

Pharmaceutical Innovation and Social Responsibilities

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Societal perception of the moral quality of „Big Pharma“ and the way it assumes its social responsibility

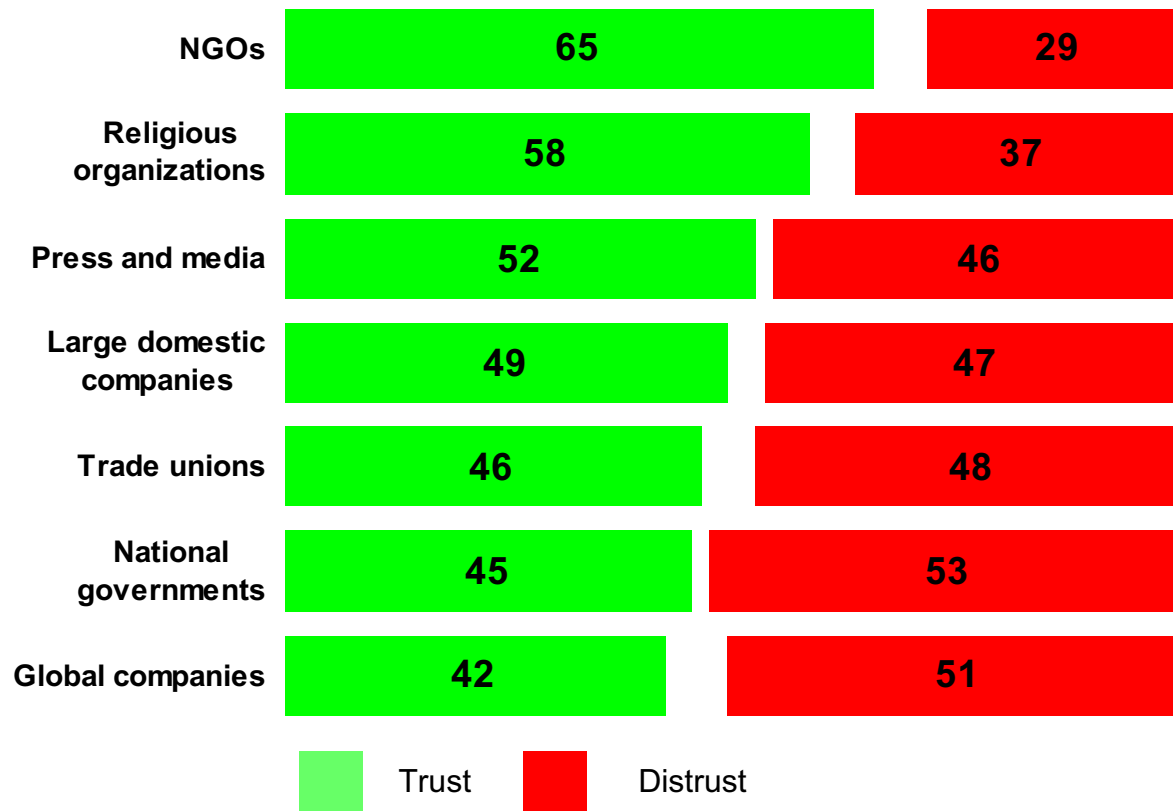


Perception of Business Morals in a globalizing Pharmaceutical Industry

- J One cannot retain high principles and make high profits at the same time – Big Pharma has taken its choice...
- J Globalization makes the „rich“ richer and the „poor“ poorer – and more vulnerable;
- J The power of transnational corporations has grown out of all legitimate proportions - it must be cut back and controlled by civil society;
- J Corporate greed has deadly consequences for those without appropriate purchasing power – particularly in the context of the pharmaceutical industry.

