

UK Modern Slavery Act Statement 2016

Introduction

Novartis is a global healthcare company based in Switzerland that provides solutions to address the evolving needs of patients worldwide. Our mission is to discover new ways to improve and extend people's lives. Our vision is to be a trusted leader in changing the practice of medicine. We aspire to have a strong and sustainable culture defined by strong values which help us execute the Novartis strategy in line with our mission and vision. We collaborate closely with partners who share a common vision and complementary strengths to achieve success. Our strategy is to use science-based innovation to deliver better patient outcomes. We aim to lead in growing areas of healthcare.

Corporate Responsibility (CR) is endorsed and ingrained at the highest level in our company. It is central to how we want to run our business. We focus our CR work in two key areas: expanding access to healthcare and doing business responsibly. Developing new and innovative ways to reach people in lower-income countries is one of our top priorities. To expand access to healthcare, we pursue a variety of approaches – including shared value and zero-profit initiatives, patient assistance programs, as well as philanthropy. We recognize that achieving our business goals requires that we operate with high integrity, transparency and environmental sustainability.

Novartis was an original signatory of the UN Global Compact, and we believe in operating in ways that meet fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. As an example, Novartis supports the 'living wage' principle in the United Nation's Universal Declaration of Human Rights: 'Everyone who works has the right to just and favorable remuneration ensuring... an existence worthy of human dignity.' Novartis seeks to pay fair wages meeting or exceeding the amount for basic living needs in line with its UN Global Compact commitment. In 2000, Novartis was one of the first international companies to implement a commitment to pay a living wage to all of its employees. "Living Wage" is a Novartis initiative and commitment to associates, which often is above legal minimum wage requirements.

Our business and supply chains

Innovative Medicines - Our Innovative Medicines Division is a world leader in offering innovation-driven, patent-protected medicines to patients and physicians. The Innovative Medicines Division researches, develops, manufactures, distributes and sells patented pharmaceuticals, and is composed of two business units: Novartis Oncology and Novartis Pharmaceuticals. The Novartis Oncology business unit is responsible for the commercialization of products in the therapeutic area of oncology. The Novartis Pharmaceuticals business unit is organized into global

business franchises responsible for the commercialization of various products in the following therapeutic areas: Ophthalmology, Neuroscience, Immunology and Dermatology, Respiratory, Cardio-Metabolic and Established Medicines.

Sandoz - Our Sandoz Division is a global leader in generic pharmaceuticals and biosimilars and sells products in more than 150 countries. Sandoz develops, manufactures and markets finished dosage form medicines as well as intermediary products including active pharmaceutical ingredients.

Alcon - Our Alcon Division researches, develops, manufactures, distributes and sells eye care products. Alcon is a global leader in eye care with product offerings in eye care devices and vision care. Its products are sold in more than 145 countries.

Our divisions are supported by the following cross-divisional organizational units:

The Novartis Institutes for BioMedical Research is the innovation engine of Novartis, which supports our Innovative Medicines Division and also collaborates with our Sandoz Division.

The Global Drug Development organization oversees all drug development activities for our Innovative Medicines Division and the biosimilars portfolio of our Sandoz Division.

Novartis Operations is the manufacturing and business services backbone of the company. It includes:

Novartis Technical Operations, our global manufacturing organization.
Novartis Business Services consolidates support services across the company, including procurement, in an effort to drive efficiency and effectiveness across Novartis.

Policies in relation to slavery and human trafficking

We respect and support the protection of human rights, as enshrined in the UN's Universal Declaration of Human Rights. Since 2001, Novartis has also been a signatory to the UN Global Compact, endorsing the 10 universal principles, including those related to labor and human rights. We also support the UN Guiding Principles on Business and Human Rights, and ensure appropriate implementation at Novartis. A number of our policies impact the issue of slavery and human trafficking. We are also committed to upholding the core labor standards set out by the International Labor Organization.

The protection of and respect for human rights is relevant to all aspects of our business, from research and development and clinical trials to marketing and the pricing of medicines. The general obligation of each and every Novartis employee to adhere to human rights is defined in our Code of Conduct. Specific human rights issues are governed and managed by issue- and function-specific standards at Novartis, including the Novartis Supplier Code, and guidelines on fair working conditions, human rights, business conduct and third-party management. We follow an integrated approach to managing human rights and have certain processes in place that aim to avoid human rights-related violations, such as:

Responsible Procurement: The Novartis Supplier Code defines the principles Novartis expects its suppliers to aspire to, including those related to labor rights. The code is based on the UN Global Compact and other international standards or accepted good practices.

