generous act that should be followed by all involved companies in the sector.



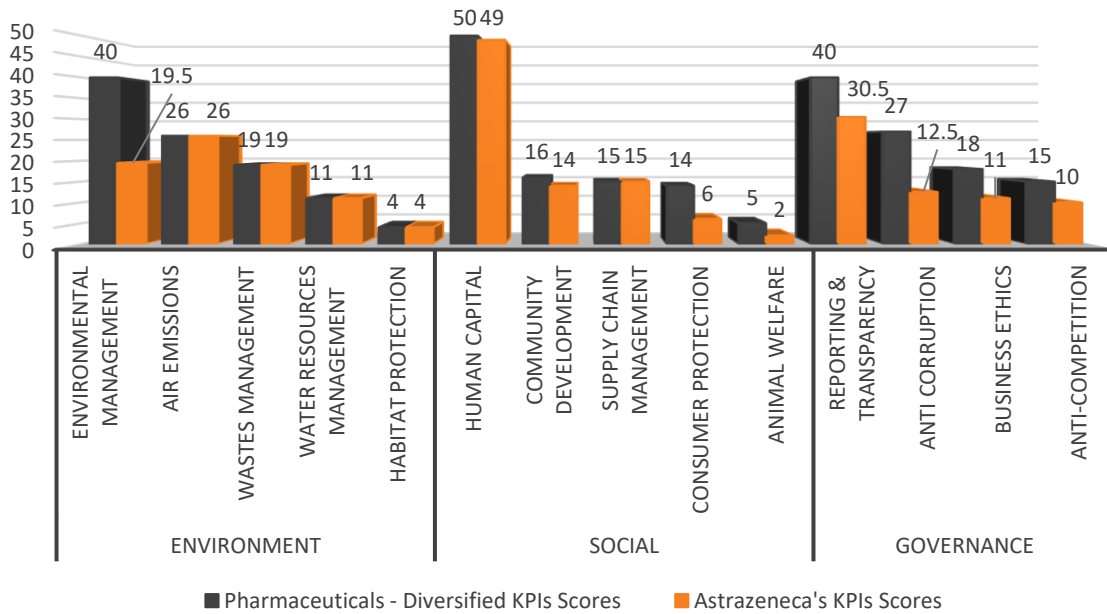
Governance Pillar

Pharmaceutical companies are subject to various fraud related laws. Given the nature of this business activity pertinent companies are subject to corruption and patent infringement cases. Accordingly, a solid code of conduct must be set by banks as a guideline for ethical behaviour and training on the code must be conducted.



AstraZeneca plc ESG Performance Details

The chart below illustrates the company’s score for each Key Performance Indicator compared to the maximum score achievable by a company in the Pharmaceuticals-Diversified Industry. A more detailed breakdown of the individual E, S and G pillars, how the KPI scores are combined to derive the pillar scores, and a description of how AstraZeneca plc performed (and why) follows.

