

**Beyond Carrots and Sticks:
A Growing Culture of Corporate Responsibility in Australia**

Submission from Novartis Pharmaceuticals Australia Pty. Ltd. to the
Parliamentary Inquiry into Corporate Responsibility

September 2005

Introduction

Novartis Pharmaceuticals Australia (Novartis) welcomes the opportunity to respond to this important and timely Inquiry into corporate responsibility in this country.

As a world leader in healthcare with a strong social conscience, Novartis has a highly developed, longstanding and well documented approach to meaningful corporate citizenship both globally and in Australia. As such, we have a great deal to contribute to this discussion.

The key insight in this submission is that significant changes to the Corporations Act should not be required to encourage organisational decision-makers to act responsibly and contribute to the broader environments in which they operate. Frankly, they should be doing it anyway.

All corporations rely on the community and stakeholders other than their shareholders to ensure their sustainability and success. Improving and sustaining the social and natural environment in which these corporations operate is mutually beneficial to all parties, and should not require immediate tax rewards or legal obligations.

The evidence in this submission demonstrates that in many ways, enlightened corporate citizens are already engaging in meaningful corporate social responsibility, and are finding the experience to be mutually beneficial. Importantly, these initiatives are taking place under the existing regulatory regime and a uniquely Australian brand of corporate responsibility is becoming well established.

We argue that this culture may need more time to develop, and a prescriptive approach to regulation would be premature. At its worst, regulation of corporate responsibility through the Corporations Act could frame such endeavours as a mere obligation (like any other), stifling creativity and effectively limiting the potential size and benefit of these voluntary contributions.

Where possible, this submission urges the Government to facilitate, recognise and engage with existing corporate and community partnerships in the way that the PM's Community Business Partnership already does. Ideally, a mutually beneficial approach to corporate responsibility from all parties will facilitate more three-way corporate, community and Government partnerships in the future.

This submission draws on the global approach to corporate citizenship taken by Novartis, and profiles Compass – our major corporate citizenship project in Australia for 2005 – as an innovative model of corporate, community and government partnership. This is just one (albeit a major) component of a

broader approach to community engagement and corporate citizenship undertaken by Novartis in Australia.

This submission responds to Terms of Reference A, B, and D.

We would welcome the opportunity to present further insights and evidence to the Inquiry in person when public hearings are being held.

Part A: Who is Novartis?

Novartis is a world leader in the research, development and supply of products to protect and improve health and well-being.

Novartis Pharmaceuticals researches and supplies a broad range of innovative and effective prescription medicines to treat patients in both general and specialist practice and hospitals.

Created in 1996 from the merger of Swiss companies, Ciba and Sandoz, Novartis has a history in Australia going back over fifty years. Novartis employs about 80 000 people and operates in over 140 countries around the world.

In Australia the company now employs more than 500 people, and invests over \$27million AUD annually in local research. This research not only assures the effectiveness of the company's current range of treatment, but also secures the promise of improving health for the future.

Novartis medicines treat some of the most serious health conditions confronting healthcare professionals and their patients. The company's work is spread across many disease areas including Primary Care, Oncology, Transplantation and Ophthalmics

As a pharmaceutical company, Novartis is quite unique. While very strong in research and development, Novartis is also the only major pharmaceutical company that is a global leader in generic medicines at the same time. Novartis recognises that when innovative drugs have come off patent, healthcare patients and providers should have access to less expensive, high-quality generic medicines.

Novartis also participates in the Global Reporting Initiative (GRI), which is explained further at <http://www.globalreporting.org/>. The GRI describes itself as 'a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines'.¹ From the perspective of Novartis, the GRI is an ideal way to provide meaningful reporting on social investment in an environment in which there are not accepted benchmarks and standards available. As part of our involvement, Novartis publishes a GRI Report each year – a public account of the company's economic, environmental and social performance. At last count, over 700 organisations participate in the GRI.

