

At the World Economic Forum's annual meeting for 2000 in Davos, Switzerland, Novartis Chairman Daniel Vasella dined with United Nations Secretary-General Kofi Annan. During the meal, Mr. Annan asked Novartis to join the UN Global Compact, a fledgling initiative under which corporations support a set of core values in the areas of human rights, labor standards, the environment and efforts to combat corruption.

Novartis agreed to become one of the first signatories. In a letter on July 14, 2000, outlining the commitment, Dr Vasella called the principles of the Global Compact "important building blocks for a free and prosperous world economy." He added: "It is our firm belief that free trade, innovation based on fair protection of intellectual property and the core values expressed in the Global Compact are essential elements for sustainable economic and social progress."

Today the Global Compact is the world's largest corporate citizenship initiative with more than 7 000 signatories in 135 countries. In 2004, underscoring the commitment of Novartis to the initiative, Secretary-General Annan nominated Professor Klaus Leisinger, President of the Novartis Foundation for Sustainable Development, as Special Advisor on the Global Compact. For two years, Professor Leisinger served as a global ambassador, advancing issues critical to the Global Compact.

Professor Leisinger will represent Novartis at the Leaders Summit 2010 at UN headquarters in New York, marking the tenth anniversary of the Global Compact's launch. In an interview, he discusses progress of the Global Compact to date as well as future challenges facing the initiative.

The Global Compact has become a cornerstone of Corporate Citizenship at Novartis. What were the key factors in implementing the initiative?

KL: The Global Compact is a process, not a project that you start and eventually finish. In retrospect, the early and unequivocal commitment at the highest level of management was the decisive factor that endowed the Global Compact with the weight and importance it enjoys at Novartis today.

Whenever there were basic decisions about whether to be proactive or take a narrow legalistic approach, Daniel Vasella always insisted that values were non-negotiable and that we should go the proactive way. Those signals from the top have been critical: if senior management doesn't take a firm stand, people will try to guess which way the wind is blowing.

At the same time, it was obvious that the Global Compact could not be a top-down, staff-invented affair and the first 12 months were a very intensive learning period. We set up a steering committee comprising representatives from all the divisions and several countries. We sent out several hundred questionnaires – explaining what the company had committed to, and asking people if there was anything they felt uneasy about. According to the responses we got there were no skeletons in the closet.

We also took a step back to think hard about what we were actually supporting. The principles of the Global Compact are defined in such a general way that they invite an astonishing plurality of interpretation. Our own people, as well as society, want to be sure we walk as we talk. That makes it critical to be explicit about where our commitment begins – as well as where it ends.

Novartis was the first and, for many years, the only pharmaceutical company to work with prominent politicians, political scientists, human rights activists such as John Ruggie and Mary Robinson, as well as nongovernmental organizations (NGOs) such as Amnesty

International.¹ It helped us to get a clearer view of our own position – but also a better idea of how to manage expectations.

Today the Global Compact is the single most accepted code of behavior – internationally and culturally. It has the unique advantage of being the common denominator for the global community with regard to human rights, labor standards, the environment and anti-corruption. More and more, NGOs accept the Global Compact principles as a standard framework for corporate responsibility. At the beginning, many were skeptical and there were frequent accusations that companies would abuse the Global Compact to embellish their own image without making a serious and ongoing commitment. Today, NGOs accept that most companies do take it seriously.

What have been the highlights of implementation?

KL: We should be proud that Novartis was one of the first signatories and supported the Global Compact from a very early stage. Switzerland also played a key role, putting funds into the Global Compact long before anybody thought it would take off. The fact that the Global Compact is so successful today owes very much to the Swiss Federation; unfortunately that contribution isn't sufficiently recognized.

A new version of the Novartis Code of Conduct was issued, containing a reference to the Global Compact, and items such as the Universal Declaration of Human Rights, that had never been covered before. Concrete, action-specific targets have been set and performance indicators have been defined and integrated into existing management systems and working practices. We developed guidelines to apply the standards of Novartis to third parties: business partners and suppliers. Local legality cannot be our understanding of legitimacy; no company can hide behind bad laws or lack of law enforcement.

Novartis has set a standard with regard to its “living wage” policy instead of paying “minimal wages” only. We have set standards in human rights policies and their implementation. We instituted highly significant access-to-medicine programs as a contribution to the UN Millennium Development Goals which are also on the agenda of the Global Compact.

We conduct *pro bono* research in Singapore aiming to discover medicines and vaccines against neglected diseases occurring in poor countries. We provide access to treatments against malaria at cost and against leprosy free of charge. Our pioneering anticancer drug Gleevec/Glivec is provided free to thousands of poor patients around the globe through patient assistance programs because Dr. Vasella said no one should die because this medicine is expensive. All this is evidence of the “curing and caring” philosophy of Novartis.

The question, “how much is enough?” will never find a conclusive answer. What do we tell hard-nosed managers or investors who question why Novartis should put USD 1.5 billion into these access-to-medicine programs when these funds could be profitably invested?

The top 15 pharmaceutical companies show quite a variety of corporate behaviors. Some companies, like Novartis, contribute much more to the public welfare than others. Yet the public imputes “clan liability” to all pharmaceutical corporations, as the term “Big Pharma” demonstrates. The weakest performer has the greatest impact on the image of the whole industry. If a company earned reputation capital for better-than-average contributions to the public welfare, it would make business sense and more companies would engage in something benefitting higher purposes. I don't care if they do it for value capital or as a reflection of their values, as long as they do it.

