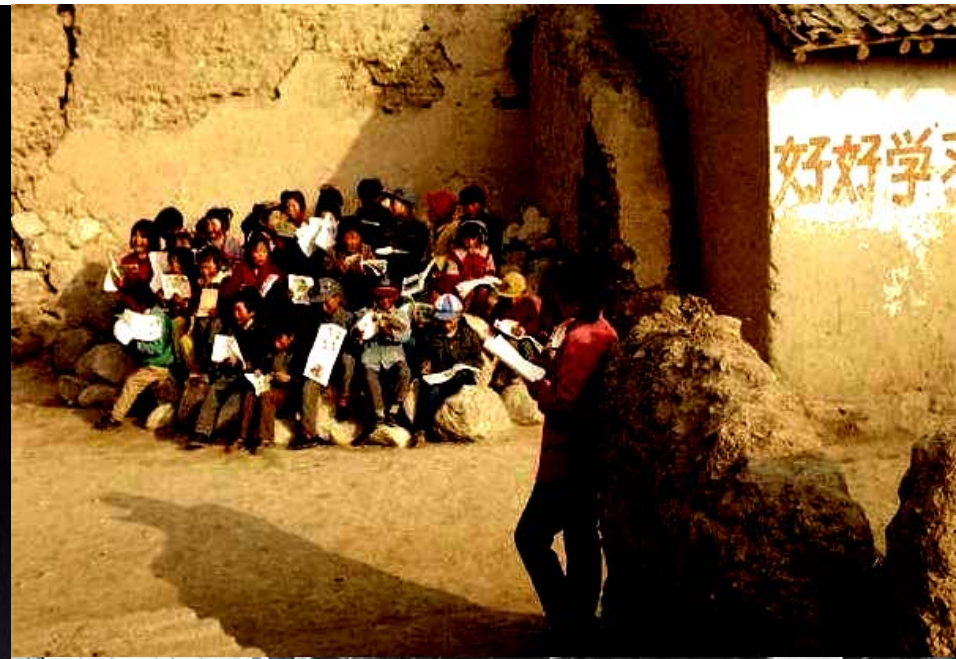




Ethical Business Practice for Pharmaceutical Companies in China

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WELCOME TO CHINA!



Why Are We Here?

The pharmaceutical industry deserves recognition for the many truly extraordinary drugs it has developed...*but...an industry so important to the public health and so heavily subsidized and protected by the government has social responsibilities that should not be totally overshadowed by its drive for profits.*



-- The New England Journal of Medicine, Vol.342, No.25

A Glance at China's Healthcare Industry

- Healthcare Industry has remained bottom of the public satisfaction index for many years.
- Average earnings of Chinese doctors is 1.3-1.8 of the social average, substantially lower than their counterparts in other countries of similar economic size.
- That there are pharmaceutical companies improperly marketing their products is generally believed to be among the root causes of the low satisfaction. The industry shoulders the responsibility to close the credibility gap.

Hence Our Mission

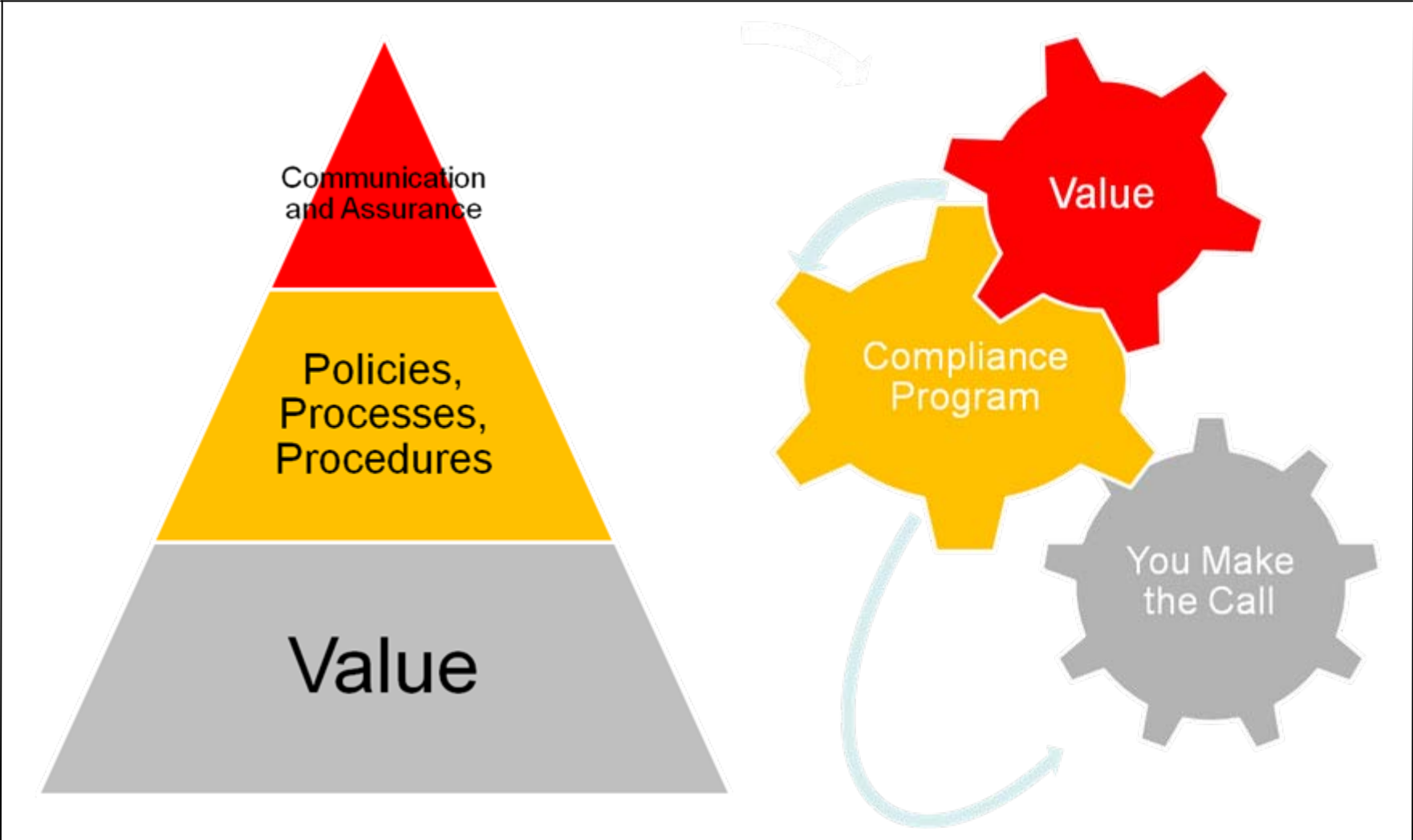
- Establish / promote ethical business practice standards which is ultimately important to the protection of the interests of the patients and fundamental to the sustainability and success of the pharmaceutical industry
- Restore public confidence in our industry