¹ Global Reporting Initiative, 'GRI at a glance', www.globalreporting.org/about/brief.asp, accessed 26 September 2005

Part B: Global Policy on Corporate Citizenship

Like many companies, Novartis has a global policy on corporate citizenship. Ours is based on the principle that in all our actions, we will seek to 'operate in a manner that is sustainable: economically, socially, and environmentally – in the best interest of long-term success for our enterprise'.² Importantly, the Novartis policy recognises that meaningful corporate citizenship and business success are not mutually exclusive. In many cases, they are entirely complementary.

While a detailed analysis of the corporate citizenship policy belongs in a different discussion, the global position can be explored further at http://www.novartis.com/corporate_citizenship/en/02_2003_policy_on_corporate_citizenship.shtml.

Major Corporate Citizenship Initiatives (Global)

Through its Access to Medicines Projects in 2004, Novartis made treatments for Malaria, Leprosy, Tuberculosis and certain types of cancer available to over 4 million patients around the world, free, supported or at no profit.³ At a global level, the program was valued at US\$570 million. On the strength of this initiative, Novartis was awarded the 2004 Excellence in Corporate Philanthropy Award from the Committee to Encourage Corporate Philanthropy (CECP).⁴

Another novel Corporate Citizenship initiative is our research center for tropical diseases, the Novartis Institute for Tropical Diseases (NITD). Based in Singapore, NITD is managed on a not-for-profit basis and focuses on finding new therapies for "neglected diseases," initially Dengue fever and drug-resistant tuberculosis, which are gaining in importance, especially in developing countries.

These two initiatives illustrate a further key point about effective corporate responsibility. In many cases, the most effective initiatives occur when companies engage with the community on issues that relate to their core business.

Novartis also provides research, education and development projects through its foundations, in countries as diverse as Switzerland, France, Britain and the United States. These include the:

- Novartis Foundation for Sustainable Development;

² http://www.novartis.com/corporate_citizenship/en/02_2003_policy_on_corporate_citizenship.shtml

³ http://www.novartis.com/downloads/corporate_citizenship/AR04_table_access.pdf

⁴ http://www.novartisfoundation.com/en/about/backgrounds/excellence_corporate_philanthropy_award.htm

- Novartis Venture Fund;
- Novartis US Foundation;
- Novartis Foundation (UK);
- Novartis Foundation, formerly the Ciba-Geigy Jubilee Foundation;
- Novartis Foundation France;
- Novartis Foundation Japan;
- Novartis Foundation for People and the Environment;
- Novartis Foundation for Medicine and Biology;
- Apica Foundation;
- Novartis Research Foundation;
- Foundation for Health, Innovation and Society (Spain);
- Novartis Foundation for Therapeutic Research; and the
- Novartis Consumer Health Foundation.

Further information on the Foundations, their philanthropic function and role in our approach to corporate responsibility can be found at http://www.novartis.com/about_novartis/en/foundations.shtml.

Part C: Corporate Citizenship in Australia

Novartis has not taken the Foundation approach to corporate citizenship in Australia. It is a different environment, with great opportunities for innovation in corporate social responsibility. As such, we have sought to make an informed and meaningful contribution to developing Australia's response to a major policy challenge instead.

Importantly, Novartis recognised early on that:

- Interest and advocacy groups embedded in the community often know a great deal more about social and economic issues than corporate citizens.
- There are often fragmented interest groups with their own unique insights, all seeking to communicate to Government and the public on common issues.
- Engaging with the NGO community and putting a diverse collection of views into a concise and meaningful format for Government would be an invaluable contribution for an organisation such as Novartis to make.

These three insights have provided the basis for our strategy. This is our approach to corporate citizenship in Australia, and our major program is called Compass.

The Compass Consultation on Australia's Ageing Population

The Compass model is an example of corporate, community and government partnership. In this model, a *corporate* has shown the initiative to engage a diverse sample of the *NGO sector* across Australia to provide concise and meaningful advice to the *Government* in meeting a major policy challenge.

