



# **Sustainability Media Conference**

**31 March 2004**

**Address by Franz B. Humer**

Chairman of the Board of Directors and CEO

**(The spoken version is definitive)**

Ladies and gentlemen,

I would like to welcome you to the first media conference ever held by Roche on the subject of sustainability.

In February 2004, as you are aware, Roche for the first time published a comprehensive Sustainability Report in addition to our Annual Report. Since last December, information on the many aspects of our commitment to sustainability has also been available on our Web site ([www.roche.com](http://www.roche.com)).

While the term “sustainability” may be relatively new at Roche, it stands for values that have long been a daily part of the way we do business. This is largely due to our origins: as a company that started in Basel, Roche’s culture has been strongly influenced by this city’s Protestant heritage, and from the outset much of what is now included under the concept of sustainability formed an integral part – often implicitly – of how the company and individual employees conceived of their role. Against this background, it is fair to say that, since the company’s founding over a century ago, the principle of sustainability has consistently guided our dual commitment to responsible corporate behaviour and to innovating healthcare. Clearly, our commitment to discovering and developing novel healthcare solutions, despite the substantial commercial risks facing the research-based healthcare industry, is, and will continue to be, our most important contribution to society. Our activities will remain firmly focused on innovation in healthcare. If we are to be able to justify to our stakeholders – especially to shareholders and employees – our acceptance of the risks that are inevitably associated with innovation, a high level of profitability is essential. At the same time, we are convinced that sustainable business practices are the key to success for a forward-looking, innovative company.

Why are we now also reporting in detail on this rather less well known side of Roche, rather than simply doing “good deeds” and leaving it at that? First of all, our sustainability reporting serves our own needs to critically review the progress we have made to date, the aim being to go beyond what has been achieved so far, identifying and remedying deficiencies and learning from mistakes. At the same time our report also responds to a growing public interest in such information. The report is intended to inform shareholders, patients and customers, all our partners in healthcare delivery, the authorities, the communities where we do business and above all our employees.

By issuing detailed reports from now on about our activities in the area of sustainability, we are exercising accountability and submitting our performance to public scrutiny. This creates transparency and at the same time encourages us to make further progress. Our reporting is based on the Guidelines of the Global Reporting Initiative (GRI), a multi-stakeholder initiative that works in close partnership with the United Nations Environment Programme and the United Nations Global Compact Network.

Last year, in order to meet constantly changing sustainability requirements, we established a Corporate Sustainability Committee, which is responsible for the coordination and development of our sustainability strategy throughout the Group and also for regular reporting. Our reporting covers all Roche sites and is audited and certified

by PricewaterhouseCoopers. Some areas of Chugai's and Genentech's operations are already included as well, and we are working to extend the scope of our reporting to encompass the entire Group.

### **Sustainability strategy – an integrated, “triple bottom line” approach**

I wish to emphasise that Roche has always seen itself primarily as a profit-oriented company, and that will remain the case. However, rather than pursuing the maximisation of profits in the short term, our economic goals should be based on a long-term – that is, sustainable – perspective. Thus, at Roche, sustainable development involves a “triple bottom line” approach, in which social and environmental responsibility is combined with a focus on sustainable economic growth. Ultimately, only companies that are economically successful have the necessary resources to play an active role on the environmental and social front. Conversely, environmentally sound and socially responsible behaviour is a prerequisite for a company's long-term economic success. One mustn't forget that pharmaceuticals is one of the world's most tightly regulated industries. Besides complying with a host of legal requirements in areas such as quality assurance, patient safety and environmental protection, we also observe numerous national and international guidelines issued by NGOs. Some of these govern complex issues such as acceptable marketing practices and business ethics. Moreover, Roche's internal standards frequently go beyond what is required by local regulations, for example in the case of health and environmental protection.

### **Roche's key activities in pursuit of sustainable development**

What does our reporting actually cover? A fairly comprehensive picture is provided by our Annual Report and our Web site. These include sections on corporate governance, safety and environmental protection, access to healthcare (particularly for the least developed countries) and research and responsibility (including animal welfare, bioethics and clinical research ethics). Under the heading “social responsibility” we give details of Roche's commitment to community and humanitarian projects; to education, art and culture; and also to our own employees.

I would like to describe briefly what we mean in practice by sustainability in each of the broad areas referred to above, before Hans Künzi and Chris Murray go into greater detail on certain aspects and our guest of honour, the South African Ambassador to Switzerland, Nozipho January-Bardill, talks about Phelophepa – an example of what we believe to be a model public-private partnership.

### **Economic performance**

Economic success of the kind Roche achieved last year with its excellent results is of course crucial to our sustainability strategy. In this connection, it's interesting to consider who benefits from the enormous value created. In our industry in particular, where innovation is the key success factor, it provides the basis for the massive investments made each year in research and development. Last year alone, Roche invested more than 4.5 billion Swiss francs in R&D. Thanks to its excellent performance, Roche was able to

create around 2000 new jobs worldwide in its core Pharmaceuticals and Diagnostics Divisions. Last year, some 28% of Roche's sales revenue – a sum of over 8.2 billion Swiss francs – went to the company's employees in the form of salaries, pension contributions and other employee benefits. Another beneficiary of an economically successful company is the state: last year, Roche paid around 1.5 billion Swiss francs in income taxes (corresponding to an effective tax rate of 29%). This does not include the taxes paid directly by our employees into their respective national economies.

