

Novartis Modern Slavery Statement

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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, which includes human rights. To expand access to healthcare, we pursue a variety of approaches – including social business models, zero-profit initiatives, patient assistance programs, as well as strategic philanthropy.

We also recognize that achieving our business goals requires that we operate with high integrity, transparency and environmental sustainability. As a responsible company that strives to be a good corporate citizen, we are committed to conducting our business in a manner that respects the rights and dignity of all people. This means that the duty to "do no harm" is at the foundation of our corporate responsibilities. We must avoid violating human rights within the sphere of our control and should address adverse human rights impacts. We must use appropriate standards and processes to make sure that we are not complicit in human rights abuses within our sphere of influence. We also strive to promote and positively support internationally proclaimed human rights.

For example, Novartis supports the living wage principle in the United Nation's Universal Declaration on Human Rights: *"Everyone who works has the right to just and favorable remuneration ensuring...an existence worthy of human dignity."* Novartis aims 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. Living wages are updated annually for Novartis by the non-governmental organization Business

for Social Responsibility (BSR), adjusting for changes in inflation, food prices, and other market conditions.

Our organization structure, business and value chains

In 2017, we focused on fully implementing the integrated drug development and manufacturing structures we established a year earlier. With these latest steps in our transformation, we believe our organization is now well positioned to drive forward our strategy – leading in innovation, harnessing new technology, and making the most of our global scale.

Research and development is at the core of our company, with 23 000 scientists, physicians and business professionals worldwide focused on discovering new treatments and developing them for patients.

The Novartis Institutes for BioMedical Research

The Novartis Institutes for BioMedical Research (NIBR) is the innovation engine of Novartis. NIBR focuses on discovering new drugs that can change the practice of medicine.

Global Drug Development

The Global Drug Development (GDD) organization oversees the development of new medicines discovered by our researchers and partners. GDD regularly evaluates the potential new products in our pipeline and ensures we allocate resources to the most promising development projects. It also drives the adoption of common standards and procedures, best practices and new technologies, with the aim of greater efficiency and effectiveness.

Our divisions

Innovative Medicines

The Innovative Medicines Division has two business units. Novartis Pharmaceuticals focuses on patented treatments in the areas of ophthalmology, immunology and dermatology, neuroscience, respiratory and cardio-metabolic.

Novartis Oncology is focused on treatments for a variety of cancers and rare diseases.

Sandoz

Sandoz offers patients and healthcare professionals high-quality, affordable generics and biosimilars.

Alcon

With its Surgical and Vision Care businesses, Alcon offers one of the world's widest selections of eye care devices – from sophisticated equipment for delicate eye surgery to a wide portfolio of advanced contact lenses.

Novartis Operations

Our global service and manufacturing organizations help us benefit from our global scale and support our efforts to improve efficiency.

Novartis Technical Operations

Novartis Technical Operations (NTO) handles manufacturing of innovative medicines and Sandoz products. NTO helps us optimize resource allocation and capacity planning across our production sites while further improving quality.

Novartis Business Services

Novartis Business Services (NBS) consolidates support services across our organization, helping drive efficiency, simplification, standardization and quality. NBS includes six service domains: financial reporting and accounting operations, human resources services, information technology, procurement, product lifecycle

services, and real estate and facility management. It helps generate productivity gains.

Policies in relation to slavery and human trafficking

External References

We respect and support the protection of human rights, as enshrined in the UN's Universal Declaration of Human Rights (UDHR), issued by the General Assembly of the United Nations on December 10, 1948. We are committed to upholding the core labor standards set out by the International Labor Organization (ILO).

Since 2001, Novartis has also been a signatory to the UN Global Compact, endorsing the 10 universal principles covering human rights, labor, the environment and corruption. This led to our first Human Rights Guideline, which was put in force in 2003 and updated in 2017. In the spirit and in continuity of our early Human Rights commitments, we also support the UN Guiding Principles on Business and Human Rights and ensure appropriate implementation at Novartis through our global policies for associates (Novartis Code of Conduct) and suppliers (Novartis Supplier Code).

