

## Novartis Modern Slavery Statement (under UK Modern Slavery Act 2015)

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### Introduction

Novartis is a global medicines company based in Switzerland that provides solutions to address the evolving needs of patients worldwide. Our purpose is to reimagine medicine to improve and extend people's lives. Our vision is to be a trusted leader in changing the practice of medicine. Our strategy is to create transformative treatments in areas of great medical need and find new ways to deliver them to people worldwide. We aspire to create a culture where our people are inspired, curious and unbossed, and which is defined by strong values which help us execute the Novartis strategy in line with our purpose and vision.

Building trust with our stakeholders is critical to our ability to deliver on our purpose, as well as our long-term financial performance. We have set a clear strategic path that we believe will further accelerate our journey in this respect. Our Global Health & Corporate Responsibility (GH&CR) strategy 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 GH&CR work in four key areas: holding ourselves to the highest ethical standards; being part of the solution on pricing and access to medicines; helping tackle global health challenges; and being a responsible citizen.

We also recognize that achieving our business goals requires that we operate with integrity, transparency and environmental sustainability. As a company that strives to be a responsible citizen, we are committed to conducting our business in a manner that respects the rights and dignity of all people that may be affected by our business activities. This means that the duty to "do no harm" to human rights is at the foundation of our purpose. We must avoid causing, contributing to or being directly linked to human rights violations, and promptly address any adverse human rights impact that we do identify in our own operations or in our supply chain.

We also strive to support the protection of 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.*" 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 2018, we announced our intention to build a leading, focused medicines company powered by advanced therapy platforms and data science. We also announced five strategic priorities: unleashing the power of our people, delivering transformative innovation, embracing operational excellence, going big on data and digital, and building trust with society.

Research and development is at the core of our company, with nearly 23 000 scientists, physicians and business professionals worldwide focused on finding innovative treatments and bringing them to patients.

### **Research and Development**

#### **Novartis Institutes for BioMedical Research**

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 organization oversees the development of new medicines discovered by our researchers and partners.

### **Our Divisions**

#### **Innovative Medicines**

The Innovative Medicines Division has two business units: Novartis Oncology focuses on patented treatments for a variety of cancers and rare diseases. Novartis Pharmaceuticals focuses on patented treatments organized under the following franchises: Ophthalmology; Immunology, Hepatology and Dermatology; Neuroscience; Respiratory; and Cardiovascular, Renal and Metabolism.

#### **Sandoz**

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

#### **Alcon**

Alcon became a separate company in 2019.

### **Our Organizational Units**

#### **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.

#### **Novartis Business Services**

Novartis Business Services consolidates support services across our organization, helping drive efficiency, simplification, standardization and quality.

#### **Corporate Functions**

Corporate functions support the enterprise in specific areas of expertise, including finance, human resources, legal and communications.

## **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), proclaimed 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 been a member of 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 came into force in 2003 and was updated in 2017. In the spirit and in continuity of our early Human Rights commitments, we also commit to abide by the UN Guiding Principles on Business and Human Rights and ensure appropriate implementation within Novartis operations and supply chains.

Novartis acknowledges its obligation to comply with the UK Modern Slavery Act 2015, established for the purposes of eliminating modern forms of slavery, including human trafficking and forced labor. We acknowledge the importance of companies working together to tackle such issues in the UK and around the world, and we are actively monitoring similar legal requirements in other countries, including, France and Switzerland.

### **Internal References**

Respect for, and support for the protection of 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 Corporate Responsibility Guideline provides overall guidance on governance, roles and responsibilities, and management of corporate responsibility across Novartis. Human Rights topics are governed and managed by issue- and function-specific standards at Novartis, including the Novartis Third Party Code, fair working conditions, professional practices and responsible supply chain 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:

### **Third Party Risk Management**

The revised Novartis Third Party Code defines the principles and standards that Novartis requires compliance with by 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 ethical business practices and labor rights and working conditions. These principles are incorporated into the Novartis Third Party Code.

### **Human Resources**

Novartis policies regarding labor rights and working conditions, including those related to recruitment, hiring, discharge, promotion and training, prohibit discrimination on universally-accepted grounds. 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. Our policies require that corrective action be taken where prohibited practices are identified.

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

## **Human Rights Management**

In June 2019, a new position of Human Rights Manager was created and staffed to supplement the Head of Human Rights position created in September 2018. The Human Rights Management team finalized a comprehensive human rights strategy and due diligence program to identify, assess and address human rights risks and impacts, including modern slavery, among other salient human rights issues. In July 2019, human rights management was transitioned from Global Health and Corporate Responsibility into the Ethics, Risk and Compliance function. To further drive integration of all Novartis risk functions under one unified organization, human rights and third party risk management were united as Human Rights & Third Party Risk Management. Subsequently, our Human Rights strategy will focus on third party due diligence regarding human rights risks or impacts in Novartis supply chains, and on communities surrounding Novartis and its suppliers' operations.

## **Due diligence processes and grievance mechanism in relation to slavery and human trafficking**

Novartis Group companies employ almost 109 000 associates around the world. Novartis requires associates to report actual or suspected violations of our Code of Conduct. However, 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 SpeakUp Office, an independent team that reports to the newly created Novartis Business Assurance and Advice function, offers employees and external stakeholders (including our suppliers' employees) a channel through which to speak up and report misconduct. Complaints can be made by email, in person, telephone and web-based options. The web-based and telephone channels enable anonymity and are operated via a third-party vendor. The SpeakUp Office is responsible for ensuring investigations into all complaints and escalating any substantiated cases of misconduct to management for appropriate action. Each year, in our [Novartis in Society](#) report, we publish the number of total reported 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 pages 17-18 of the 2019 Novartis in Society report). The SpeakUp Office also provides a reporting point that can be used to capture any acts of slavery and human trafficking abuses, which are experienced or communicated involving our suppliers. These reports would be investigated and acted on as required. Novartis first introduced an internal whistleblower process in 2005, and the current system is available in 115 countries and in 41 languages.