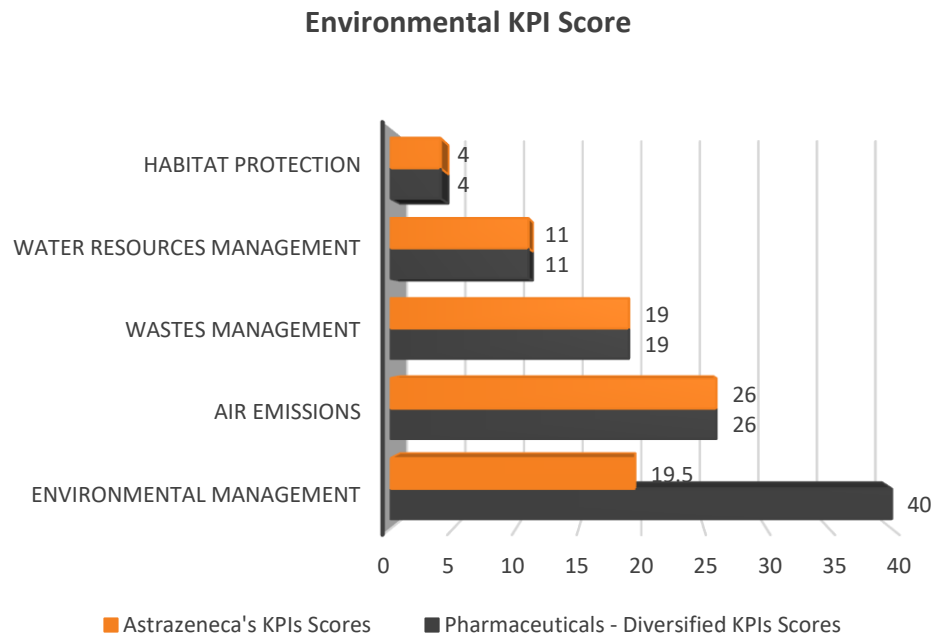


AstraZeneca plc KPI scores compared to the maximum achievable KPI scores for the Pharmaceuticals-Diversified Industry

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Environment

AstraZeneca plc Score: 80.5/100



Environmental Management

AstraZeneca received in this KPI; **19.5/40**. Given the Company's operations in several places globally, AstraZeneca has set an environmental policy that applies on all its Company companies. The company takes its impact on the environment seriously. It aims to adopt environmental policies that will reduce its negative — while increasing its positive — environmental impacts in its own operations. Sustainability is reinforced by the Company's corporate responsibility strategy, to build stronger and sustainable communities and to provide benefits to customers, colleagues, and the environment. AstraZeneca's various stakeholders' views are taken into consideration to enhance the related plans. Despite such efforts the, the company and around 13 of its sites have been named as defendants in environmental related mitigations. As such, an estimated cost between \$71mn and \$118mn has been set, and it mainly related to its US locations. This has negatively affected its score. It should, however, be noted that the company has grievance mechanisms to avoid the reoccurrence of such incidents and to mitigate similar risks.

To further enhance its score in this KPI, AstraZeneca is recommended to expand its scope of ISO 14001 certification instead of having only one certified site; Macclesfield in UK.

Air Emissions

Given the Company's hard efforts to ensure setting proper environmental management, when it came to application on solid ground, AstraZeneca received a perfect score of 26/26 in the air emissions KPI. AstraZeneca is transparent about its emissions, disclosing them in its sustainability report and additionally by participating in the Carbon Disclosure Project (CDP) since 2010. There has also been intense efforts. The company has shifted some of its transportation from air to sea as a less carbon intensive and less polluting alternative, reaching 62% of freight by sea. Moreover, new buildings have been designed to be more energy efficient.

Wastes Management

AstraZeneca attained another perfect score of 19/19. The company has set a major focus on this KPI given the nature of its business. Wastes are categorized into: production, on-site with employees, and disposal and accordingly solutions are based on these categories. The company is also investing in solvent recovery systems allowing to reuse solvents in its processes minimizing waste streams and reducing its reliance on raw materials. Goals have also been set to maximize recycling to ensure the safe treatment of its wastes and to promote responsible end-of life disposal of its medicines. Special treatment has been adjusted to cater for hazardous wastes management. AstraZeneca is transparent about its wastes-related figures.

Water Resources Management

This KPI was another success reaching another perfect score; 11/11. The company adopted a resources efficiency policy with water management being based on the World Resources Institute (WRI) Aqueduct tool. Each year plant-wide water audits are conducted at selected manufacturing sites to identify water saving opportunities. Water conservation plans are done for all its major sites and those in water-stressed areas. The company managed to save 44,000m³ annually.

