



V Anbazhagan, N Saravanan, SG Dilipkumar and R Kannaiyan are medical sales representatives in Chennai, India.

Martha White-Ewans works as a diabetes care specialist in Oakland, California, US.

Spotlight on business ethics

THE BIG PICTURE

With integrity at stake, industry needs to act

Companies must take a forceful and vigilant stance against bribery and corruption and other violations of good business conduct. To achieve this, comprehensive ethics policies and procedures are essential. These require time and effort to develop and then improve, but a greater challenge still is to make sure that all employees live by them and to translate them into everyday business practices.

Applying business ethics is not just a matter of how a company's employees operate but also how the company's partners, its consultants and agents operate. They too must behave according to high ethical standards. The company must also communicate publicly to its stakeholders that they can expect the company to behave ethically.

For pharmaceutical companies, ethical issues often extend beyond bribery. Avoiding conflicts of interest, ethical marketing and ensuring that the health of consumers remains foremost must be integral to their ethical policies.

Pharmaceutical companies must be proactive and anticipatory rather than rely on simply responding when a crisis occurs. By adopting sound ethical policies and procedures, and implementing them openly and transparently, pharmaceutical companies can minimise the risk of corruption and foster confidence among their employees, their stakeholders and consumers at large.

David Nussbaum
Chief executive, Transparency International

David Nussbaum was invited by Novo Nordisk to provide a perspective on the hot topic of business ethics and to outline some of the issues currently under debate.

NOVO NORDISK'S APPROACH

Providing clarity and direction for good business practice

Managers who work for the regional office of Novo Nordisk in Latin America often come to Maria Augusta S Buarraj, the region's legal manager, for guidance on how to deal with issues that come up in their daily business – for instance, the proper procedures regarding handling of donations.

Now Maria Buarraj's job, and that of the managers she advises, is a bit easier, thanks to a new Novo Nordisk business ethics policy launched in September 2005 and supported by new standard operating procedures and company-wide training.

"Having the policy and procedures in place will help avoid different interpretations of what is acceptable practice," she says. "The managers in our region have a good sense of what is ethical, but it can be a subjective matter; there are always grey areas. The policy makes very clear the company's ethical standards regarding donations, gifts and commission fees for local distributors, all of which our managers deal with as part of their everyday business. Taking the policy on board has not been difficult; in fact, it saves us time. And our



Reiko Yanagisawa is a medical sales representative in Tokyo, Japan.

employees do expect a very high ethical standard from the company.”

Novo Nordisk believes it is important for employees working in a high-pressure, competitive environment to have clear guidance on ethical behaviour. Increasingly, stakeholders expect companies to hold themselves to high standards of conduct. And companies that have clear guidance and transparency will be better prepared to respond to those expectations.

Facing dilemmas

While the Novo Nordisk Way of Management serves as the overall guiding principles, the company recognises that, particularly in situations where ethical judgement is left to individual employees, those principles cannot stand alone. Staying true to principles of good business conduct can present dilemmas. Nevertheless, to Novo Nordisk this must never be used as an excuse.

Despite its long-standing commitments to conduct its business responsibly, dilemmas do emerge and must be addressed case by case. In a report published in October 2005 by an enquiry committee under the United Nations (UN), Novo Nordisk was mentioned as one of around 2,200 companies that allegedly paid so-called after-sales service fees in connection with contracts entered into under the UN Oil-for-Food Programme. Between 1996 and 2003, the programme enabled Iraq to sell limited quantities of oil to meet the humanitarian needs of its people during the economic sanctions that were imposed on Iraq following its invasion of Kuwait.

Novo Nordisk's own assessment is that no il-

legal activities have taken place in connection with Novo Nordisk's contracts or payments.

This situation does however underline the difficulty of operating in countries around the world with very different business practices.

This presents one dilemma, according to Lars Rebieen Sørensen, president and CEO of Novo Nordisk: “We have supplied the Iraqi people with insulin for the last 15 years, and we have traded there for 30 years. If we had opted to withdraw from Iraq, I'm not sure that the Iraqis would have been able to obtain the medicine they needed,” he says.

Putting policy into practice

As a signatory to the United Nations Global Compact, Novo Nordisk is working actively to implement the 10 Global Compact principles into its business and within its sphere of influence. This includes working against all forms of corruption, including extortion and bribery. The new business ethics policy is backed by three procedures:

- ▶ Business ethics – dealing with conflict of interest, bribery, facilitation payments, donations and interaction with suppliers
- ▶ Promotion of pharmaceutical products – covering interaction with public officials and healthcare professionals
- ▶ Novo Nordisk contracts with marketing consultants and agents – concerning legal compliance, contracts and fees for services, deliverables and payments, accounting and documentation etc.

The procedures make clear how Novo Nordisk employees should act to preserve ethical standards. This includes a prohibition on political

contributions and limits for entertainment of customers. It also states that employees can never offer anything of value to a public official for the purpose of obtaining an improper benefit for Novo Nordisk.

It is the responsibility of all managers to communicate the new procedures to employees, promote business ethics and lead by example. Therefore, training in the policy and procedures began in January 2006. This includes mandatory e-learning for all managers worldwide.

Moreover, all top management groups in the markets, International Marketing and Strategic Sourcing will run customised workshops prepared by Corporate Legal during 2006 discussing business ethics within their area in detail.

In addition to the training, advice in specific situations is available to employees through the Corporate Legal function, concerns can be raised through a whistleblower function via the Audit Committee, and the Group Internal Audit and the facilitation function will review the implementation of business ethics. Furthermore, the commitment to business ethics is incorporated in the company's Balanced Scorecard.



See more about Novo Nordisk's business ethics approach at novonordisk.com/annual-report
Click: How we perform