Trust in Institutions to Operate in Best Interest of Society

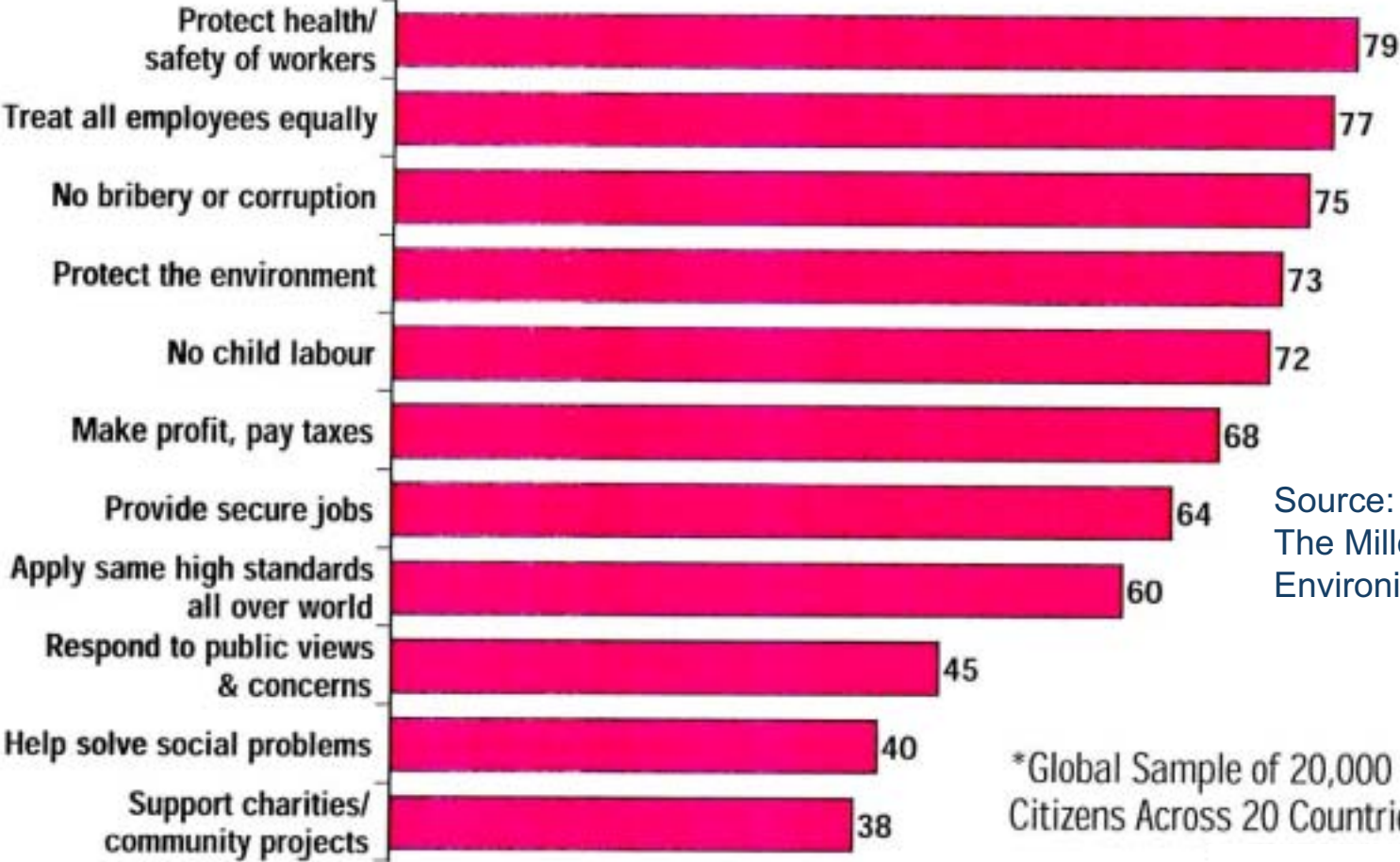
(EnviroNics, 2002 - 20 industrial and industrializing countries surveyed)



Questions in the context of Corporate Social Responsibility

- How does a pharmaceutical corporation relate to, and impact upon, a society's needs and goals?
- What constitutes responsible behavior towards society? (societal responsibility)
- What is a pharmaceutical corporation's role and function in a society?
- What constitutes a fair societal division of labor?
- What Corporate Social Responsibility *deliverables* are the "essential"? What is "expected", what is "desirable"?

Responsibilities of Large Companies



Source:
The Millenium Poll,
Envionics, 1999

*Global Sample of 20,000
Citizens Across 20 Countries

Objectives of a Corporate Social Responsibility Process

- J To inform itself of the corporate impact on a society's needs and goals;
- J To define substantive and procedural norms, in the sense of a self-commitment beyond legal minimum requirements and corporate philanthropy;
- J To communicate regularly with all relevant stakeholders in order to feel the "pulse" of societal expectations;
- J To incorporate standards of behavior that may be expected, but not required, under a society's legal statutes;
- J To be sensitive, constructive, creative and innovative in dealing with special challenges

“Proactive Issue Management” in ancient China

Plan the difficult, while it is still easy.

