

Pearson New International Edition

International Accounting
Frederick D. Choi Gary K. Meek
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compared to earlier surveys. The Global Reporting Initiative guidelines, discussed next, are used by three-fourths of these companies as their framework for reporting. The survey also found that 40 percent of the companies have their reports audited, up from 30 percent three years earlier.^{20,21}

Guidelines for sustainability reports have been issued by the Global Reporting Initiative (GRI), an independent institution affiliated with the United Nations Environment Programme. The GRI “G3” framework recommends the disclosure of performance indicators in the areas of:

- Economic performance, such as revenues, employee compensation, donations and community investments, and payments to capital providers and governments
- Environmental performance, such as energy consumption, water usage, and greenhouse emissions
- Social performance, specifically
 - Labor practices and decent work, such as employment numbers and employee turnover, labor/management relations, health and safety, training and education, and diversity and equal opportunity
 - Human rights, such as policies on nondiscrimination, child labor, and indigenous rights
 - Society, such as community impacts, anti-corruption policies, lobbying, and contributions to political parties and politicians
 - Product responsibility, such as customer health and safety, product and service labeling, advertising, and customer privacy²²

Exhibits 2, 3, and 4 present examples of social responsibility reporting. They are taken from the 2008 Annual Report of the Swiss company, Roche. Exhibit 2 shows employment levels by region of the world and operating division. The disclosure also discusses turnover, diversity, and human rights. Exhibit 3 discusses health and safety issues, along with environmental protection concerns such as energy use, greenhouse gas emissions, ozone depletion, waste, and water use. Finally, Exhibit 4 is the auditor’s report on Roche’s sustainability reporting and a statement by the company’s chief executive officer that Roche’s sustainability reporting is aligned with GRI guidelines.²³

Corporate Governance Disclosures

Corporate governance relates to the internal means by which a corporation is operated and controlled—the responsibilities, accountability, and relationships among shareholders, board members, and managers designed to meet corporate objectives. That is,

²⁰ KPMG *International Survey of Corporate Responsibility Reporting 2008* (October 2008), www.kpmg.com.

²¹ Standards for the audit of financial information exist worldwide. However, few countries have assurance standards for sustainability reports. The Netherlands and Sweden are two European countries with such standards, while France has issued informal guidelines. For an overview of Europe refer to the Web site of the European Sustainability Reporting Association, www.sustainabilityreporting.eu.

²² Global Reporting Initiative, *Sustainability Reporting Guidelines*, www.globalreporting.org/NR/rdonlyres/ED9E9B36-AB54-4DE1-BFF2-5F735235CA44/0/G3_GuidelinesENU.pdf.

²³ For further discussion and illustrations, see Helen Gernon and Gary K. Meek, *Accounting: An International Perspective*, 5th ed. (Boston: Irwin McGraw-Hill, 2001); and Carol Adams, Geoffrey Frost, and Sidney J. Gray, “Corporate Social and Environmental Disclosures,” in *International Finance and Accounting Handbook*, ed. Frederick D. S. Choi, 3rd ed. (New York: John Wiley, 2003).

EXHIBIT 2 Employment Disclosure by Roche**People**

'People are a core factor in our business success—we need people who are enthusiastic about their job and about their employer. This enthusiasm is infectious: our customers pick up on it, helping to build their trust in Roche.'

Wolfgang Troebs, General Manager of Roche Diagnostics Switzerland

Total Employees (FTE)

	2008
Number	80,080
Growth rate	+1.88%
Growth related to acquisitions	+1.01%

Employees by contract types (Headcount)

	2008	Variance
Permanent	78,216	5.2%
Temporary	2,184	−49.4%
Apprentices	931	20.1%
Full time	76,058	2.3%
Part time	4,342	0.6%

Employer of choice

Roche is determined to remain an employer of choice. We seek to attract, recruit and retain the right employees to drive the innovation on which our business is built.

Achieving this starts with our value proposition to current and prospective employees. Under the slogan 'Make your mark. Improve lives', our employer brand embodies what differentiates Roche from other employers. It presents us as a winning company offering opportunities for professional and personal growth in a collaborative and stimulating work environment. The new employer brand will be integrated in our 65 local career websites by the end of 2009.

Our Group values and leadership competencies, introduced in 2008, reinforce Roche's principles and the work environment we seek to offer. In 2009, these will be integrated into our talent management processes.

