

RESULTS OF CORPORATE CITIZENSHIP-RELATED PROJECTS IN 2006 AND TARGETS FOR 2007

	Targets 2006	Results 2006	Targets 2007
UN Global Compact	Publish case study on implementation of guideline for third-party suppliers.	Held workshop in South Africa for 200 suppliers. Active engagement in Global Compact Networks and Learning Forums. Professor Klaus Leisinger served as Special Advisor to United Nations Secretary-General.	Publish case study on implementation of living wage initiative, plus third-party supplier case study delayed from 2006. Continue active engagement in country networks. Start conceptual work on project: accountability of nongovernmental organizations.
Fair Marketing Practices	Develop e-training modules at Sandoz and Consumer Health divisions. Train more than 90% of Group sales and marketing staff. Harmonize details of divisions' Promotional Practices Policies at country level.	E-training modules developed. Training program launched by Novartis Consumer Health and completed by over 85% of division's associates. Sandoz to launch training program in first quarter of 2007. Completed harmonization of divisions' Promotional Practices Policies.	Complete training of sales force for Sandoz. Ensure consistency with new IFPMA code in relevant businesses. Launch new guidance on grants in Pharmaceuticals Division.
Third-Party Management*	Complete audit of 25% of Class 3 suppliers selected for on-site audit of HSE/labor practices. Expand training. Establish improvement program for third-party suppliers.	Completed on-site audits of about 10% of Class 3 suppliers – below target. Received self-assessments from 25% of Class 2 suppliers – below target of 90%.	Targets for Class 3 and Class 2 suppliers unchanged. Improve internal processes to increase percentage of audits/self-assessments completed. Implement corrective actions based on audit findings.
Working Conditions	Increase salaries of 93 associates to level of Living Wage. Establish guidance for third-party suppliers regarding application of living wage initiative to all contract employees working on Novartis sites. Establish Group Diversity & Inclusion initiative and appoint external Diversity & Inclusion Advisory Council.	Salaries increased to level of local living wages early in year. Pilot to expand living wage policy to on-site third parties in Switzerland identified many challenges. First Diversity & Inclusion Advisory Council meeting with external members held in November.	Salaries of 21 associates to be increased in early 2007 as adjustment to Living Wage level of respective locations. Provide systematic framework for Diversity & Inclusion; define priorities, goals and actions for each division.
Product Safety	Align Product Stewardship boards with overall Group risk management process.	Product Stewardship integrated into Enterprise Risk Management function. Product Stewardship Officer recruited.	Develop key performance indicators for implementation of Product Stewardship board decisions. Implement real-time tracking tool for implementation and reporting. Improve alignment between divisions.
Respect for Human Rights	Publish position statements on Novartis website. Develop and implement e-training module devoted specifically to Human Rights guideline.	Human Rights e-training module developed – 38 100 associates completed the course. Pilot Human Rights Compliance Assessment done in Turkey, in cooperation with the Danish Institute for Human Rights. Active participation in the Business Leaders Initiative on Human Rights.	Evaluate pilot Human Rights Compliance Assessment; carry out compliance assessment in one new country. Participate in debate on corporate content of the "Right to Health." Work closely with UN Representative on Business and Human Rights, as well as Special Rapporteur on the Right to Health.

* Novartis has about 183 000 active suppliers worldwide. Class 3 suppliers represent a sub-group of about 900 suppliers (contract manufacturing, waste management, etc.) deemed to have a significant influence on Novartis business activities. Class 3 suppliers are subject to on-site audits for HSE/labor practices. In addition, a second category of 8 600 Class 2 suppliers (chemical products, construction, etc.) are required to submit self-assessments covering their HSE/labor practices.

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Management Framework	Establish external Corporate Citizenship Advisory Council. Develop key performance indicators for priority Corporate Citizenship targets. Develop Group Privacy Policy.	Decision on advisory council postponed. Responsibilities assigned for management and monitoring of Corporate Citizenship challenges.	Revise Code of Conduct and policy framework for Corporate Citizenship. Integrate new Vaccines and Diagnostics Division into Corporate Citizenship management processes.
Involvement of Employees	Conduct worldwide employee survey on Corporate Citizenship and Code of Conduct. Improve interactions between management and employee representatives in Europe.	Survey conducted. Substantial progress achieved on distribution of information about Code of Conduct. Code of Conduct included as integral part of contracts for 98.7% of associates. E-training on Corporate Citizenship/Code of Conduct completed by over 90% of associates. Guideline established to ensure proper information/involvement of European employee representatives.	Design and conduct annual employee climate survey for Novartis associates in all divisions.
Code of Conduct	Develop eight new courses on additional elements of Code of Conduct.	Nine e-training courses developed and five launched. Each associate completed on average four online training courses.	Develop two new e-training courses. Improve face-to-face training program. Launch training for new managers.
Stakeholder Engagement	Three meetings of Health Equality Europe (HEE). Expand programs with patient advocacy groups and other key stakeholders.	Executive Committee of Novartis approved policy for interaction with patient advocacy groups. HEE meetings held in London and Brussels.	Increase transparency in collaborations with patient advocacy groups. Expand systematic stakeholder engagement process.
Financial Community	Improve benchmarking and transparency of information to Socially Responsible Investment community.	Online reporting in accordance with Global Reporting Initiative (GRI). Novartis Healthcare sector leader in Dow Jones Sustainability Index. Triple-A rating by Innovest. Novartis in FTSE4Good index.	Update online GRI reporting.
Government Relations / Lobbying	Publish position papers on issues related to healthcare to increase transparency.	Publication of position papers delayed to 2007. Novartis spent USD 25 million for lobbying. Corporate Citizenship "Ambassador" training held in Switzerland and in Latin America.	Establish integrated policy development across divisions. Improve professional public affairs skills through internal training.
Transparent Reporting	Update reporting on Corporate Citizenship on novartis.com/corporatecitizen .	Internet updates ongoing. GRI and UN Global Compact reporting structured for easy reference and benchmarking.	Achieve further progress in UN Global Compact reporting. Define structure and content of online Corporate Citizenship reporting. Publish Corporate Citizenship brochure.
Access to Medicine	Fully meet <i>Coartem</i> demand from WHO under public-private partnership.	Successfully managed expanded cultivation of <i>Artemisia annua</i> in China and Africa. Average treatment price for <i>Coartem</i> reduced to one US dollar per treatment, subsidizing access to this leading anti-malarial. Deliveries up five-fold to 62 million treatments; annual production capacity expanded to 100 million treatments.	Expand partnerships for <i>Coartem</i> distribution beyond World Health Organization. Establish research collaboration in malaria with Wellcome Trust.