

# **UK and Australia Joint Modern Slavery Statement 2022**

This Statement is made in accordance with the Australian *Modern Slavery Act 2018 (Cth)* (Australian MSA) and the United Kingdom's *Modern Slavery Act 2015* (UK MSA). It covers the reporting period January 1, 2022 to December 31, 2022.

This is a joint Statement made on behalf of the Australian MSA and UK MSA reporting entities listed in Appendix I. Unless expressly stated otherwise, references to 'we,' 'us' and 'our' refer to the Novartis Group as a whole including the reporting entities listed in Appendix I and their owned and controlled entities. A table setting out how this Statement addresses the Australian MSA and UK MSA reporting criteria is in Appendix II.

We are committed to respecting human rights throughout our value chain in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Our commitment includes all internationally recognized human rights, including those contained in the International Bill of Human Rights<sup>1</sup> and the International Labour Organization's (ILO) Core Labour Rights Conventions. We are also signatories to the United Nations Global Compact and report annually on our progress.

## 1. Business structure, operations, and supply chain

### Our structure and operations

Novartis is a medicines company. We use innovative science and technology to address some of society's most challenging healthcare issues. We discover and develop breakthrough treatments and find new ways to deliver them to as many people as possible. Worldwide, our medicines reached 743 million people in 2022.

Novartis Group headquarters are in Basel, Switzerland. In addition, we have more than 380 operating sites around the world, including more than 50 production sites worldwide and research and development (R&D) facilities in the US, Europe, and Asia.

We have two global operating divisions: **Innovative Medicines**, which specializes in patent-protected medicines, and **Sandoz**, which sells high-quality generics and biosimilars. These divisions are supported by our R&D teams, our Operations organization and our corporate functions. In August 2022, we announced plans to spin off 100% of our Sandoz Division, which we expect to be complete by the second half of 2023.

As of December 31, 2022, Novartis has a global headcount of 105,533 employees. As of the same date, our Australian reporting entities have a combined headcount of 508 employees and 98 contractors, and our UK reporting entities have a combined headcount of 1370 employees and 565 contractors.

For more information on our business structure, workforce, and operations see page 10 of [Novartis in Society Integrated Report 2022](#)

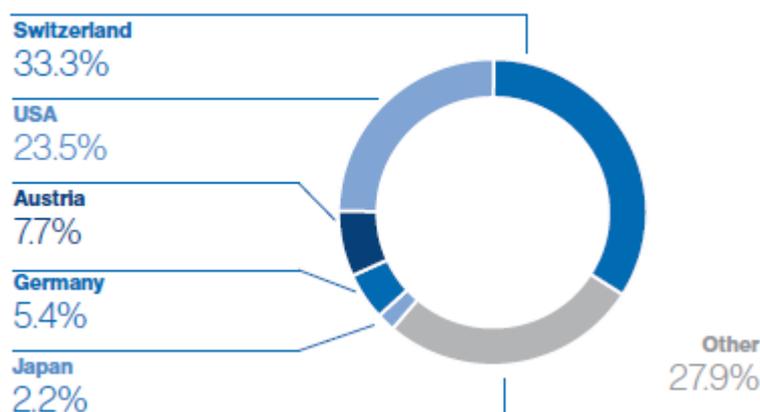
### Our supply chain

We work with thousands of external partners worldwide, from suppliers in our R&D organization to wholesalers and distributors who ensure our medicines reach patients. Where possible, we maintain multiple supply sources so that our business is not dependent on a single or limited number of suppliers. Our suppliers are required to comply with applicable regulations and are contractually bound to abide by our standards on quality, ethics, and human rights. For more information see page 43 of [Novartis in Society Integrated Report 2022](#)

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<sup>1</sup> Consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.

## Our global supply chain (% of total supplier spend)



## 2. Identifying modern slavery risks

Using the UNGPs Scope, Scale and Remediability principles we periodically conduct a human rights risk saliency exercise<sup>2</sup> to identify those risks that are most severe and that present the greatest risk to the greatest number of people.

We have identified the following four areas which may involve the most severe actual or potential negative human rights (including modern slavery) impacts.

- Right to Health
- Labor Rights
- Human Rights and the Environment
- Human Rights and Technology

In 2022, we updated our Human Rights Commitment Statement endorsed by the Novartis Environmental Social & Governance (ESG) Committee, an executive-level body chaired by the Chief Executive Officer. This is the latest update to our human rights statement, which was first adopted in 2003. It explains the four human rights focus areas as above that were identified based on ongoing human rights due diligence, internal and external feedback on our earlier statements and ongoing engagement with external experts, peers and stakeholders; and outlines our methodology to embedding human rights throughout our business. For more information see our [Human Rights Commitment Statement](#).