Novartis also fully endorses the UK Modern Slavery Act 2015 in order to eliminate all forms of human slavery, human trafficking and forced labor. Novartis acknowledges the importance of companies working together to tackle such issues in our society and around the world. At Novartis, we recognize that we all have a responsibility to be aware of modern slavery.

Internal References

The protection of and respect for human rights is relevant to all aspects of our business, from research and development and clinical trials to the way we commercialize our medicines. The general obligation of each and every Novartis employee to respect human rights is defined in the Novartis Code of Conduct. Our CR Guideline provides overall guidance on governance, roles and responsibilities, and management of corporate responsibility across Novartis. Specific Human Rights topics are governed and managed by issue- and function-specific standards at Novartis, including the Novartis Supplier Code, guidelines on fair working conditions, human rights, business conduct and on third-party management.

We follow an integrated approach to managing human rights and environmental protection and have a number of processes in place that aim to avoid human rights-related violations, such as:

Responsible Procurement

The revised Supplier Code defines the principles Novartis requires of its suppliers in the areas of labor rights, health and safety, environmental protection, animal welfare, anti-bribery, data privacy and conflict minerals. 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

All Novartis policies, including those related to recruitment, hiring, discharge, promotion and training are intended to be non-discriminatory. The diversity and individuality of our associates is valued as a key success factor for Novartis. Novartis is committed to treat all associates with fairness and respect. Any form of discrimination or harassment based on personal characteristics such as nationality, gender, age, ethnicity, religion, sexual orientation, disability, membership of an association or any other subject protected by law, will not be tolerated and

appropriate action must be taken. In addition, as an employer, we do not select or discriminate against our associates on the basis of their genetic profile. Novartis does not tolerate inappropriate treatment and, where incidents are identified, appropriate action must be taken.

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 and grievance mechanism in relation to slavery and human trafficking

Novartis Group companies employ about 126 000 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), an independent team that reports to the Group General Counsel, offers employees and people outside of Novartis (including our suppliers) a channel through which to report misconduct. Complaints can be made by email, in person, telephone and web-based options. The web-based and telephone channels ensure anonymity and are operated via a third-party vendor. The BPO ensures investigations into all complaints, and escalates any substantiated cases of misconduct to management for appropriate action. Each year, we report in our [Corporate Responsibility 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 (see page 37 of the Novartis 2017 CR Report). The BPO process has been in place since 2005 and is available in 115 countries and in 41 languages.

Risk areas for slavery and human trafficking

In order to strengthen our approach to monitoring human rights issues in line with the UN Guiding Principles on Business and Human Rights, since 2016 Novartis has been working with an external expert organization to develop a long-term human rights strategy.

We conducted a corporate human rights impact assessment (HRIA) aimed to identify and prioritize key risks of negative impacts on human rights (including risks of modern slavery and human trafficking) and identify opportunities of improvements. While we are not aware of any incidents in this regard, based on our assessment, the supply chain as well as research and development continue to be our most likely risk areas for slavery and human trafficking.

Based on the results of the corporate HRIA, a market-level HRIA questionnaire was developed to support Novartis markets in assessing key risks and opportunities associated with modern slavery and human trafficking risks at a local level. In November, we piloted our first local assessment in Egypt in partnership with our Health, Safety & Environment team. We plan to conduct additional pilots in 2018 in order to develop a process for ongoing monitoring of human rights, including slavery and human trafficking related risks at our sites.

Novartis supply chain and procurement

To maintain a responsible supply chain, we focus our attention on risk and responsibility. Expectations are addressed in the early stages of the supplier

selection process. 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. During 2017, RP has worked alongside local project teams to review the risks within the supply chain and how we can tighten the controls, including monitoring modern slavery-related risk areas at supplier sites.

Our responsibility goes beyond monitoring suppliers' ability to comply with standards, to promoting real changes that benefit workers and the environment in the countries we source from. Whenever a supplier is identified with a potential labor rights risk (e.g. freedom of association and bargaining, or forced or compulsory labor), the topic is discussed with the supplier. If an issue surfaces, we address it by engaging with the supplier and developing an improvement plan together. Our process to identify and monitor suppliers considered to have significant risk for incidents of child labor or young workers exposed to hazardous work is also embedded in our RP program.