In overall economic terms, it should not be forgotten – and this is particularly important for a small country like Switzerland – that the local pharmaceutical industry's international competitiveness made it possible for more than 30 billion Swiss francs' worth of pharmaceutical products to be exported from this country last year, which represents an undisputed world record on a per capita basis. Switzerland also leads the field by a long way with its 15 billion Swiss franc export surplus for pharmaceuticals.

### **Social responsibility**

For us, as I said earlier, the term "social responsibility" covers a very broad range of activities. I'd like to mention two programmes in particular: the BlueSky initiative, launched in 1998, to combat AIDS in developing countries, and the Phelophepa Health Care Train in South Africa, which has been supported by Roche since 1994. In 2003, we reinforced our traditional humanitarian commitment, especially to the world's poorest nations (as defined by the UN). We revised our policies on patents and pricing in these countries and published our new policies online to ensure transparency. In the world's least developed countries, Roche will not apply for any new patents or enforce existing patents – this applies to all therapeutic areas, including AIDS and malaria. What's more, in these countries, we are selling our AIDS drugs at cost, forgoing any profits. But another point needs to be made equally clearly: even if we are making an important contribution in this way, the fight against the AIDS epidemic is far from being won. To achieve victory, all the parties concerned will have to fulfil their responsibilities and work together: national governments, international organisations, NGOs and the pharmaceutical industry.

One of Roche's most visible humanitarian projects is the so-called Phelophepa Health Care Train, a rolling clinic on rails, which provides basic medical care for the rural population of South Africa. For 36 weeks a year, the Phelophepa Health Train travels through regions that lack adequate access to healthcare. Now comprising 16 coaches, it is fully equipped to provide general medical services and dental, eye and psychiatric care. Because we consider Phelophepa to be an excellent example of a sustainability project, we significantly increased our financial support for the train in 2003. Chris Murray and Ambassador January-Bardill will be describing this humanitarian project in more detail later on.

We also have a sense of social responsibility towards our employees, which includes enabling them to participate in the company's success. In addition to the levels of total compensation – generous by national and international standards – paid to all employees, our new equity-sharing programme "Roche Connect" has already been introduced in almost 40 countries just one year after the initial launch. Worldwide about a

fifth of the employees in the countries concerned are already taking advantage of the opportunity to purchase non-voting equity securities (Genussscheine) on preferential terms.

### **Safety and environmental protection**

For more than 10 years now, Roche has been publishing separate annual reports on safety and environmental protection. From now on, these topics will be integrated into the Sustainability Report. Although in the area of environmental sustainability there is still, no doubt, room for improvement at Roche as elsewhere, our environmental performance metrics have been improving steadily for years – as Mr Künzi will be reporting later on. These trends confirm the correctness of our long-established safety and environmental protection policy, which has been characterised by stability, continuity and continuous improvements in spite of the rapid changes in our business activities.

We want to ensure that the long-standing and steady trend towards improved performance is maintained, and we have therefore set ourselves the goal, over the next 5 years, of achieving 10% savings in energy consumption and 10% reductions in emissions of both greenhouse gases and volatile organic compounds (VOCs).

### **Corporate governance**

For us, corporate governance also comes under the heading of sustainability. This is because a company's system of corporate governance needs to ensure that the company pursues a responsible course, designed to generate value for all stakeholders in the long term. This requires not only clearly defined guidelines and structures but also transparency with regard to the key elements of corporate governance. As explained in detail in our Annual Report and on our Web site, Roche is committed to meeting the demands of modern corporate governance and complies not only with the relevant legal requirements and the provisions of its articles of incorporation but also with the Swiss Code of Best Practice for Corporate Governance. Last year, accordingly, we pressed ahead with our efforts to achieve transparent reporting and enhanced corporate governance (appointment of an Independent Lead Director; transparency concerning the compensation paid to members of the Executive Committee).

### **Future challenges**

Ladies and gentlemen, sustainability at Roche is no mere fad. Carrying on a long tradition, we have set ourselves ambitious goals, and achieving these will require a great deal of effort, energy and expense. Even though we can look with a certain pride on what has been achieved so far, we realise that something will always remain to be done in each of these areas.

The crucial next steps are to establish at Group level the values and processes that have been defined – discussions are already under way with Genentech in the US and Chugai in Japan – and to extend them to our suppliers and outsourcing partners (e.g. through clauses in contracts for clinical trials, animal experiments, etc.). But it is also important

that employees at every level of the organisation continue to live by these values; in the final analysis, sustainable development is unattainable without an active commitment on their part. Within their area of responsibility, all employees can and should make a contribution to sustainability. I therefore wish to take this opportunity to thank all those employees who support sustainable development in the workplace and as private individuals, and to encourage them to keep up these efforts.

Ladies and gentlemen, I thank you for your interest in this conference and now hand over to Mr Künzi, our Head of Corporate Safety and Environmental Protection.