### Novartis operations

Based on our risk assessments and on-going due diligence of Novartis operations globally, we believe there is a low risk of involvement with modern slavery impacts in our own operations. Our conclusion is based on assessments of relevant business units and specific markets that were classified as high risk in our human rights country risk assessment tool which is comprised of 14 publicly available human rights indices.

In 2022, we conducted 12 human rights risk assessments covering specific markets and business units in our own operations.

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<sup>2</sup> At the time of publishing this Statement, our global human rights risk saliency exercise is underway.

In addition, we worked with our pharmaceutical export business to conduct human rights risk assessments in Bulgaria, Kazakhstan and Morocco that were classified as medium and high risk in our human rights country risk assessment tool. The assessments did not identify any actual modern slavery incidents in our own operations.

### **Our supply chain**

Our approach to labor rights risk identification and management in our supply chain is conducted through our Third-Party Risk Management (TPRM) framework to help identify and manage risks when interacting with third parties.

In 2022, we extended our TPRM program to include risk assessments on wholesalers and distributors in addition to vendors and suppliers.

The TPRM framework assigns all third parties a high, medium or low labor rights risk through an automated tool which is based on country labor rights risks and procurement category risks. We conduct a negative media screening for human rights and modern slavery risks for low-risk third parties. Medium and high risk third parties are required to complete a Third Party Risk Questionnaire (TPQ) and may be required to complete Corrective and Preventative Action Plans (CAPAs) should serious risks be identified during the audit process. Enforcement actions including termination may be applied to third parties that are unable to meet the requirement set out in a plan.

By considering country risk and procurement category risks, we identify specific areas that could potentially present the highest risk of modern slavery in our supply chain. For more information see page 4 of [UK and Australia Joint Modern Slavery Statement 2021 \(novartis.com\)](#)

## **3. Addressing modern slavery risks**

We are committed to addressing modern slavery risks in our own operations and in our supply chain. We have clear and well-defined global policies, guidelines and standards in place co-sponsored by the Chief Ethics, Risk and Compliance Officer (CERCO) and Chief Legal Officer. These are regularly updated to ensure alignment with our human rights commitments including modern slavery and are binding on all Novartis employees globally. For more information on our Policies and Governance framework see pages 4 and 5 of [UK and Australia Joint Modern Slavery Statement 2021 \(novartis.com\)](#)

### **Addressing third party risks**

#### ***Third party code***

Our Third Party Code is incorporated into our standard supplier contract terms with third parties, regardless of whether the third party is low-, medium-, or high-risk. These contractual terms give us the right to conduct an audit to monitor compliance with the Third Party Code, as well as the right to immediately terminate an agreement for non-compliance with the Third Party Code (whether identified in an audit or otherwise).

In 2022, we updated our Third Party Code to specify human rights due diligence and environmental sustainability expectations from third parties, including a clear expectation that suppliers adopt the same principles with their own suppliers.

Additionally, in Australia, Novartis Pharmaceuticals Australia Pty Limited and Sandoz Pty Ltd procurement contracts require third parties to comply with the Australian MSA. Our UK reporting entities' third party contracts specifically require third parties to comply with the UK MSA and the Labour Standards Assurance System.<sup>3</sup>

#### ***Third party risk screening & findings***

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<sup>3</sup> The Labour Standards Assurance System provides a mandate for labor standards in the medical supply industry. It aims to ensure that organizations produce goods and services using fair labor practices.

In 2022, TPRM screened 11 097 third parties of which 5 379 were screened for labor rights risks including modern slavery. Of these 5 379 third parties, 482 third parties were classified as medium and high risk based on country and procurement category risks. All 482 third parties were further assessed through the TPQ. Potential exploitative labor practices related to excessive working hours, overtime, lack of labor policies, lack of anti-discrimination policies were identified, resulting in 308 follow-up activities (e.g., risk mitigation actions and audits). CAPAs have been put in place and are being monitored by Novartis risk experts.

A potential modern slavery concern was identified at a warehouse and distribution third party site in Malaysia related to the retention of foreign migrant worker identity documents. Despite sustained engagement and opportunities provided to remediate, the third party continued to breach our standards. We therefore ended the business relationship on account of noncompliance with our Third Party Code.

All CAPAs related to potential modern slavery risks identified in 2021 were closed successfully at five supplier sites in India.

### **High risk mitigation projects**

We recognize that foreign migrant workers are vulnerable to exploitation through the payment of excessive recruitment fees leading to situations of forced labor and in worse cases debt bondage. In 2022, we undertook a global risk mapping of our foreign migrant worker footprint and have identified a relatively low foreign migrant worker population in specific high-risk countries primarily in Asia and the Americas. Through our TPRM framework we are in the process of engaging third parties identified as high risk to support their development of appropriate management systems for the responsible recruitment and treatment of foreign migrant workers.

