

## China plans to slap 'astronomical' fines on GSK

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**Singapore:** In a bid to send out a strong statement, the Public Security Ministry in China has said on its official website that the country should learn from the practice of other nations and impose 'astronomical' fines in cases of bribery and corruption.

The country is now mulling over imposing huge fines against British drug maker GlaxoSmithKline (GSK) for fostering an aggressive work culture that encouraged employees to create and coordinate a bribery network to boost sales.

The ministry further added that it was increasingly clear that the alleged corrupt activity by GSK (China) was not the work of individual employees but instead was coordinated by top management. This statement came from the ministry only a day

after one-of-the-four arrested GSK China executives made shocking revelations to the police.

Mr Huang Hong, who is GSK China's general manager, said that the firm's corporate headquarters in Britain had set annual sales growth targets of up to 25 percent. In order to meet those targets, GSK China had linked employee salaries to sales volumes. Mr Hong also told the police that under the firm's policies, workers could lose thousands of yuan per month if they did not meet their goals.

The company has been facing the ire of Chinese authorities for the last two months, after it was accused of spending \$489 million (3 billion yuan) to bribe doctors and hospitals and to eventually evade taxes. Further, the company has been accused of offering sexual favors too to bribe doctors.

"With such unreasonable targets, if we do not resort to illegal measures, it's very difficult to achieve such high sales growth. Mark Reilly changed the company's objective to sales being king," Mr Huang was quoted as saying in the Chinese media about the former China head. It can be recalled that Mr Reilly had left the country immediately after the GSK scandal broke, claiming that it was a pre-planned business trip.

However, even after these direct allegations, the Public Security Ministry has not explicitly accused Reilly or GSK's London headquarters of corruption in its statement.

"To avoid being prosecuted under the UK Bribery Act and the US Foreign Corrupt Practices Act, GSK must show that the corruption was limited to isolated acts by some bad apples working outside GSK's controls, which is how GSK CEO Sir (Dr) Andrew Witty has portrayed it," the Chinese media report said.

Only last year, GSK had made a fine settlement of \$3 billion to the US Department of Justice for unlawfully promoting certain prescription drugs and failing to report some safety data. As a British, New York-listed firm, GSK is subject to Britain's Bribery Act and must comply with the FCPA.

GSK has however maintained that some of its employees may have committed violations and the company's CEO Andrew Witty has suggested that the bribery was unknown to upper management and was the act of a few bad players. "We remain deeply concerned by the allegations of fraudulent behavior and ethical misconduct in our China business. The reports published on September 4, relate to the ongoing investigation being conducted by the Chinese authorities. The issues identified would be a clear breach of our corporate values and we have zero tolerance for any behavior of this nature," a GSK spokesperson told the press.

Apart from GSK, the Chinese operations of MNCs like Sanofi, Eli Lilly and Novartis have come under the country's scanner.

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