We continue to work with all suppliers to raise awareness of legislation related to modern slavery and emphasize our company's commitment to strive to prevent modern slavery in our operations and supply chain. During our Third Party Risk Management on-boarding process, prospective suppliers are required to complete a questionnaire based on preliminarily-flagged risks, which enables us to map, review and address risk in our supply chain throughout the world.

## **Risk areas for slavery and human trafficking**

Since 2016, Novartis has partnered with an external expert to develop and implement a long-term human rights strategy, aligned with the UN Guiding Principles on Business and Human Rights.

We conducted a corporate-level Human Rights Impact Assessment (HRIA) in order to identify and prioritize key human rights risks (including modern slavery) across our business, and to identify opportunities for improvement.

Based on the results of the corporate HRIA, a market-level Human Rights Assessment (HRA) questionnaire was developed to support Novartis markets in identifying and assessing human rights risks and impacts at a local level, including modern slavery. In 2017, we piloted our first local assessment in Egypt and have since conducted additional in-country HRAs in Turkey, China, Malaysia, India, Singapore, Brazil, and a follow-up assessment in China focused exclusively on high-risk third parties.

We have not identified any actual modern slavery incidents in our supply chain. However, in 2018, we became aware of potential forced labor conditions at carnauba wax farms in northern Brazil. Novartis sources small amounts of carnauba wax from Brazil, used as a tablet coating agent for certain medicines. We source from distributors, not directly from carnauba wax farmers. We identified five active distributors and requested information from them to ensure they do not source from farms using forced labor. We exited three distributors who did not respond. Of the two that responded, we commissioned third-party labor audits on their source farms. No labor rights violations were found during the audits. In addition, we investigated 140 external contract manufacturers who potentially use carnauba wax. 112 manufacturers confirmed they are not using carnauba wax, and the remaining 28 confirmed that the carnauba wax they use does not come from farms with forced labor. We are continuing to monitor this situation to ensure that any carnauba wax in our products is forced labor-free.

### **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 Third Party Risk Management (TPRM) organization, formerly Responsible Procurement (RP) 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.

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. potential infringement of the right to freedom of association and collective 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 TPRM program.

Our TPRM 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. questions related to overtime or grievance mechanisms. Most importantly, it is designed to give us this insight before we buy. Ongoing monitoring of these standards is also managed through the TPRM program. Our TPRM status is disclosed on pages 15-16 of the [2019 Novartis in Society](#) report.

## 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 help 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 responsible clinical trials](#).

## Training

We promote respect and support for the protection of the rights defined in the International Bill of Human Rights.

We continue to invest in trainings for our associates (including members of the Executive Committee), which reference human rights. In 2019, completion rates were high for all relevant trainings: Code of Conduct (98%), Anti-bribery (97%; launched in October 2018 with final measurement in May 2019). Furthermore, the Professional Practices Policy training (every two years) had a 2018 completion rate of 99%.

E-trainings target associates with an email address. All remaining associates are required to be trained face-to-face or through shared kiosks.

Following the update of the Novartis Supplier Code of Conduct in October 2017, all procurement-related associates were asked to complete the e-training module on awareness and explanation of changes contained in the new Novartis Third Party Code, with 100% completion rate.

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.

To reinforce the importance of internal awareness-raising regarding modern slavery, a cross-functional Novartis team has worked to further enhance the content of the 2018 Modern Slavery Awareness Training to provide greater factual awareness and include competency-based questions to further embed the content. This globally-applicable modern slavery e-learning module is being rolled out in phases; the first phase will be completed with the rollout to all UK associates in January 2020.

The 2<sup>nd</sup> phase will involve rollout in the first half of 2020 to all associates in Australia and to relevant staff across other global locations.

In 2019, led by our UK market, we developed a modern slavery-specific supplier questionnaire. We plan to roll out this questionnaire to all newly onboarded suppliers in our UK and Australia markets starting in 2020. Longer-term, this questionnaire will

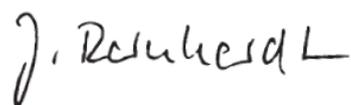
be embedded into our existing Third Party Questionnaire on Labor Rights, as part of our comprehensive TPRM process.

In 2019, in preparation for Novartis' obligation to comply with the Australia Modern Slavery Act 2018, we began capacity-building in preparation for the publication of our first Australia Modern Slavery Act Statement in 2021. As a first step in November 2019, we conducted a modern slavery risk scoping workshop with employees at our Australian affiliate. Based on the modern slavery risks/impacts identified through that workshop, we plan to develop a due diligence plan with implementation scheduled for 2020.

In 2019, we also pilot-tested live training workshops on modern slavery, which we aim to refine, and expand the reach of, in 2020. We engaged for the first time with five construction and engineering suppliers in Singapore and China to raise awareness of the risk of modern slavery in their supply chains. We aim to further expand engagement with our construction and engineering suppliers in 2020.

### **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 our aspirations and objectives and the processes we have in place today that can help identify and eliminate slavery and human trafficking. We are committed to further advance our efforts in these areas in the coming years.



**Joerg Reinhardt**  
**Chairman of the Board of Directors**