In 2022, we ended our relationship with a Brazilian raw material supplier for carnauba wax (used for coating and binding medicine tablets) due to non-conformance with our human rights standards and switched to a different socially compliant supplier. Additionally, through 2022 we engaged with our Pharmaceutical Supply Chain Initiative peers on certification mapping for key high-risk commodities. We have initiated a process to integrate responsible raw material certification requirements into our existing TPRM framework.

### **Training and capability building**

We seek to empower our employees through formal and informal training and capability-building on human rights, including modern slavery risks. All employees are required to complete an annual training on our [Code of Ethics](#), which includes our ethical commitment to human rights. In 2022, 98% of our employees completed the training.

In 2022, we launched a targeted human rights masterclass for employees from the Ethics, Risk and Compliance (ERC) function. We also held a human rights webinar for over two hundred employees; to educate and raise internal awareness on this critical topic. Going forward we aim to offer quarterly webinars expanding the reach beyond ERC to include relevant functions across the organization.

We have an active Human Rights Ambassador Network globally that meets every quarter to discuss existing and emerging human rights including modern slavery risks. In 2022, 57 employees joined the network bringing the total to 137 employees globally.

In November 2022, we launched a mandatory TPRM e-training on the importance, scope and responsibilities associated with regard to the management of Third Party risks. By Dec 31 2022, 62% of our employees completed the training.

### **Grievance mechanism and remediation**

The Novartis SpeakUp Office is our confidential grievance mechanism for employees and third parties to report misconduct, including related to human rights and modern slavery risks. The web-based and telephone channels are operated by an independent third party available 24

hours a day, 7 days a week. In 2022, our SpeakUp Office received a total of 2 569 complaints of alleged misconduct, none of which involved allegations related to modern slavery.

We conducted a targeted human rights assessment of our SpeakUp grievance mechanism against the UNGPs and identified the absence of a standalone policy on non-retaliation as a potential risk that may prevent people from raising concerns. To mitigate this risk, in 2022 we codified our commitment to protecting any employee who speaks up with our [standalone policy on non-retaliation](#).

In 2022 we updated our Third Party Code requiring our third parties to implement a mechanism through which workers can raise complaints directly with the Third Party without fear of retribution, including providing access to remedy for foreign migrant workers in a language they understand.

#### **4. Assessing the effectiveness of our actions**

Assessing the effectiveness of our approach to preventing modern slavery helps us understand and continually improve how we identify, prevent, and mitigate relevant risks. It also helps us assess the effectiveness of our grievance and remediation processes if we identify that we have caused or contributed to modern slavery-related impacts.

Key measures we use to assess our approach include:

- The number of suppliers screened on labor rights
- The number of CAPAs implemented and resolved related to modern slavery issues
- The type of high risk mitigation projects initiated
- The number of employees that have completed relevant training and capability building on human rights and modern slavery and
- The robustness of our SpeakUp grievance mechanism

#### **5. Engagement and collaboration**

Novartis is engaged in several collaborative activities in the healthcare sector and across industries. For information on business and human rights related industry engagements see page 8 of [UK and Australia Joint Modern Slavery Statement 2021 \(novartis.com\)](#)

#### **6. Australia-specific actions**

In Australia, we procure a range of goods and services through our supply chains to support our business activities. Our procurement is managed primarily through central procurement in Switzerland. Local procurement is governed by the same global policies and procedures as outlined in this Statement.

In 2022 there were no notifications of modern slavery incidents in our local supply chains and operations. Such notifications are required under the modern slavery provisions of our standard purchase terms for goods and services.

##### ***Risk analysis and supplier engagement***

In 2021 we identified specific local procurement categories as presenting potential risks of modern slavery including facilities management (including cleaning), catering, warehousing, transport, and the printing and distribution of marketing materials.

We sent targeted risk questionnaires to the top six key local suppliers in these sectors to understand their policies and practices to identify, prevent and mitigate modern slavery risks. We received responses for review, including the suppliers' policies on modern slavery risks.

In 2022 we conducted a desktop review of these responses and determined the information provided by these key local suppliers to be acceptable. However, these industry sectors remain of ongoing focus. We are currently in the process of determining what further steps we can take

to enhance our visibility over these sectors as our modern slavery compliance system and awareness matures.

### **Further enhancements to local governance**

To enhance our local engagement, oversight and governance of modern slavery compliance, in 2022 we embedded our internal modern slavery cross-divisional committee (created in 2021) into our central local ERC risk committee, sponsored by our Local Country Head and member of the board of directors of our local reporting entities, thus enabling us to bring potential modern slavery risks into the mainstream of our local risk management framework by:

- Further raising the profile of modern slavery risks in our local operations.
- Encouraging a higher and more consistent level of engagement, ownership, and accountability for modern slavery risks potentially affecting our local supply chain and operations.
- Providing a direct “line of sight” to modern slavery risks at local board level.