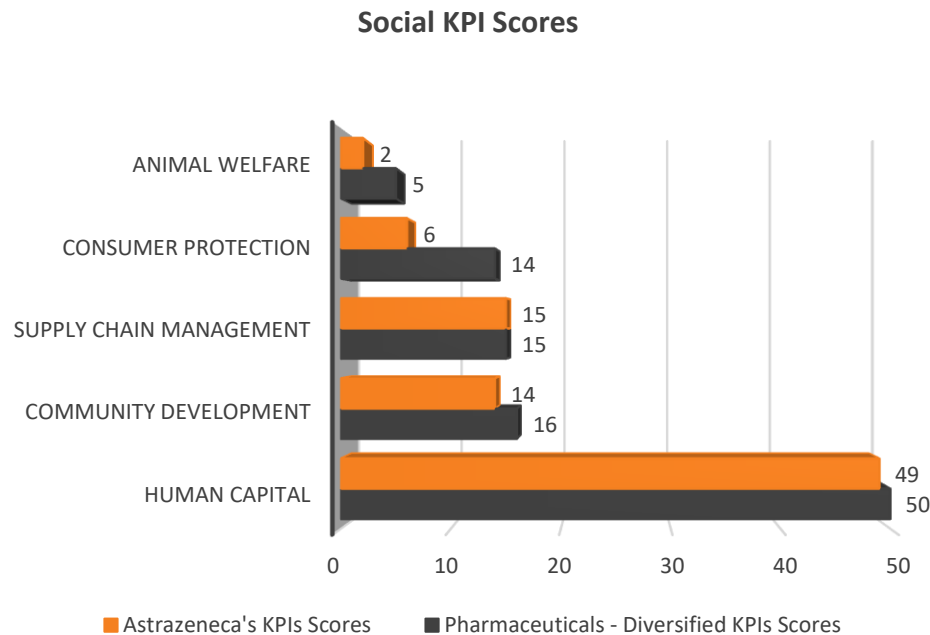
Habitat Protection

AstraZeneca received 4/4 in this KPI. It has recognized the importance of biodiversity and accordingly started investing in technology to reduce the amount of crab blood it uses in its operation labs by 95%. AstraZeneca supports the principles of the Nagoya Protocol to protect and value biodiversity. The Protocol is an international agreement to ensure fair reward is given to the country of origin that supplies the biological resources used in R&D. It regulates access to biological materials and ensures that communities that live where the resources are sourced receive their fair share of benefits.

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Social

AstraZeneca plc Score: 85/100



Human Capital

AstraZeneca's score in this KPI was close enough to be a perfect score **49/50**. The company contributes to a positive, inclusive work culture across its organization. It has adopted an equal opportunities and diversity policy. The policy entails ensuring equal opportunity, eradicating discriminatory practices, and having zero tolerance for unfair discrimination based on ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking style, experience and education. This was reflected in having 33.3% and 50.1% female representation on its board of directors and total global workforce, respectively.

This comes in alignment to its abidance by various international norms such as being UN Global Compact Signatory, supporting the Universal Declaration of Human Rights (UDHR) and abiding by International Labor Organization (ILO) core labor standards. Relevant training is provided to ensure full adherence to these guidelines. AstraZeneca is not facing pertinent recent lawsuits.

Moreover, to ensure the safety and health of its employees, none of its factories received Occupational Health and Safety Assessment Series (OHSAS) certificate. A detailed safety and health policy is available, though, with an aim of reaching zero harm throughout its workforce.

This is enforced through regular safety training. The company is transparent to report its accident rates. Where it has reached 74% reduction in total injury rate from 2015 baseline.

AstraZeneca supports continual development of its employees through training and education programs. By 2018 the company 35,000+ healthcare workers has been trained to strengthen health systems throughout the world via its portfolio of access programs. It has a target of reaching 75,000 workers by 2025. The company conducts regular surveys as a mean of engagement with its employees and to ensure their satisfaction. Work-life balance and compensation policies are clearly stated including medical insurance benefits. The company has in-line grievance mechanisms to avoid the occurrence of any negative incidents.

Community Development

AstraZeneca plc scored 14/16 in this KPI. Through its Sustainability Advisory Board, AstraZeneca is following up its plans towards community development programs. This includes various agendas such as supporting education and skills development, healthcare, and medicine access. The company has an existing agreement with the Drugs for Neglected Diseases Initiative (DNDi) for products to treat neglected tropical diseases. Volunteerism hours has increased to 39,418 to 29,095 in 2017. The company could expand its scope of involvement to reach more people in need.

Supply Chain Management

AstraZeneca plc received 15/15 in this KPI. The company has issued a supplier code of conduct, which details guidelines outlining the rights and obligations for suppliers that deal with AstraZeneca. Suppliers are trained on these policies to ensure full abidance. The company audits these suppliers on a regular basis through third-party risk management process. 45 audits were conducted on high-risk suppliers of which 86% met their expectations and the other 14% are implementing improvement plans to address minor instances of non-compliance. AstraZeneca is committed to source from a diverse pool of small businesses through its supplier diversity programmes.