Do the big thing, while it is still small,

because the difficult things in the world always start simply,

and the big things, always start small.

Deal with things, before they happen,

resolve them, before they become confused.

Lao-tzu (3rd or 4th century BC)

Corporate Social Responsibility Guidelines: Topics covered by the Global Compact

Human Rights

The Secretary-General asked the world business community to

Principle 1:

support and respect the protection of the international human rights within their sphere of influence;

Principle 2:

make sure their own corporations are not complicit in human rights abuses;

Corporate Social Responsibility Guidelines: Topics covered by the Global Compact

Labour Standards

The Secretary-General asked the world business community to uphold

Principle 3:

freedom of association and the effective recognition of the right to collective bargaining;

Principle 4:

the elimination of all forms of forced and compulsory labour

Principle 5:

the effective abolition of child labour; and

Principle 6:

the elimination of discrimination in respect of employment and occupation

Corporate Social Responsibility Guidelines: Topics covered by the Global Compact

Environment

The Secretary-General asked the world business community to

Principle 7:

support a precautionary approach to environmental challenges;

Principle 8:

undertake initiatives to promote greater environmental responsibility, and

Principle 9:

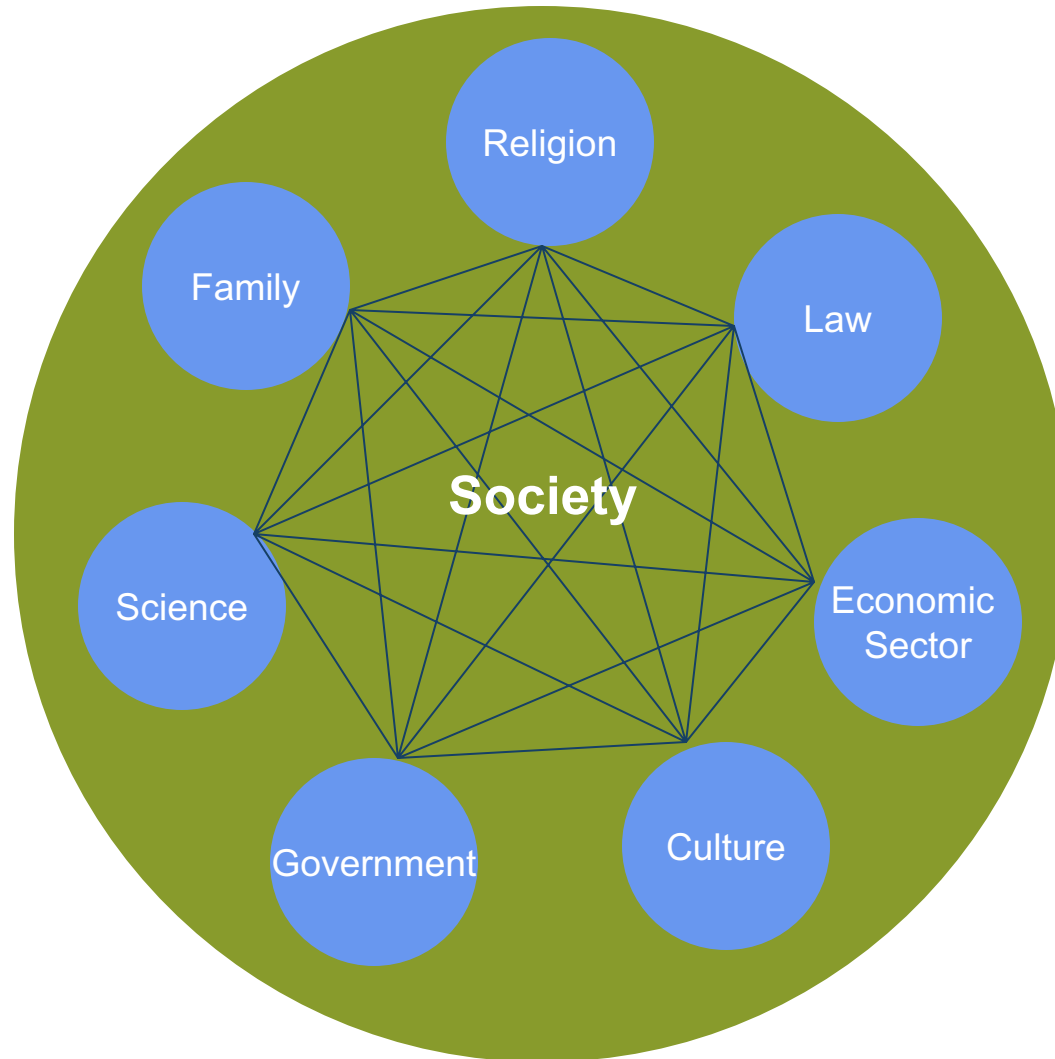
encourage the development and diffusion of environmentally friendly technologies;

