Values, Culture and Compliance: Imperatives and Obstacles

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Values, Culture and Compliance: Imperatives and Obstacles

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Which of these choices most closely characterizes the primary mandate of your E&C program?

- 68% Ensuring compliance with rules and regulations
- 32% Ensuring ethical behaviors and alignment of decision making and conduct with core values

**Overall**

- **N=172**

**Aerospace**

- 86% Ensuring compliance with rules and regulations
- 14% Ensuring ethical behaviors and alignment of decision making and conduct with core values

- **N=6**

**Pharma**

- 55% Ensuring compliance with rules and regulations
- 45% Ensuring ethical behaviors and alignment of decision making and conduct with core values

- **N=11**

**Financials**

- 53% Ensuring compliance with rules and regulations
- 47% Ensuring ethical behaviors and alignment of decision making and conduct with core values

- **N=17**
On Average, Values-Based Programs are More Effective

• One-third of E&C programs see their primary mandate as “ensuring compliance with rules and regulations”
  – Average Program Effectiveness Index score of .63

• Two-thirds of E&C programs see as their primary mandate “ensuring ethical behavior and alignment of decision making and conduct with core values”
  – Average Program Effectiveness Index score of .74
Is your current Code of Conduct more values or rules-oriented?

Overall

- Rules only: 47%
- Values only: 4%
- Rules, supported by values: 22%
- Values and rules equally: 23%
- Values, supported by rules: 4%

N=159

Aero

- Rules only: 67%
- Values only: 33%

N=6

Pharma

- Rules only: 40%
- Values only: 30%

N=10

Financials

- Rules only: 38%
- Values only: 6%
- Rules, supported by values: 25%
- Values, supported by values, supported by rules: 6%

N=16
Does your company give behaviors the same amount of weight as business outcomes in performance evaluations?

Overall

- Yes – same weight to behaviors: 57%
- No – lower weight to behaviors: 37%
- No – higher weight to behaviors: 6%

N=166

Aerospace

- Yes – same weight to behaviors: 57%
- No – lower weight to behaviors: 43%

N=17

Pharma

- Yes – same weight to behaviors: 56%
- No – lower weight to behaviors: 33%
- No – higher weight to behaviors: 11%

N=9

Financials

- Yes – same weight to behaviors: 71%
- No – lower weight to behaviors: 29%

N=9
What do you believe are the principal benefits of promoting an ethical culture in your company?

- Long-term value and performance of the business: 80% Overall, 90% Financials, 88% Pharma, 100% Aero
- Compliance with rules and regulations: 71% Overall, 60% Financials, 71% Pharma, 100% Aero
- Employee commitment to mission and values: 67% Overall, 50% Financials, 67% Pharma, 67% Aero
- Inspiring principled performance: 42% Overall, 29% Financials, 42% Pharma, 80% Aero
- Employee engagement in their day-to-day work: 41% Overall, 41% Financials, 30% Pharma, 50% Aero
- Disruptive innovation and continuous business reinvention: 4% Overall
- Other (Please Specify): 1% Overall
- We don't believe that there are benefits
What are the biggest obstacles to building a strong ethical culture in your company?

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Overall n=154</th>
<th>Financials n=16</th>
<th>Pharma n=9</th>
<th>Aero n=6</th>
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</thead>
<tbody>
<tr>
<td>Organization complexity (e.g., global, functional silos)</td>
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<td>Lack of appreciation of culture as a business driver</td>
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<td>Lack of support by middle management</td>
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<td>Inability to identify which initiatives enhance culture</td>
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<td>Lack of clear accountability</td>
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<td>Lack of CEO/Board sponsorship</td>
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<tr>
<td>Other (Please Specify)</td>
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<tr>
<td>Lack of clearly stated corporate values</td>
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<tr>
<td>Lack of a clear statement of ethical standards</td>
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Overall n=154, Financials n=16, Pharma n=9, Aero n=6
Which business and/or functional areas are you most concerned with in promoting a strong ethical culture?

- Overall n=156
- Financials n=16
- Pharma n=10
- Aero n=6
Does your CEO ever do the following to demonstrate tone at the top? Please select all that apply

- Demonstrate ethical leadership by his/her words and actions
  - Overall: 88%
  - Financials: 86%
  - Pharma: 100%
  - Aero: 80%

- Hold executives accountable for modeling expected behavior
  - Overall: 59%
  - Financials: 71%
  - Pharma: 60%
  - Aero: 78%

- Address ethics and compliance issues in staff meetings, operational reviews and similar contexts
  - Overall: 52%
  - Financials: 40%
  - Pharma: 56%
  - Aero: 71%

- Quote the code of conduct in public without prodding or preparation from the General Counsel or E&C officer
  - Overall: 21%
  - Financials: 39%
  - Pharma: 21%
  - Aero: 56%

- Be the first to complete ethics and compliance training
  - Overall: 31%
  - Financials: 29%
  - Pharma: 22%
  - Aero: 60%

- Connect with the ethics and compliance officers on senior management performance and promotions
  - Overall: 18%
  - Financials: 0%
  - Pharma: 29%
  - Aero: 0%

Overall n=141
Financials n=14
Pharma n=9
Aero n=5
How do you formally celebrate acts of ethical leadership in your company?

- **We don't celebrate acts of ethical leadership**: Overall 58%, Financials 40%, Pharma 40%, Aero 40%
- **Recognition in team meetings**: Overall 25%, Financials 25%, Pharma 33%, Aero 33%
- **Recognition in company communications vehicles**: Overall 13%, Financials 25%, Pharma 33%, Aero 33%
- **Awards**: Overall 13%, Financials 23%, Pharma 40%, Aero 50%
- **Job promotions**: Overall 6%, Financials 25%
- **Other (Please Specify)**: Overall 3%
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