Employees (full-time equivalent , FTE) by regions | 2008

Other	1,634	(4.0%)
Asia	13,065	(2.5%)
Latin America	4,988	(−0.4%)
North America	25,823	(4.3%)
Europe	34,570	(0.2%)

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Employees (FTE) by operating divisions | 2008

Other	535	(18.6%)
Genentech	11,029	(-0.3%)
Chugai	6,590	(1.9%)
Diagnostics	25,404	(10.2%)
Roche Pharmaceuticals	36,522	(-2.8%)

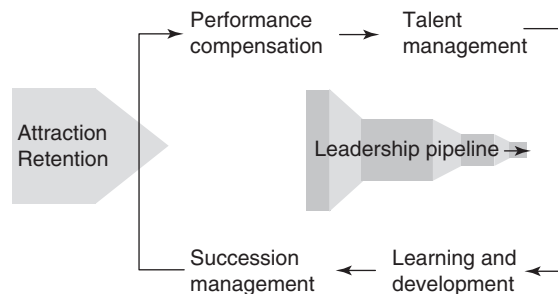
Talent management

At Roche, talent management helps us identify, recruit, develop, lead and reward employees. While the focus is on identifying employees for key positions, talent management involves developing the potential of all employees to help achieve our goals.

Our Corporate Executive Committee has identified talent management as the key people priority for Roche in 2009. We will drive and measure our progress in the areas of: attraction, retention, performance management, compensation, succession management, and learning and development.

Attraction | Competition for talent around the world is fierce. The size of the global working-age population in developed countries is decreasing and talented people from emerging markets are increasingly returning to their home countries. This shortage means that it is difficult to attract the right people.

Global standardized processes & systems



As an innovative, research-driven healthcare company, Roche operates in an industry that can have a direct benefit on the lives of millions of people worldwide. This aspect of our business can play a critical part in attracting and retaining the most motivated people. Our position as a leading multinational company, moreover, enables us to offer prospects in a growing industry with career opportunities globally.

Our careers website remains our widest-reaching and most effective tool for recruitment, with more than 10.6 million visitors in 2008.

The global careers site enables prospective and current employees to search for positions by role or by region. Roche uses the application in 37 countries to attract, source and hire candidates. In 2008 some 4,800 employees used this system to move to different positions within the Roche Group.

Approximately 65 percent of our total new hires were sourced externally. We have a talent pool of some 160,000 prospective candidates who have registered their details on our careers site.

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Recruitment rate internal versus external | 2008

External 65%

Internal 35%

Career website opportunities (cumulative)

	2008	2007	2006
Registered people on the site	159,079	85,000	60,000
New employees recruited	9,192	4,100	1,700
Internal moves	4,830	451	

In 2008 we introduced a standardised recruiting process that will be rolled out across the organisation in 2009. This enables Roche to drive quality and consistency in recruiting across our operations, and helps us hire candidates in line with our renewed values and leadership competencies.

Overall, Roche had 9,192 new hires in 2008.

Retention | 2008 was a year characterised not only by acquisitions but also some significant optimisation and restructuring initiatives. Our Pharma division reduced their primary care sales force and optimised local operations such as finance, HR and other headoffice functions. Manufacturing reorganisations were also initiated in Latin America and the United States, with voluntary severance plans offered in the latter. Overall, such optimisation and restructuring initiatives accounted for 86% of employer-driven movements.

When dealing with acquisitions and reorganizations, we place an emphasis on our ability to retain valued employees. Roche offers support measures such as relocation, retention incentives and new career orientation support.

Turnover

	2008
Total	9.9%
Europe	9.5%
Latin America	14.3%
North America	10.4%
Asia	8.1%
Other	13.5%

Reasons for leaving

	2008
Employer-related	24%
Employee-related	56%
Neutral	20%

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Compensation, benefits and well being | The total compensation package—pay and benefits—we offer makes a significant contribution to attracting and retaining talent within the Group. Equally important are long-term job stability, development opportunities and a good working environment.

Salaries at Roche reflect employees' contributions to the business. Pay rises and bonuses reflect business and personal performance—our 'Pay for Performance' philosophy encapsulates this. Regular benchmarks confirm that Roche offers competitive pension and benefits programmes to employees in most countries. These usually supplement local social security programmes and follow local market practices.

The remuneration packages offered by local affiliates are aligned with our Group remuneration policy, which was revised in 2004. In 2008 our total remuneration cost was 11.1 billion Swiss francs.

Through our Roche Connect programme, employees in most countries can purchase Roche's nonvoting equity securities at up to a 20% discount. In 2008 16,050 employees in 41 countries—36% of those eligible—participated in Roche Connect, up from 15,300 in 2007.

Nonvoting equity securities are awarded to managers, based on their performance, through the Roche Long-Term Plan, which was introduced in 2005. A total of 3,300 of them took part in 2008, with 880 joining for the first time.