Reference Points for Corporate Social Responsibility

Economics	Law	Ethics
Market demand	Legality	Legitimacy
Maximize profits	Act within clearly defined legal boundaries	Holistic responsibility
Charge what the market can bear	Reactive to changes in legislation	Proactive by moral motivation

What is a “fair” societal division of Responsibility?

The society and its Sub-Systems



Putting Corporate Social Responsibility into its societal Context

Desired
of business
by society

e.g.
**Foundations;
Corporate
contributions**

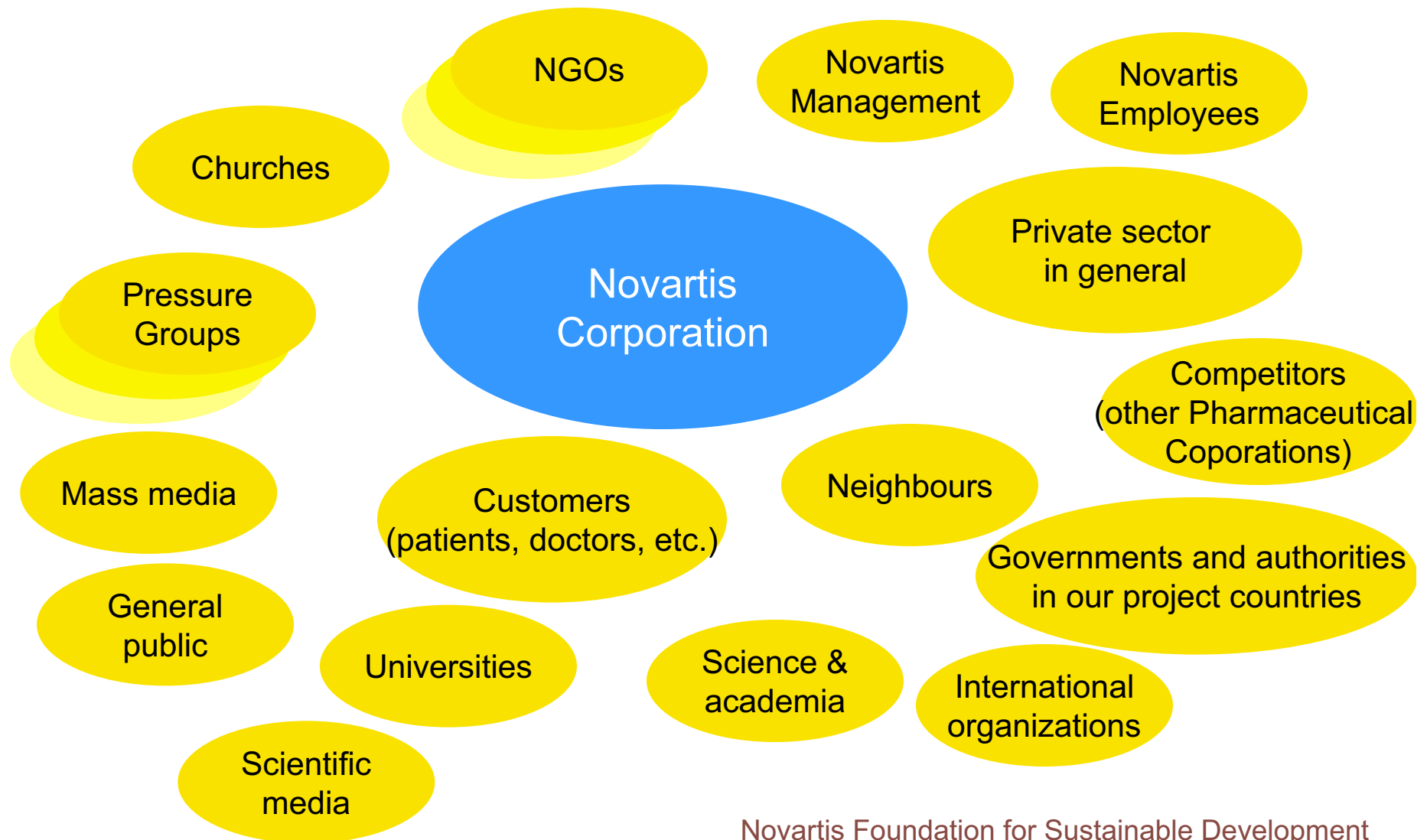
Expected
of business
by society

e.g.
**Avoid questionable practices
Assert ethical leadership**

Required
of business
by society

e.g. **Obey all laws; Adhere to regulations
Be successful in research and profitable
Make wise strategic decisions**

Who are Corporate Responsibility Stakeholders?



Open issues for (philosophical!) reflection

- As not every actor in society can be responsible for everything, where are the „limits of corporate accountability“ – and who defines it with what legitimation?
- What is a just definition of the „subsidiarity principle“ if those institutions who carry the primary responsibility fail to deliver?
- What is the legitimate role of corporate stakeholders and what is „dominance-free“ communication?
- What does „support and respect of Human Rights“ (UN Global Compact) mean for a pharmaceutical company – particularly in the light of Art.25 (...“right to medical care“)?

What should one expect from an enlightened pharmaceutical corporation?

- J Reflect on and strive for best economic **as well as political, social and ecological practices.**
- J Create an open corporate culture, commit to stakeholder dialogue and be responsive to civil society demands.
- J Give „good corporate governance“, „good corporate citizenship“ and social competence a recognizably high weight and report transparently on progress

What should one expect from an enlightened pharmaceutical corporation?

- J Do and / or support pro bono research for poverty diseases;
- J Give – on a case by case basis - access to intellectual property to serve patients living in absolute poverty;
- J Look for and support public private partnerships (win-win-projects, not charity);
- J Be open to differential pricing systems;
- J Respond to emergencies with a Human Face;
- J Be honest and explain the boundaries of corporate responsibilities.

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Since 2000, Novartis provides free MDT treatment to all leprosy patients in the world through WHO

Over 22 million blisters provided 2000 - 2002 to patients in over 110 countries. Value: US\$ 25.6 million