The Compass Consultation on Australia's Ageing Population – a series of interviews, surveys and a call for submissions - has enabled Novartis to capture the insights of the key community groups witnessing the impact of demographic change first-hand.⁵

Consultation Process

One hour interviews have been conducted with the following peak NGOs in Australia:

⁵ All MPs, Senators and relevant Government Departments have also been personally invited to respond. An advertisement in The Weekend Australian newspaper invited responses from all other interested groups and individuals. Earlier in the year, Novartis employees also responded to a survey on the issue of ageing and the ageing population.

1.	David Deans	Chief Executive Officer	COTA National Seniors
2.	Brian Conway	Chief Executive Officer	Diabetes Australia
3.	Glenn Rees	National Executive Director	Alzheimer's Australia
4.	Mark Franklin	Chief Executive Officer	Arthritis Australia
5.	Julie Heraghty	Chief Executive Officer	The Macular Degeneration Foundation
6.	Andrew Giles	Chief Executive Officer	Prostate Cancer Foundation of Australia
7.	Judy Stenmark	Chief Executive Officer	Osteoporosis Australia
8.	Julie Austin	Senior Policy Officer	Carers Australia
9.	Miriam Dixon	Chief Executive Officer	Parkinson's Association of NSW
10.	Claire Hewat	Executive Director	Dietitians' Association of Australia
11.	Ken Baker	Chief Executive	ACROD
12.	Louise Littlewood	Policy Officer	ACROD
13.	Greg Mundy	Chief Executive Officer	Aged and Community Services Australia
14.	Rod Young	Chief Executive Officer	Aged Care Association Australia
15.	Professor Gary Andrews	Director	Centre for Ageing Studies
16.	Professor Tony Broe	National President	Australian Association of Gerontology
17.	Professor Helen Bartlett	Director	Australasian Centre on Ageing, University of Queensland
18.	Dr Diana Olsberg	Director	UNSW Research Centre on Ageing and Retirement
19.	Dr Susan Feldman	Director	ALMA Unit for Research on Ageing, Victoria University
20.	Rhonda Parker	Chief Executive Officer	Positive Ageing Foundation
21.	Patricia Campbell	Chief Executive Officer	War Widows Guild of Australia, NSW Ltd.
22.	Audrey Blood	President	War Widows Guild of Australia, NSW Ltd.
23.	Jan Stevens	Manager, Member Services	War Widows Guild of Australia, NSW Ltd.
24.	Neill Tucker	Executive Director	COTA NSW
25.	Alan Gruner	Manager, Residential Aged Care and Day Programs	Brotherhood of St. Laurence
26.	Grace Johnston	Manager, Working Connections	ARPA Over 50s Association
27.	Ms Jana Pearce	Managing Editor	New Choices for Retirement
28.	The Hon. Bob Katter (written submission)	Member for Kennedy	House of Representatives
29.	Dr Alan Bundy (written submission)	President	Friends of Libraries Australia

The VIEW Clubs of Australia Survey

Meanwhile, Novartis Pharmaceuticals Australia has partnered with The Smith Family and surveyed over 200 of the Local Presidents of the VIEW Clubs of Australia – a women’s organisation with over 28,000 members – as part of this research project. Founded in 1960, the VIEW Clubs of Australia are a part of The Smith Family that promote the Voice, Interests and Education of Women.

A \$30,000 donation made by Novartis to The Smith Family in December 2004 has been channeled into the leadership development activities of the VIEW Clubs of Australia, covering the cost of the following events:

- The Biennial National Council changeover recognition luncheon;
- A workstudy training weekend for elected senior office bearers;
- Phone and /or travel and accommodation to facilitate mid-monthly Executive teleconferences and face to face Executive meetings to plan national priorities for the organisation;
- Development of ongoing resources to communicate to elected office bearers across Australia.