Consumer Protection

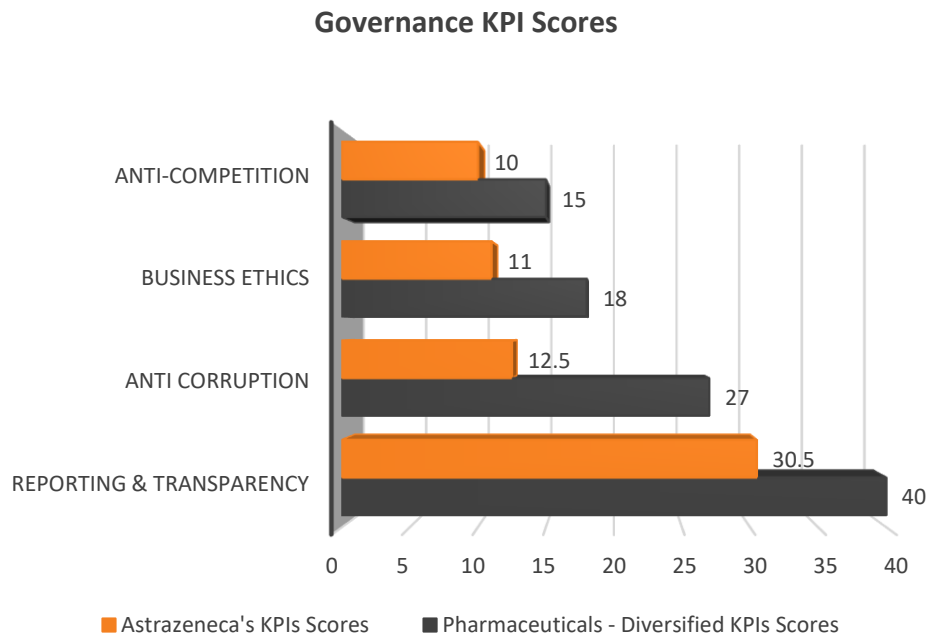
AstraZeneca scored 6/14 for the Consumer Protection Key Performance Indicator (KPI). The company was found to be transparent in reporting the chemical constituents of its products. To boost its score, AstraZeneca is recommended to work on having quality assurance initiatives and attaining quality management system certificate. Moreover, client satisfaction measurements is recommended be taken regularly to maintain a positive customer relationship.

Animal Welfare

AstraZeneca plc scored 2/5 in this KPI. This is mainly due to still being involved in animal testing. As per its issued animal testing policy *“Although advances continue to be made in non-animal alternatives, some animal studies remain necessary to explore and understand fundamental science, as well as to establish the safety and efficacy of new medicines before they reach patients”*. It should however be noted that the company abides by international animal welfare guidelines when conducting such tests.

Governance

AstraZeneca plc Score: 64/100



Reporting and Transparency

AstraZeneca scored **30.5/40** in this KPI. To maintain compliance and transparency, the company has an Audit Committee that assists the board to follow up on financial reporting and accounting records compliance, assure efficiency operations, and comply with applicable laws. Though not all audit committee members are found financially literate. Moreover, AstraZeneca has a committee with one of its functions is nominating board members for the new elections; Nomination and Governance Committee. Remuneration Committee is also available for setting the compensation structure for director and executives. Breakdown of the directors' actual remuneration and their stock ownership is also available in its annual remuneration report.

AstraZeneca's Chairman and CEO positions are filled by two separate individuals; Mr. Leif Johansson acting as Chairman while Mr. Pascal Soriot acting as Company's Chief Executive Officer, to enhance the overall integrity of the company. The majority of the board members, excluding the chairman, are considered independent; 9 out of 12 members.

Among the considerations that helped the company achieve its current score for the Reporting & Transparency KPI include is disclosing its sustainability report annually, complying with IFRS in its financial reporting, and tying the executives' compensation with ESG performance such as climate change. To reach a perfect score, the company is recommended to:

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- Have its sustainability report externally verified instead of partial verification
- Have an independent chairman
- Have all audit committee members as financial experts

Anti-Corruption

AstraZeneca plc scored **12.5/27** in this KPI. The company has set a clear anti-corruption policy details its integrity, increasing transparency, and facilitating the detection, investigation and prosecution of corruption cases. Communication and training on anti-corruption policies and procedures is carried out through the Compliance program. Despite such efforts, the company was found involved in various litigations related to corruption and patent infringement. In 2018 the AstraZeneca agreed to pay \$110mn to the state of Texas in a settlement of the lawsuits alleging that the company falsely and misleadingly marketed two of its drugs in violation of the Texas Medicaid Fraud Prevention Act. The patent infringement case is still pending where it has been scheduled for October 2020. In July 2017, Bristol-Myers Squibb, E.R. Squibb & Sons LLC, Ono Pharmaceutical Co, and Tasuku Honjo filed a patent infringement action in the US District Court in Delaware relating to AstraZeneca's commercialization of Imfinzi.

