

Police: Sexual favours spurred GSK's \$1.5 bn China sales

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Singapore: A day after making the allegations against GlaxoSmithKline's senior executives public, China's Public Security Ministry has said that bribes paid to hospitals, health officials and trade in sexual favours spurred the pharma giant's sales in China last year.

GlaxoSmithKline's sales in China jumped 20 percent to about \$1.5 billion last year, which is almost quadruple the pace of growth across its emerging markets. The Chinese police have said that bribes and sexual favours spurred this gain.

The Public Security Ministry that controls China's police said that the British pharma major faces allegations of economic crimes involving \$489 million of spurious travel, meeting expenses and trade in sexual favours.

Responding to the ongoing investigations, GSK released a statement explaining that the allegations made against the senior executives of the company are 'shameful'. "We are deeply concerned and disappointed by these serious allegations of fraudulent behavior and ethical misconduct by certain individuals at the company and third-party agencies. Such behavior would be a clear breach of GSK's systems, governance procedures, values and standards. GSK has zero tolerance for any behavior of this nature. These allegations are shameful and we regret this has occurred," the statement said.

The ministry further said that bribes paid to hospitals, doctors and health officials to solicit sales helped boost Glaxo's revenue. "The use of kickbacks is a key reason why drug prices are higher in China than they ought to be. To boost the prices and sales volume of their drugs, the company has taken some illegal actions. GSK's marketing strategy includes many things that allow and even encourage bribery activities," Gao Feng, head, Economic Crimes Investigations Unit, Public

Security Ministry told press in Beijing.

He added that GSK takes a large portion of the profits from its drug sales in China to bribe government officials, medical associations, hospitals and doctors. Expenses for bribery are ultimately being covered by the public.

In its statement, the company clarified, "GSK shares the desire of the Chinese authorities to root out corruption. These allegations are shameful and we regret this has occurred."