### **Next steps**

- Enhancing awareness of modern slavery risks potentially affecting our local supply chain and operations.
- Embedding modern slavery compliance in our local mainstream risk management framework.
- Planning for routine and proactive information gathering and monitoring around modern slavery risks into the future.

## **7. Consultation with Australian reporting entities and their owned and controlled entities**

In Australia, we consulted members of the Novartis executive committee and the key functions supporting the three reporting entities, including Procurement, Supply Chain, ERC and Legal. This involved knowledge sharing on human rights including modern slavery compliance activities between employees from the Australian reporting entities and members of the global Novartis Human Rights Team. In addition, consultation was also undertaken in relation to preparation of this statement.

For more information, please contact the Novartis Human Rights team at [human.rights@novartis.com](mailto:human.rights@novartis.com)

### **Novartis International**

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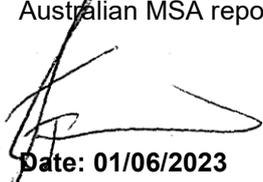
Date: 12/06/2023  
Name: Klaus Moosmayer  
Title: Chief Ethics, Risk and Compliance Officer



Date: 12/06/2023  
Name: Peter Nestor  
Title: Global Head of Human Rights

### Australia

This Statement was approved by the board of Novartis Australia Pty Limited on behalf of the Australian MSA reporting entities listed in Appendix I.



**Date: 01/06/2023**

**Name: Richard Tew**

**Title: Director**

### United Kingdom

This Statement was approved by the board of Novartis Pharmaceuticals UK Limited on behalf of the UK MSA reporting entities listed in Appendix 1



**Date: 08/06/2023**

**Name: Marie-Andree Gamache**

**Title: President and Managing Director**

## **Appendix I – Reporting Entities**

This Statement is made on behalf of Novartis' Australian MSA and UK MSA reporting entities:

<b>Entity</b>	<b>Description</b>
<b>UK MSA reporting entities</b>	
Novartis UK Limited	Loan relationships, Pension, Dividends
Novartis UK Pension	Independent company for NUK Pension Scheme
Novartis Pharmaceuticals UK Limited	Gen Med, Oncology, Development, CTS
Novartis Grimsby Limited	ChemOps manufacturing
Novartis Europharm Limited	EU MA Holder for Pharma
Sandoz Ltd	Sandoz commercial entity
Ziarco Group Limited	Holding Company
Ziarco Pharma Limited	2017 acquisition
Oriel Therapeutics Ltd	Liquidation Candidate
Advanced Accelerator Applications (UK and Ireland) Limited	AAA trading entity
Neutec Pharma Ltd	Loan to NPUK
Avexis EU Limited	UK branch of Avexis IE entity
Gyroscope Therapeutics Holdings PLC	Holding company
Gyroscope Holdings (UK)	Dormant
Gyroscope Therapeutics Limited	Main trading entity - clinical trials for the treatment of geographic atrophy (GA) secondary to age-related macular degeneration (AMD)
The Medicines Company UK Limited	2020 acquisition – now in liquidation
Coalesce Product Development Limited	Sandoz owned - Specialized in device development - a substitutable device for Ellipta
<b>Australian MSA reporting entities</b>	
Novartis Australia Pty Limited	Holding Company
Novartis Pharmaceuticals Australia Pty Limited	Gen Medicines, oncology, commercial entity
Sandoz Pty Ltd	Sandoz commercial entity

## **Appendix II – How our Statement Addresses the UK MSA and Australian MSA Reporting Criteria**

<b>UK MSA recommended reporting criteria</b>	<b>Australian MSA mandatory reporting criteria</b>	<b>Reference in this Statement</b>
N/A	Identify the reporting entity.	Appendix 1
Organization's structure, its business and its supply chains.	Describe the reporting entity's structure, operations and supply chains.	Section 1
Parts of the organization's business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk.	Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	Sections 2 and 7

Organization's policies in relation to slavery and human trafficking; its due diligence processes in relation to slavery and human trafficking in its business and supply chains; the training about slavery and human trafficking available to its staff.	Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.	Sections 2, 3 and 7
Organization's effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate.	Describe how the reporting entity assesses the effectiveness of such actions.	Section 4
N/A	Describe the process of consultation with (i) any entities the reporting entity owns or controls; and (ii) for a reporting entity covered by a joint statement, the entity giving the statement.	Section 7
N/A	Include any other information that the reporting entity, or the entity giving the statement, considers relevant.	Sections 5 and 7