China begins probe into Sanofi whistleblower’s bribery claim

By Tom Mitchell in Beijing

Chinese authorities have launched an investigation into a whistleblower’s claim that staff at Sanofi bribed hospital doctors, drawing the French pharmaceuticals company into a widening probe of the industry.

According to the official Xinhua news agency, Beijing municipal authorities have formed a task force to investigate whether Sanofi staff paid more than 500 doctors approximately Rmb1.7m ($277,000) in bribes disguised as “research grants”. More than half of the payments, allegedly made in 2007, involved hospitals and doctors in Beijing.

The 21st Century Business Herald, a Chinese newspaper, reported last week that an unidentified whistleblower had come to it with evidence of the payments. In a statement issued on Thursday, Sanofi said that it took the report “very seriously” but declined further comment. “At this time, it would be premature to comment on events that may have occurred in 2007,” the company added.

On Sunday the company reiterated its position, issuing a further statement that said: “Sanofi takes any allegation of this kind very seriously ... We also are committed to cooperating with the authorities in any review they undertake regarding these allegations.”

Foreign investors in China’s pharmaceuticals industry have come under intense media scrutiny since July, when Chinese police accused staff at British group GlaxoSmithKline of bribery on a potentially massive scale. Police allege that as much as Rmb3bn was routed through a Shanghai travel agency to facilitate bribes and other corrupt payments. GSK subsequently admitted that some of its staff may have broken Chinese laws.

Sanofi had previously said that one of its offices in northeast China had been visited by officials from the State Administration of Industry and Commerce, although it did not specify the reason for the inspection. AstraZeneca, UCB, Lundbeck and Novo Nordisk have reported similar visits.

Ulf Wiinberg, Lundbeck’s chief executive, said on Friday that Chinese authorities had asked the Danish drugmaker’s Beijing office for information about its marketing activities.

In addition to the criminal probe that has ensnared GSK, the National Development and Reform Commission is conducting an industry-wide inquiry into the pricing of medicines. The NDRC can impose hefty civil penalties on companies that violate China’s 2008 anti-monopoly law.
The NDRC last week issued its biggest ever penalties for alleged pricing violations, fining six baby-formula companies a total of $110m for allegedly punishing distributors who tried to lower retail prices below set limits. None of the companies that were fined, including Mead Johnson of the US and Danone unit Dumex, are appealing against the decision.

The NDRC’s milk powder investigation has added to suspicions by many foreign executives in China that their operations are being targeted by the authorities as part of a wider government effort to rein in the cost of essential goods and services.

In addition to the growing number of criminal and civil investigations into alleged corporate misconduct in China, investigative reports by domestic and foreign media have added to the pressure weighing on foreign executives.

Foreign companies can be forced to take drastic action even when such exposés do not trigger formal investigations by the authorities.

In April, Apple changed its customer service policies and apologised to Chinese consumers after the US tech giant was subjected to a withering state media campaign kicked off by China Central Television, which targets companies on its annual March 15 consumer rights day broadcast. Volkswagen recalled 380,000 vehicles after CCTV also criticised the German carmaker on the programme.