Business Ethics




The company's received **11/18** score in this KPI. Corporate governance policy is outlined on the website covering main aspects related to the board of directors from their composition, responsibilities, committees, communication, etc. In addition to this, contributing positively to its score, AstraZeneca plc's employees are encouraged to report any suspected unethical behavior through its whistle blowing procedures. Moreover, political contributions and insider trading policies are clearly stated in the company's code of conduct. The company is recommended to have a statement of responsible marketing.

Anti-Competitive

The company received **10/15** score in this KPI. It has an announced antitrust policy that mainly stated strict abidance by the announced regulations in the countries in which it operates. AstraZeneca plc was, however, found involved in various related legal proceedings. In 2019 the company was hit with an antitrust lawsuit accusing it of paying two rivals not to roll out generic versions of its antipsychotic Seroquel.

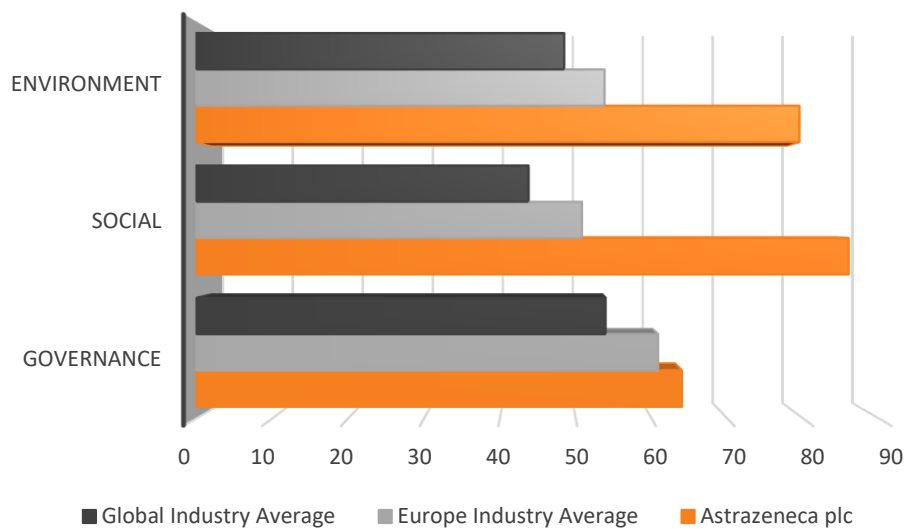
Industry comparisons for AstraZeneca plc

AstraZeneca plc ESG score and rating compared to industry averages

Pharmaceuticals – Diversified Industry		
	146.19	B
Global Average		
Pharmaceuticals – Diversified Industry		
	165.48	BB
Regional Average		
	229.5	A

AstraZeneca plc's ESG rating of "A" is higher than the Pharmaceuticals-Diversified industry's global and regional averages; B, and BB, respectively. When breaking down the company's industry comparison into individual E, S and G pillar scores, it is noted that AstraZeneca scores are higher than industry averages from both a global view and a regional view. The company especially stands out from its peers when it comes to the Social aspect of the ESG performance evaluation, which is clear from its detailed section above.

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AstraZeneca plc E, S and G pillar scores compared to industry averages

Sample of Industry Peers

Name	Nation	ISIN	Rating
AbbVie Inc	United States	US00287Y1091	A
Sanofi SA	France	FR0000120578	A
Amgen, Inc.	United States	US0311621009	BBB
Eli Lilly and Co	United States	US5324571083	BBB
Pfizer Inc.	United States	US7170811035	BBB

AstraZeneca plc Business Involvement, Revenue and Countries of Concern Screening Results

In addition to providing ESG scores and ratings, IdealRatings also screens companies for involvement in controversial certain business activities and/or products as well as for involvement in countries of concern. The business involvement screening includes activities such as tobacco, alcohol, gambling, firearms and defense (a full list can be found in the IdealRatings Responsible Investing and ESG Research Product Guide).