Building Ethics into Business Practices

- Ethics: to use values and principles to do the right things
- Compliance: traditionally, to adhere to laws, rules and policies to avoid violation
- Today, the two are inseparable and interwound in that increasingly our laws, regulations and policies are setting their feet on the widely recognized ethical values and we as an industry are trying best efforts to pick out and prevent those unethical behaviour masked as legitimate course of action.

Compliance On the Ground of Values



Important Must-Knows In Building Ethics and Compliance in a cross-cultural setting.

- Compliance – what are employees expected to comply with?
- “Ethics” can be ideological and mean differently across countries and cultures.
- The arguments around “universal values” vs. “the overarching ethical principles” that one would expect people to follow in all cultures and contexts.

- Traditionally, compliance is about complying with laws of the State and the organization one associates with.
- Meaning of the word for “law” in the west and in China are radically different:

“...historically in China, “law” is not used to denote **right or false** but means the **prohibitions** in the decrees published by the authority...By contrast, the word “law” in Western languages can have four different interpretations in Chinese – order of the nature, rules of the hierarchy, human-made law, and system of control.

- We not only want to be away from the prohibited activities but more importantly focus our business around the fundamental ethical values, i.e. integrity, transparency, and excellence, to capture and hold the trust of the external parties as well as our own people.
- Therefore, to mirror it in the training program, a combination of ethics-based training and compliance training will particularly be a better-fit for the local employees.



- For the management, the job is more than emphasizing on not breaking the laws or policies, but to ensure everyone of us and every of our people has a role in strengthening and safeguarding the ethical values which are intrinsic to who we are.
- The initiatives are not limited to the compliance managers. All components of an organization, medical, regulatory, HR, corporate affairs, sales & marketing, legal and compliance must work together to take on the accountability to move the industry forward.
- “You Make the Call” = Make the **Ethical** Call. A single action by any employee of this industry can ripple across the entire landscape .

- Compliance – what are employees expected to comply with?
- **“Ethics” can be ideological and mean differently across countries and cultures.**
- The arguments around “universal values” vs. “the overarching ethical principles” that one would expect people to follow in all cultures and contexts.

China - The “Relativist”

- The distinction between the “idealist” and the “relativist”, as defined by the American social and personality psychologist, Donelson Forsyth.
- Studies on ethical ideology of Chinese managers show that they fall in the “Relativist” category. People tend to adopt a *situational approach* to ethical decision making.

Dilemma? Manner and Compliance

- “The culture is about manners, as much as it is about business.”



wall street

-- Wall Street II: Money Never Sleeps

- The ubiquity of gifts and all forms of business courtesies to cultivate relationship (guanxi) to grasp business opportunities.
- Culturally acceptable vs. Legally acceptable vs. Ethically acceptable
- A large number of the China-related corporate prosecutions under FCPA have gifts, meals, entertainment involved in them.

- Indeed, it's a false dilemma that company operating in China must choose between culturally acceptable and legally/ethically acceptable practices.
- No under-estimate while also no over-estimate of the need to be “culturally acceptable”. The efforts of the Chinese government to curb corruption is no less than that of other governments in the world.
- Problem of gifting – what is the intent behind the gift?
- When it comes to gift, assess the risk, record all courtesy items, establish reporting and approval system, and most importantly, train the employees so that they can make the ethical call!

- Compliance – what are employees expected to comply with?
- “Ethics” can be ideological and mean differently across countries and cultures.
- The arguments around “different culture values” vs. “the overarching ethical principles” that one would expect people to follow in all cultures and contexts.

- Do overarching ethical standards exist across geographies and cultures?
- When in Rome, do as the Romans do. However:
 - ❑ there are Romans who endeavour to improve the quality of life of people.
 - ❑ there are also Romans who make fortune by supplying counterfeit drugs.

Again, we do believe there are overarching ethical values and thereupon compliance standards that shall be upheld in every part of the world, including China, for us to restore the public trust in the pharmaceutical industry

Whatever culture it is, the industry is to be guided by those universally recognized ethical standards to enable ourselves to do a better job in helping people to live a better life.

Industry EBP Roadmap

- The annual joint strategy meeting between RDPAC and its counterparts in US, EU and other major market to enhance the awareness and adoption of ethical business practices
- Active participation in legal reform to have recognized by law the industry's voluntary code of practice, for ethics cannot be all coded in laws
- MNCs and local players working together with one goal to create an ethical and healthy competition environment



***Join me and your peers in remaking ourselves
this week in a place that is also remaking itself
and by so doing reinventing what it means to live
the good life...***

THANK YOU!