¹ Mr. Ruggie has served as Special Representative of the Secretary General on Human Rights and Transnational Corporations; Ms. Robinson is the former President of Ireland, former UN High Commissioner for Human Rights and also is active in several nongovernmental organizations.

Why has the issue of Human Rights been so controversial from the inception of the Global Compact?

The Global Compact encompasses two human rights principles. The first is that businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence. Second, businesses should make sure that they are not complicit in human rights abuses.

The reference documents available for consultation were primarily the Universal Declaration of Human Rights and various covenants. For a comprehensive picture, however, other conventions also had to be considered, and there were considerable differences of interpretation between the various reference documents.

In part, that reflects the fact that there are different families of human rights. Most people associate human rights violations primarily with torture and political imprisonment – the sphere of civil and political rights that aims to guarantee the freedom of individuals from undue interference by the state. But there are economical, social and cultural rights as well. These are “positive rights”. To fulfill them, one needs resources. The question is: Whose resources?

There is a right to employment which is more aspirational. Nevertheless, there has been increasing pressure on companies to do more and better.

Mary Robinson, in her time as High Commissioner for Human Rights, was the first to point to the preamble to the Universal Declaration on Human Rights which articulates that not only states, but individuals and all actors in society, have to ensure that these human rights are respected. In 1947, the Universal Declaration was clearly directed to state and state actors. Today, it is having a major impact on non-state actors – including companies.

As Special Representative of the Secretary General on Human Rights and Transnational Corporations, Professor Ruggie has worked very successfully with a broad range of stakeholders to establish a clearer societal division of responsibility for human rights. Under his model, business has different responsibilities than the church or the state – or NGOs.

Companies, however, do have an obligation to respect human rights even where the state commits violations. Ruggie recommends companies to exercise “due diligence” in such cases or wherever there is an indication of possible violations. Ignoring a problem without exploring it proactively is not a valid response. Novartis assumed a leadership role by undertaking its first compliance assessments of human rights in 2002 and steadily expanding such compliance assessments to additional countries.

What are some other major challenges?

Good business practices and behaviors are not a matter of exalted philosophical thought; it just requires some intelligence and moral common sense. But there are situations in which decision making involves the ranking of values of equal priority and creativity in finding acceptable solutions.

Let us take intellectual property as an example. On the one hand we need intellectual property protection to finance our research, but it can become an obstacle to access if the medicine is unaffordable for a patient in need. The dilemma behind the dilemma here is how you balance the risks for living patients against benefits for future patients.

Other dilemmas arise from clinical trials in developing countries, animal welfare or greenhouse gas emissions. How many people, after all, know that it is easy to install energy-saving technology but as a growing company, Novartis won't be able to reach its voluntary commitment to the Kyoto protocol without additional carbon offset projects – putting up forests in Argentina or plantations in Mali.

Serious people don't have simple answers for complex issues such as these. We should have the courage to say we do not have a solution for every dilemma or complex problem. That clearly requires teams of people with a diversity of skills, resources, approaches –

creative partnerships where all members work together in good faith and are interested in finding a common solution, disregarding ideological preconceptions.

The Novartis Foundation for Sustainable Development always has shared dilemmas like these because we believe that only by doing so can the problems be understood and addressed. Our international symposiums held in 2003 and 2004, for example, addressed difficult human rights issues and the “right to health” as themes. Our symposiums are forums where different voices can be heard and where we can participate in the debate from a private sector point of view.

For a company like Novartis it would be a mistake not to observe and listen to what important stakeholders have on their agendas that might have an impact on our business. We should remain up to date about societal expectations and alert to trends, anticipate threats and opportunities and deal with them through proactive measures.

How do you expect the Global Compact to evolve in the next few years?

Kofi Annan asked me the same question during the debriefing after I stepped down as his Special Advisor. Obviously, the Global Compact has achieved a critical mass and established standards underpinning its core principles.

Now I think it's time to look into special conditions relating to regions or industries. It seems obvious that the mining industry has different labor and environmental issues than textile or pharmaceutical companies, or banks. Let's go one step down in disaggregation and have peer group associations discuss specific conditions of different sectors and define best practices on the ground, not at the abstract level of the Global Compact.

I would like to see the International Federation of Pharmaceutical Manufacturers Associations (IFPMA – the main international industry group) go beyond the well-defined corridor of good corporate practice in this area and identify desired practices to deal with specific issues for pharmaceutical companies arising from principles of the Global Compact. This isn't done at the moment and is an opportunity lost.

Corporate responsibility should become an entrenched habit despite the difficulty of measuring a return on investment. We know how much money we spend on environmental care every year but we never know the costs we avoid through these investments. It's an insurance premium: you continue paying for insurance even if you haven't had damage for 20 years.

I hope that by proving the business case for corporate responsibility more convincingly, we attract new and different partners. Rather than a stakeholder here and another there, it could be possible to pool resources and assemble diverse stakeholder teams to address and potentially solve specific problems. It would be a more constructive approach than what we have today; as long as we sit on the fence, pointing at each other, not one single poor person will be better off.