AstraZeneca plc is found involved in animal testing and GMOs. Animals are used by the company, though minimally, in testing drugs that will be produced. Moreover the company believes that GMOs is an essential activity in both the discovery and development of new and improved medicines. It should be noted that usage of GMOs is done in accordance with national and international legislations, in addition to complying with internal policies.

The company was found involved in Zimbabwe as it serves this country through its Sub Saharan Africa unit. The company also has a subsidiary at Russia where it has started its operations since 1993 when representative offices of Swedish Astra AB and British Zeneca were opened. In 1999, these two companies merged and a new ambitious player on the market was formed – AstraZeneca. The subsidiary has 1.6% of AstraZeneca's total employees. It wholly owns AstraZeneca Industries LLC and AstraZeneca Pharmaceuticals.

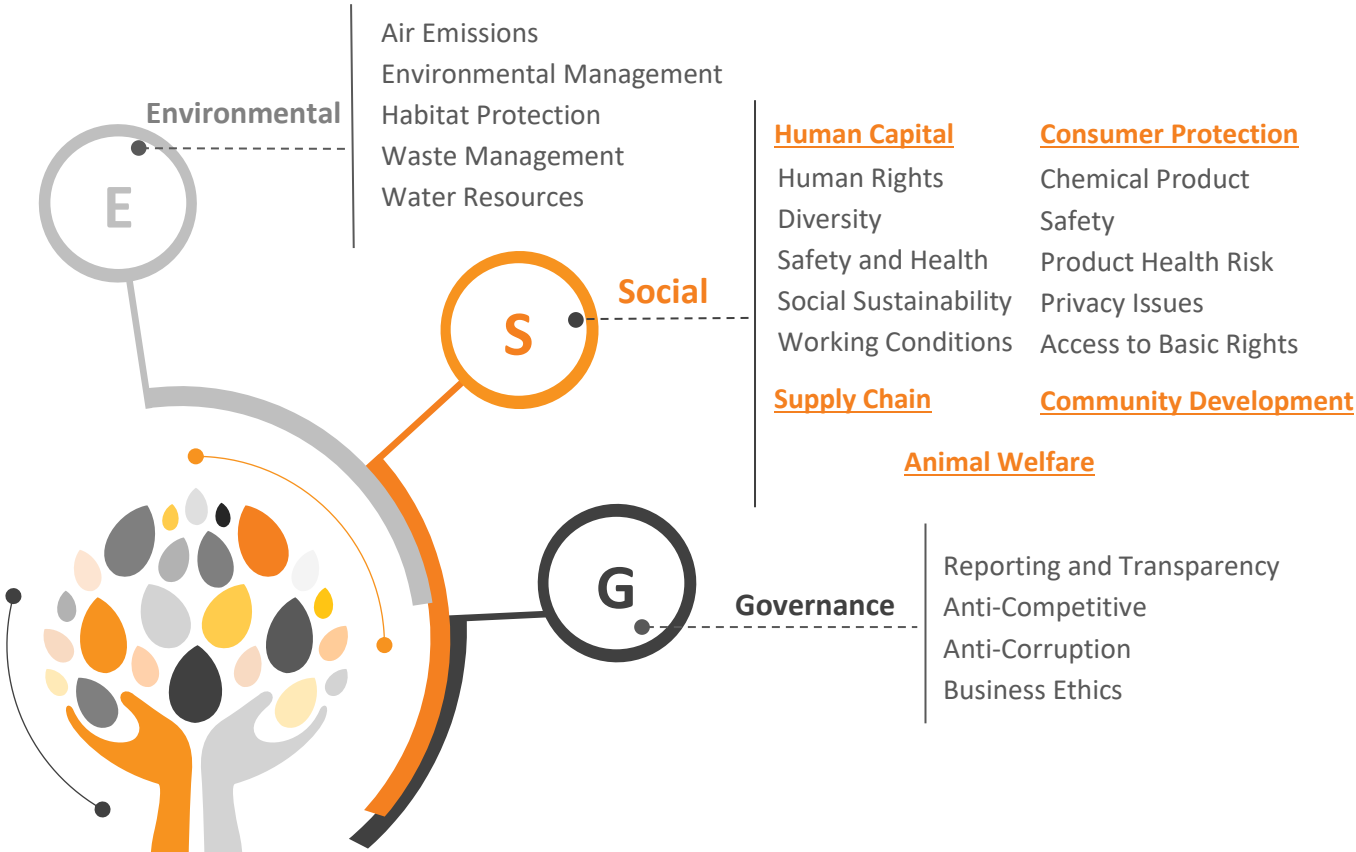
IdealRatings ESG Model & Scoring Methodology