Novartis is also a member of the Pharmaceutical Supply Chain Initiative (PSCI) and supports its principles for Responsible Supply Chain Management, including for ethics and labor. These principles are incorporated into the Novartis Supplier Code.

Human Resources: The Human Resource (HR) Principles Guideline outlines how the Novartis HR function supports the company's strategic goals, including a commitment to fair and respectful treatment of associates, and their development through HR processes, services and tools.

Due diligence processes in relation to slavery and human trafficking

Novartis Group companies employ about 123,000 associates around the world. Novartis requires associates to report actual or suspected violations of our Code of Conduct. But fear of retaliation can make it hard for people to do this, so we enforce clear policies to protect them from any potential retaliation that might result from doing the right thing.

The Business Practices Office (BPO) offers associates of Novartis a channel to report misconduct. The BPO oversees investigations into complaints, and manages escalation of any substantiated cases of misconduct to management for appropriate action.

Each year, we report in our Corporate Responsibility Performance Report the number of total cases, the number that are substantiated, and the number of dismissals and resignations related to misconduct, which are also categorized by type of violation.

In order to strengthen our approach to monitoring human rights issues in line with the UN Guiding Principles on Business and Human Rights, from 2016 to 2017 Novartis is working with an external expert organization to develop a long-term human rights strategy, including potential governance models and a phased due diligence approach. We expect to be in a position to provide more details on this future approach in our next statement.

Risk areas for slavery and human trafficking

While we are not aware of any incidents in this regard, based on our assessment, the supply chain is our most likely risk area for slavery and human trafficking.

The Responsible Procurement (RP) organization seeks to ensure that the Novartis commitment to corporate responsibility is reflected in how we select and work with our suppliers. We engage with an extensive network of suppliers worldwide and their contributions are crucial to our success. The Labor Right assessments within our RP program are intended to address the topics raised by the Modern Slavery Act. We have in-house experts covering labor rights topics and aspire to engage pro-actively with suppliers to ensure ethical practices. Where necessary, we help suppliers find sustainable solutions to critical issues in an effort to bring about real changes.

Novartis engages thousands of new suppliers each year, across a supply chain which extends into almost every country in the world. Our risk based approach is intended to filter out the suppliers who present little or no ethical risk, allowing us to concentrate our efforts on the small number of suppliers where a significant risk exists. Most importantly, this approach is intended to give us this clear insight before we buy.

Monitoring our supply chain/procurement

Using risk assessments that take country and sector into account, we identify suppliers that pose elevated risks. In 2016, 178 suppliers were identified in the first stage of our process as posing a significant human rights or labor rights risk. After further investigation, we narrowed down the risk to 83 suppliers for which we have defined action plans and, in 6 cases, conducted labor right audits.

During 2016, improvement plans were developed in collaboration with relevant suppliers in cases of noncompliance identified in the following areas:

- Freely chosen employment
- Worker protection
- Record keeping
- Fair treatment
- Wages, benefits and working hours
- Documentation

Training

We seek to promote and protect the rights defined in the UN Universal Declaration of Human Rights within our sphere of influence.

In 2016, 112,502 associates were invited to complete the Code of Conduct course, which contains a topic on human rights. By December 31, 110,774 associates (including members of the Executive Committee of Novartis) completed the course. This represents 98% of the invited population. In 2013, we rolled out a new hire e-training module (updated in 2015) based on the Novartis Code of Conduct, which includes a training scenario with examples of modern slavery at a supplier. By December 31, 2016, 14,937 associates had been invited to undertake this training, and 13,585 (91% of the new hires invited) had completed it.

We also rolled out a new e-training module for contractors based on the Novartis Code of Conduct, which includes a reference to human rights. By December 31, 2016, 5,677 contractors had been invited to undertake this training, and 3,909 (69% of the new contractors invited) had completed it.

The e-training targets associates with an email address. All remaining associates are required to be trained face-to-face or through shared kiosks. Training on the Responsible Procurement process includes risk assessment for labor rights and is conducted as part of the onboarding training for procurement associates involved with supplier qualification processes.

Conclusion

Slavery and human trafficking are serious crimes and a violation of the fundamental dignity of the human being. Novartis is pleased to submit this statement detailing processes we have in place today that can help identify and eliminate slavery and human trafficking, as well as outlining aspirations and objectives. We hope that work we are doing now to further develop our overall approach to human rights can assist us in developing an ever more robust approach in the future.



Joerg Reinhardt
Chairman of the Board of Directors

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