Qualitative Evidence

These responses have form the evidence-base for a consultative discussion paper on the priorities and concerns of Australia’s key interest groups on this very important social and economic issue. The interests are particularly broad, and have painted a rich and diverse picture of the challenges Australia is already facing and in many cases meeting successfully. The report also provides a set of policy and program recommendations as a contribution to the discussion on Australia’s preparations for demographic change.

The National Aged Care Alliance Meeting, Melbourne, 23 August 2005

On 23 August 2005, Dr Martin Cross, Managing Director of Novartis Pharmaceuticals Australia presented the preliminary findings of the Compass Consultation on Australia’s Ageing Population to a meeting of the National Aged Care Alliance in Melbourne. Formed in April 2000, the National Aged Care Alliance is a representative body of 23 peak national organisations in health and aged care, including health consumer groups, providers, unions and health professionals. Further information is available at www.naca.asn.au. At the invitation of the NACA Secretariat, this was an ideal opportunity to seek feedback and advice on the Compass findings and recommendations.

Final Report

The final report of the Compass Consultation on Australia's Ageing Population will be launched by The Hon Julie Bishop, Minister for Ageing, at Parliament House on 13 October 2005. The Minister's involvement in the launching of these findings to a government and NGO audience completes the equation, and shows a corporate, a broad collection of NGOs and the Federal Government combining their insights to respond to a major policy challenge.

Other Activities in Australia

Community Partnership Day

Held annually, the Community Partnership Day (CPD) commemorates the merger that created Novartis in 1996.

The event represents a unique opportunity for all Novartis employees to make a difference in their local community and express their personal commitment to Corporate Citizenship.

The initiative is aimed at supporting local communities, social institutions and non-profit organisations with projects compatible with the Novartis commitment to social responsibility. Each year, projects are planned in close collaboration with the institutions they are intended to benefit. The CPD organizers carefully select projects which result in real added value for the beneficiary and encourage personal contact with the local community.

In 2005, more than 9,000 Novartis volunteers worldwide participated in the Novartis Community Partnership Day, with programs including a large number of social activities for the elderly, for children and for the disabled.

Community Partnership Day in Australia has produced some outstanding results, with the help of staff volunteers. Through an ongoing relationship with Variety, Novartis has helped to develop sensory learning environments (including a Sensory Garden at Karonga School) for intellectually and physically handicapped children. Since 2003, Novartis has contributed over \$50,000 to Variety through these and other activities.

Community Partnership Day in Australia, 2004

It took one day, a team of 70 hardworking individuals, some creative intuition and then there was a school in Linfield one step closer to having a sensory music room.

Community Partnership Day (CPD) saw Novartis head to Cromehurst School for the day to help the students and their teachers paint, garden, hammer and clean.

Similar to Karonga School where CPD has been held previously, Cromehurst School caters for intellectually and physically handicapped children. With the assistance of Variety, a children's charity, this school was identified as one which Novartis could help by supplying funds to create the sensory music room and labour to carry out the other tasks.

From relocating blackboards from classrooms to areas outside, cleaning the pool to helping out in the classroom, a great and productive day was had by all.

This culminated in a BBQ lunch for the staff of Novartis, the Cromehurst teachers and children.

Pollie Pedal

In 2005, Novartis supported the Pollie Pedal bike ride through regional NSW. The Pollie Pedal is an annual long-distance bike ride to raise money for various Australian charities. As a major sponsor, Novartis gave a \$20,000 donation⁶ towards research for childhood Leukemia at Westmead Hospital. The fundraising from Pollie Pedal will help Westmead researchers continue their important work. Representatives from Novartis also took part in the ride.

Tsunami Relief

Novartis also contributed to Australia's overwhelming response to provide relief to victims of the Boxing Day Tsunami in Southern Asia. Novartis staff contributed over \$27,000 which was matched by the company, leading to a combined contribution of over \$60,000. However, Novartis companies also made much-needed in-kind contributions, providing significant amounts of medicines to the affected regions. Again, this illustrates effective corporate responsibility in an area relating to a company's core business.