In 2008 we moved from providing defined-benefit plans—which pay out depending on a formula defined by employees' salary, age at retirement and other factors—to defined-contribution plans—which pay out according to contributions and subsequent investments. Defined benefit plans are honoured for employees already enrolled.

We have a range of programmes to encourage our staff to look after their well-being. These include free medical check-ups, workplace ergonomic evaluations and counselling. Healthy options are available at staff restaurants.

We offer part-time, flexi-time and home-working options where appropriate. Approximately 5.4% of employees work part-time and sabbaticals are regularly arranged. Over the past year, Roche has introduced paternity leave in several countries and maternity leave is above the statutory minimum in several countries.

Performance and development | To help employees achieve their full potential, we provide regular feedback on their performance and encourage them to discuss career goals and development opportunities with their managers. In 2008 86% of our employees took part in performance management programmes and 57% in formal career development planning.

Staff performance and development is not just an employee responsibility but a management accountability. In 2008 performance management processes were reviewed to increase dialogue between managers and employees. Tight line management allows us to differentiate between high and low performers and give appropriate feedback to support employees' professional growth.

Succession management | Strengthening our talent pipeline is critical as we seek to maintain our competitive success and continue to drive a culture of innovation. In 2008 we introduced a corporate-wide approach to talent management, enabling us to nurture our high-potential employees.

Our talent framework provides us with a global approach to identify, develop and guide high-potential employees. The framework highlights talented individuals and provides access to a broad pool of employees that can take over key positions, in the short or long term.

Each step in the talent pipeline is supported by Group-wide development programmes. These programmes target the top 5% of our employees and amount to approximately 15% of total spending on learning and development.

Development opportunities are also offered through international assignments, helping to distinguish Roche as an attractive employer.

In 2008 approximately 440 employees were on long- or short-term international assignments in 50 countries. We want to ensure employees on international assignments perform

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successfully in their new surroundings. In 2008 we introduced cultural awareness courses to facilitate integration into the host country. Interactive training that gives employees the tools to understand the local culture from a social and business point of view were launched this year and will be rolled out widely in 2009.

We also established support programmes to help partners of employees on international assignments integrate in their new country. These programmes provide information about networks, clubs and other social organisations, and career support to enable a successful job search.

Our secondment programme gives employees the chance to work in capability and healthcare building programmes in developing countries for between 3 and 18 months. In 2008 two new secondments were approved.

Learning and development | Roche invested 139 million Swiss Francs in skills training and education in 2008 providing a total of approximately 2.4 million hours, or nearly 29 hours per employee.

Training includes technical skills programmes to meet compliance requirements, language courses, interpersonal skills training, individual coaching and programmes on leadership and change management.

Most training courses are run by the Global Functions/Business Areas or the individual affiliates and are tailored to meet local needs.

Some Roche affiliates offer comprehensive apprenticeships. Roche normally offers apprentices several alternatives, including temporary assignments, additional time at university, or a one-year internship with the company. Over half of the apprentices are hired by Roche when they finish their training. We currently have 931 apprentices working across the Group, including 156 new apprentices in 2008.

Diversity

'Having worked in different parts of the globe, I have experienced the value of diversity: it strengthens an organisation through the richness of ideas and opinions brought by people with different gender, ethnic or cultural origins.'

Pascal Soriot, Head of Commercial Operations Pharmaceuticals Division

A diverse workforce is critical to the success of a global company like Roche. Other than visible characteristics such as age, race and gender, diversity comprises experience, competencies and mindset. We believe that diversity promotes innovation, allows flexibility and inspires creativity to help Roche tackle future challenges.

We do not tolerate any form of discrimination. We foster inclusion by integrating diversity into our employee management systems.

Diversity flourishes in an environment where it exists and is acknowledged, is understood, valued and fostered, and is reflected in processes and structures.

We encourage employee diversity through formal training such as our Diversity Management Training programme and policies including the Prevention of Abuse of Power in the Workplace. We also embed inclusion into processes and daily activities.

In Basel, for example, we ensure diversity in the recruiting process through mixed gender interview panels. Ongoing improvements in family support and flexible work arrangements ensure a constant high return rate from maternity leave. For example, we opened our second day care centre in 2008 and now offer emergency day care support.

The number of women in key positions at all levels of the organisation continues to increase. In 2008, our Corporate Executive Committee welcomed its first female member, Silvia Ayyoubi, Global Head of Human Resources. Women account for 46% of our total workforce. In 2008 37% of our managers and 8% of senior managers (approximately the top 120 employees) were women, compared with 32% and 74%, respectively, in the previous year.