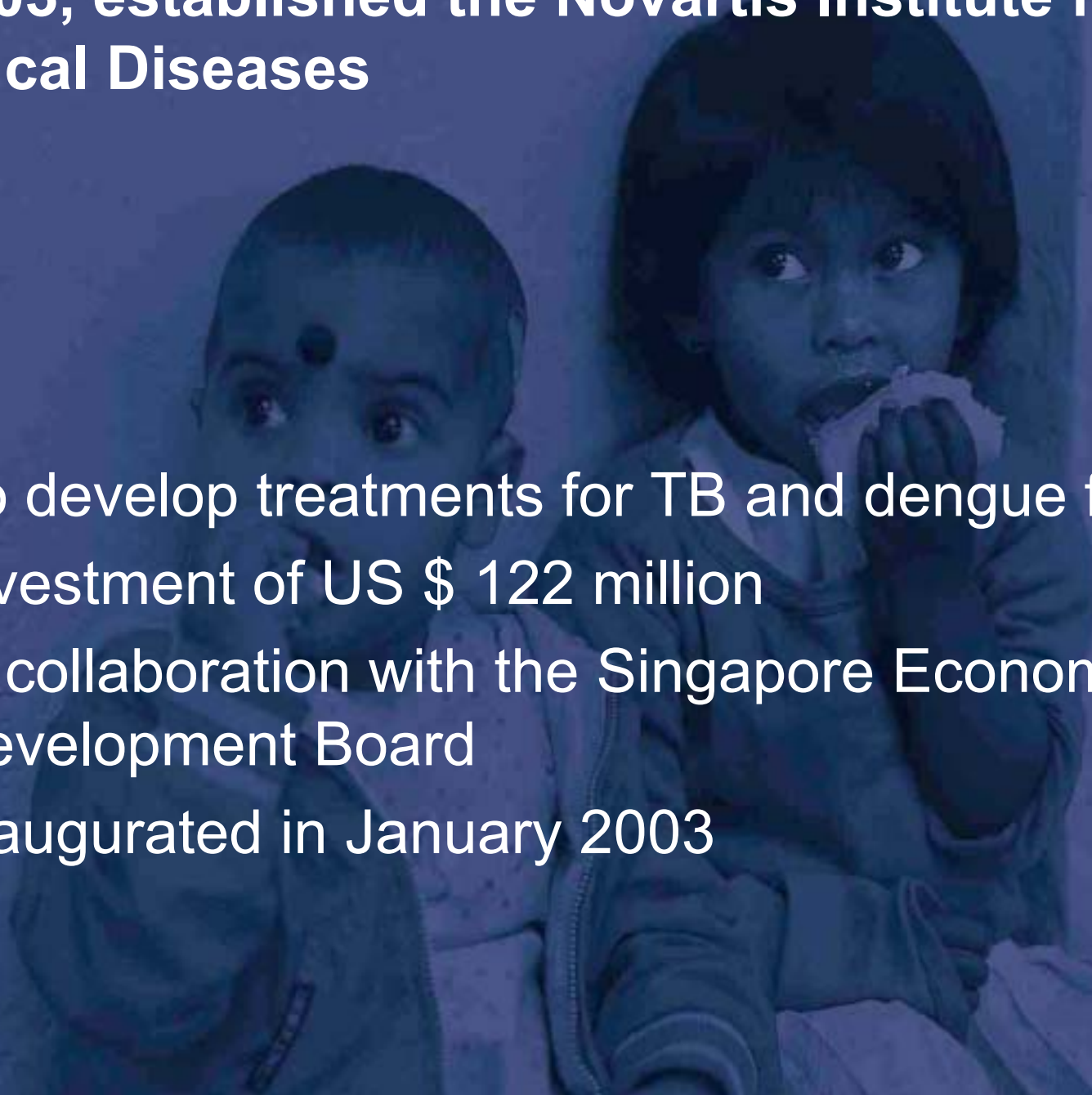


- **Since 2001, Novartis provides the only oral artemesin based combination anti-malarial drug Coartem at cost through WHO**

⌘ **Novartis will provide 500,000 DOTS treatment from 2003-2007 to Tanzania and Sri Lanka through the Global TB Drug Facility /Global Fund**

In 2003, established the Novartis Institute for Tropical Diseases

- To develop treatments for TB and dengue fever
- Investment of US \$ 122 million
- In collaboration with the Singapore Economic Development Board
- Inaugurated in January 2003



Created the Novartis Foundation for Sustainable Development in 1979

To contribute to the sustainable improvement of the quality of life of the poorest people through a synergistic approach

Research & Think Tank Services

**Stakeholder
Dialogue &
Networking**

**Development
Projects & Programs**





Key focus of the Foundation's development programs

- Contribute to the solution of Health related Problems
- Improve access to leprosy services by applying social marketing methods to generate and meet demand for leprosy diagnosis and treatment
- Improve access to Basic Health services by setting up a micro-health insurance pilot scheme in Mali
- IT-based Triage Project for the Integrated Management of Childhood Diseases in Uganda
- Improve access to Malaria Treatment in Tanzania
- Develop best practices for AIDS-Orphans in Sub Saharan Africa
- Support community development to prevent sickness

Other initiatives of Novartis

- Signatory to the UN Global Compact
 - put into place mechanisms to ensure compliance with its principles
- Provide free treatment for HIV/AIDS, TB, and malaria to all Novartis employees and families in developing countries with poor health insurance systems
- Patient Assistance Programs for Glivec and Femara

Why bother with social responsibilities and corporate ethics?

Because it is the right thing to do!!!

..and, by the way,

There is also a “business case” for social responsibility

Applied corporate social responsibility is likely to

- J Reduce friction with society and frees management capacity to reflect the corporate future instead of crisis management
- J Reduce legal, financial and reputational risks
- J Engender employees' motivation and identification
- J Enhance the attraction of the corporation (ethical investment)
- J Preserve corporate freedom
- J Provide new competitive edge in modern societies

The challenge remains:

An ethically justifiable corporate policy resembles the “slow, skilled yet passionate drilling of hard wood”.

Source: Weber, Max, “Politik als Beruf”, in *Gesammelte politische Schriften*, 5th edition, Tübingen: J.C.B. Mohr/Paul Siebeck (1988), p. 560.