IdealRatings ESG Model

Due to increased global climate and resource risks, shifting demographics, regulatory changes and increased investor awareness, incorporating ESG considerations into investment decisions has become increasingly popular among all types of investors.

It is also important for the companies themselves to consider ESG factors and risks. Companies that are aware of their ESG-related performance and opportunities will not only attract ESG-conscious investors — they will also be better situated for future success.

The IdealRatings ESG model is comprised of three main pillars (Environmental, Social and Governance). Each pillar is divided into subcategories called Key Performance Indicators (KPIs), and each KPI contains a series of inputs (detailed in the IdealRatings Responsible Investing and ESG Research Product Guide).



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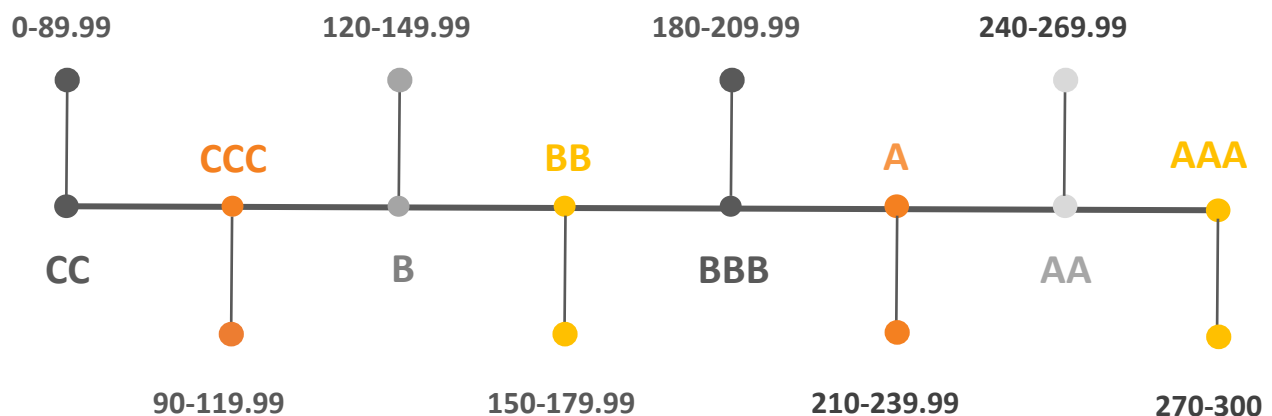
IdealRatings ESG scoring Methodology

IdealRatings determines a company's ESG rating by researching and documenting answers to a series of questions (or inputs) for each of the three pillars (E, S and G). There are over 150 inputs captured during the research process.

Each pillar has a maximum score of 100, and the weight each KPI contributes to a company's overall pillar score is based on an industry-relative model. For example, inputs under the Waste Management KPI of the environmental pillar could have a weight of 0% (meaning the inputs have no effect on a company's score) for a company in the Pharmaceuticals Specialty Industry, yet a weight of 15% (meaning the KPI contributes 15% to the overall numerical score for the environmental pillar) for a company involved in energy production.

The sum of the three pillar scores becomes the company's IdealRatings ESG score, which can be converted to a letter grade as shown in the table.

Users can also build their own rating and scoring methodology by selecting to include only certain ESG KPIs and/or inputs and weighting them according to their own scale.



Data sources

The IdealRatings research team collects comprehensive information from a variety of sources, including but not limited to:

- Sustainability or CSR reports
- Financial/Annual reports such 10-K filings, 10-Q filings, proxy statements, etc.
- Chairman/CEO letters
- Credible news sources such as Bloomberg and Reuters
- Carbon Disclosure Project (CDP) reports
- Law docket
- United Nations Global Compact Principles signatory lists
- ISO certification reports
- Carbon Tracker
- Company surveys and direct contact with the companies where appropriate