Responsible Community Group Relations

As a key stakeholder in the Australian healthcare system, Novartis has deep and varied relationships with the community through non-government organisations (NGOs), health consumer organisations (HCOs) and healthcare professionals (HCPs). We recognise the importance of establishing and sustaining these relationships in a responsible manner, particularly with the community's concerns about 'disease mongering' and corporate-community dynamics in the pharmaceutical industry.

⁶ Novartis also made a separate \$10,000 donation in 2004 to the Millenium Foundation at Westmead Hospital.

In recent years, Novartis has worked to differing degrees with organisations as diverse as Osteoporosis Australia, Fostering Partnerships, the Centre for Community Child Health, the Australian Rheumatology Association, the Prostate Cancer Foundation of Australia, the Multiple Myeloma Foundation, the Leukaemia Foundation, Epilepsy Action, Transplant Australia, Kidney Health Australia and the former Australian Kidney Foundation, Arthritis Australia, Parkinson's NSW and the Millennium Foundation. We seek to conduct all of these relationships in an effective and sustainable way.

Environmental Impact

Novartis has recently established an Environment Project Team that seeks to identify and implement strategies to minimise the environmental impact of Australian operations headquartered in North Ryde, NSW. Immediate actions have included a more rigorous approach to recycling, and a combination of behavioural changes and equipment choices to minimise energy consumption. Its work is ongoing.

Part D: Concluding Recommendations

This submission argues that amendments to the Corporations Act should not be required to encourage organisational decision-makers to have regard for the interests of stakeholders other than their shareholders. This is not out of an objection to regulation per se, or a reluctance to meet agreed standards for the implementation of corporate responsibility. In fact, Novartis supports any efforts to enhance the quality of corporate social responsibility in Australia, and encourage more organisations to take part.

However, the evidence in this submission demonstrates that there are innovative approaches to corporate social responsibility already underway. The focus should be on educating organisations on the value of corporate responsibility and the most practical and effective ways to implement it. Existing initiatives should be supported wherever possible, and further opportunities for corporate, community and government partnership should be fully explored.

In direct response to the terms of reference:

A. The extent to which organisational decision-makers have an existing regard for the interests of stakeholders other than shareholders, and the broader community.

Yes, many already do. This submission draws on Novartis as a case study, and outlines its global corporate citizenship policy, array of foundations and philanthropic programs in Australia and overseas. Importantly, it illustrates how a global corporation like Novartis has developed Compass – a unique approach to corporate citizenship for an Australian context – that seeks to identify solutions to a major domestic policy challenge. The key insight to be drawn from this discussion, is that enlightened corporations do recognise the value of effective CSR and corporate citizenship and are already putting it into practice. Given time, a more substantial and sustainable culture of corporate responsibility and corporate philanthropy will be established in Australia, and there is evidence of that already occurring.

B. The extent to which organisational decision-makers should have regard for the interests of stakeholders other than shareholders, and the broader community.

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D. Whether revisions to the legal framework, particularly to the Corporations Act, are required to enable or encourage incorporated entities or directors to have regard for the interests of stakeholders other than shareholders, and the broader community. In considering this matter, the Committee will also have regard to obligations that exist in laws other than the Corporations Act.

Yes, organisational decision-makers should have regard for the interests of the communities in which they operate. Importantly, they should also

recognise that corporate responsibility and successful business are not mutually exclusive. These two messages must be communicated together. We recommend that the Government and business sectors provide information, education and support to organisations that do not see the value of CSR, or understand how to implement it effectively. An education campaign and a set of 'How To' resources for Australian businesses could support the development of that culture of corporate responsibility.

Rather than regulation, the solution lies in education.

For further information on any aspect of this submission, please do not hesitate to contact Rebecca Fisher-Pollard at Novartis Pharmaceuticals Australia on 02 9805 3494.