Our RP program is designed to provide a clear view of where potential issues exist or standards may be compromised, with speed and accuracy. It quickly filters out more than 90% of suppliers that present little or no ethical risk, enabling us to concentrate our efforts on the small number of suppliers where a significant risk exists or where we can influence change. For instance, supplier surveys can help detect modern slavery risks through specific questions, e.g. question related to overtime or grievance mechanisms. Most importantly, it is designed to give us this insight before we buy – we call it “buying with our eyes open.” Ongoing monitoring of these standards is also managed through the RP practice. Our RP findings are disclosed at p39 of the Novartis 2017 CR Report.

Against this background, we launched a new Third-Party Risk Management (TPRM) program in late 2016. The program follows an in-depth review of our supplier management systems and processes, and an assessment of the most significant issues in supplier management to help us gain a holistic view of our key risks, such as labor rights and the environment. The assessment identified improvement opportunities, especially in the areas of governance, collaboration across risk areas, capabilities enhancement and action tracking. The objective of the TPRM program is to implement an integrated approach to third-party risk management through one end-to-end process, underpinned by one technology solution, delivering quality and efficiency improvements. With this new model, we expect to gain depth and breadth, and move toward a comprehensive supplier risk management framework that includes all key risk areas. We believe this new state-of-the-art model will bring consistency and rigor to how we qualify and manage supplier risks, while being simpler, scalable and more transparent.

In 2017, six cross-functional work streams developed three-year action plans to strengthen the policy, implementation and monitoring aspects of the program to address third-party risks. We plan to roll out the program starting in Mexico in 2018. We expect it to be operational globally in 2019 following a phased regional rollout.

Novartis clinical trial approach

At Novartis, we follow one global ethical standard for conducting clinical trials regardless of geography. All clinical trials are designed, conducted and reported in

accordance with the ethical principles embodied in the Declaration of Helsinki, Good Clinical Practice guidelines and national and international regulatory requirements. We apply the same Good Clinical Practice standards for protocols, informed consent documents and ethical reviews in all countries where we conduct clinical trials. When recruiting participants, researchers strive to ensure that no discrimination arises based on economic, gender and/or ethnic factors, while respecting cultural sensitivities and the requirements of the relevant study protocol. Special care is taken when recruiting trial participants from vulnerable populations, such as children or the economically deprived. Prior to the start of a study all appropriate trial documentation must be reviewed and positively assessed by independent and appropriately constituted ethics committees and, where required, by the relevant health authorities.

Practices in the developing world are frequently scrutinized to ensure they are not used to escape regulations or ethical standards in Europe or the US. Novartis acknowledges that the situation of clinical study participants in developing nations is more complex than in the developed world. Novartis is globally committed to the highest possible standards for the protection of all study participants and to a single set of core principles that governs all studies sponsored by Novartis. See [our position](#) on clinical trials in developing countries.

Training

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

All employees at Novartis are trained on the Novartis Code of Conduct. In 2017, 117 540 associates including internal governance body members were invited to complete the Code of Conduct course, which references human rights. By December 31, 2017 114 913 associates including members from internal governance bodies had completed it. This represents 98% of the invited population. All Members of the Novartis Executive Committee (ECN) and other Senior Management Members (100%) completed the Code of Conduct course.

We also rolled out a new e-training module for contractors based on the Novartis Code of Conduct, which references human rights. By December 31, 2017, 5 839 contractors had been invited to undertake this training, and 3 972 (68% of those invited) had completed it.

Following the update of the Supplier Code in October 2017, all our associates will be asked to complete the e-training module of awareness and explanation of changes. Local project teams are working on a series of communications focusing on Modern Slavery and Labor Abuse within supply chains, which is planned to be rolled out across all affiliates. The key messages are also planned to be incorporated into awareness training to be rolled out during 2018.

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 outlining aspirations and objectives and detailing processes we have in place today that can help identify and eliminate slavery and human trafficking. We hope that work we are

doing now to evaluate our overall approach to human rights can assist us in developing an even more robust approach in the future.



Joerg Reinhardt
Chairman of the Board of Directors