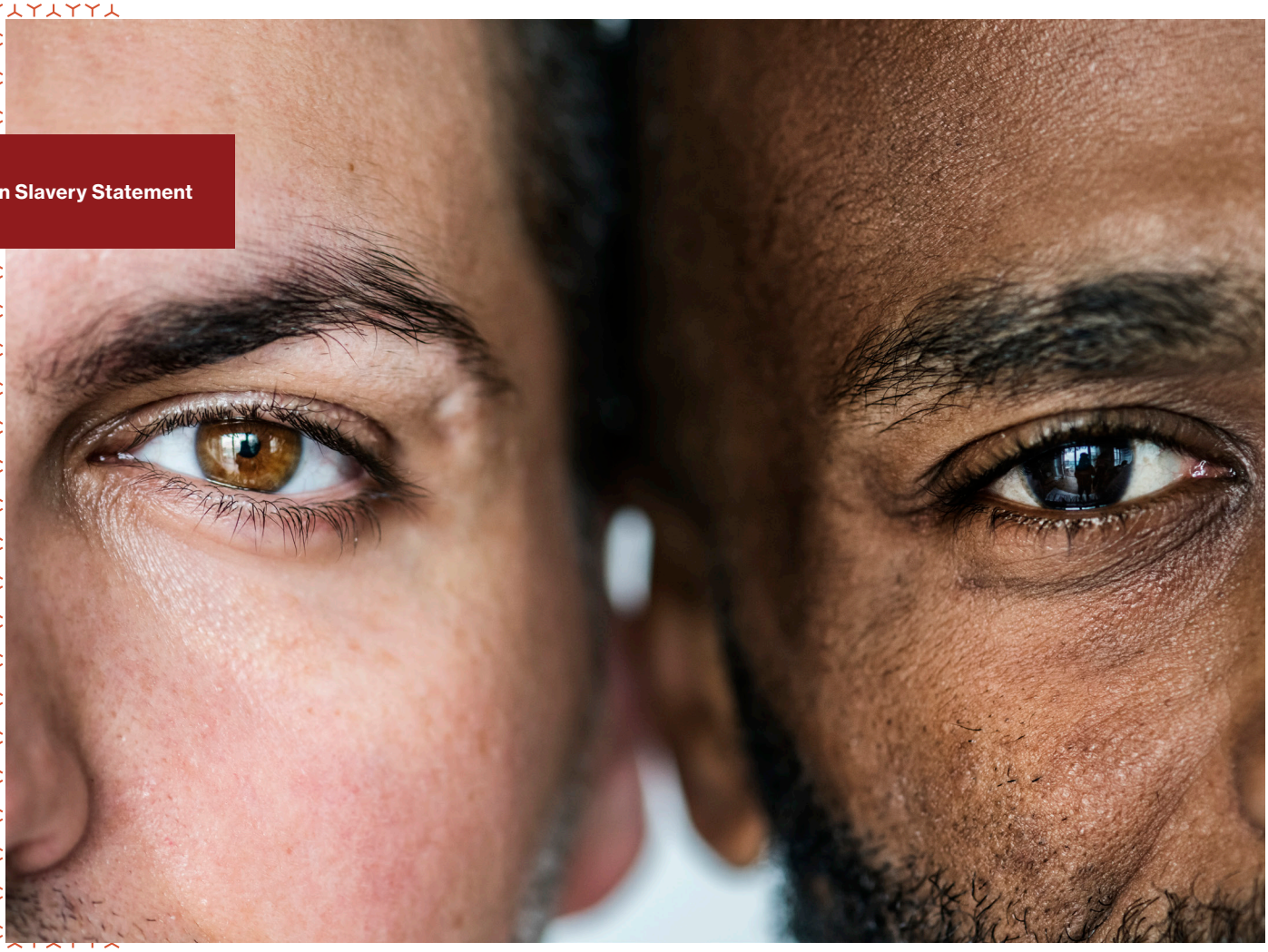
Modern Slavery Statement



UK and Australia
Joint Modern Slavery Statement 2020

NOVARTIS

Who we are

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. 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. We also aim to reward those who invest their money, time and ideas in our company. Our strategy is to build a leading, focused medicines company powered by advanced therapy platforms and data science. We aspire to create a culture where our people are inspired, curious, unbossed and act with integrity.

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 a clear strategic path that we believe will further accelerate our journey to build trust with key stakeholders and society, centered around four key focus areas: Holding ourselves to high ethical standards, being part of the solution on pricing and access to medicines, addressing global health challenges and being a responsible citizen. We are committed to taking real, measurable and reportable action in these key areas, and making sure that we communicate about them clearly and transparently. We are also determined to learn from and share our experience.

This publication is the Slavery and Human Trafficking Statement under the UK Modern Slavery Act (2015) and joint Modern Slavery Statement under the Australia Modern Slavery Act (2018) for the financial year ended 31 December 2020. It describes the activities we have undertaken throughout our 2020 financial year to strengthen our processes and better understand the risks of modern slavery and human trafficking in our global operations and supply chains. Content specific to the operations and supply chains of our reporting entities under the Australia Modern Slavery Act is indicated as such.

This Statement has been approved by the Novartis Chairman of the Board on March 11, 2021.

Joerg Reinhardt
Chairman of the Board of Directors

Our footprint: Global

We reimagine medicine to improve and extend people's lives. 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. We also aim to reward those who invest their money, time and ideas in our company.

INNOVATIVE MEDICINES

The Innovative Medicines Division has two business units:

Novartis Oncology
Novartis Oncology focuses on patented treatments for a variety of cancers and rare diseases.

Novartis Pharmaceuticals
Novartis Pharmaceuticals focuses on patented treatments in multiple disease areas to enhance health outcomes for patients and offer solutions to healthcare providers.

SANDOZ

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

NOVARTIS TECHNICAL OPERATIONS (NTO)

is responsible for making our innovative medicines, devices and Sandoz products, and delivering them to our customers across the world.

NOVARTIS BUSINESS SERVICES (NBS)

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

CORPORATE FUNCTIONS

support the enterprise in specific areas of expertise, including finance, human resources, legal, communications, and ethics, risk and compliance.

RESEARCH AND DEVELOPMENT (R&D)

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.

The Global Drug Development (GDD) organization oversees the development of new medicines discovered by our researchers and partners.

Our supply network: Global

Novartis Technical Operations (NTO) manages the production, supply chains and quality of our Innovative Medicines and Sandoz Division products through a network of 54 manufacturing sites, as well as through external suppliers, and warehouse and distribution centers. In addition, our Innovative Medicines Division manages six AAA sites for radioligand therapies production and six sites for Novartis Gene Therapies (formerly AveXis) for research and development, production, warehousing and administrative offices. Endocyte manages two sites for research and its headquarters and administrative offices.

▶ **4.D Property, plants and equipment** (Annual Report 2020 p. 48)

Our footprint: Australia-specific

This Statement covers Novartis Group companies in Australia that are "reporting entities" for the purposes of the Australia Modern Slavery Act 2018 (Cth). The local reporting entities include Novartis Pharmaceuticals Australia Pty Ltd and Sandoz Pty Ltd. Both entities utilise Novartis Group international policies, procedures and governance processes.

In Australia, Novartis Group companies employ approximately 700 associates. The reporting entities operate out of a head office location at 54 Waterloo Road, Macquarie Park NSW. Novartis Group companies operating in Australia comprise several divisions or business units, namely: Corporate Affairs, Pharmaceuticals, Oncology, Global Drug Development (GDD), NTO, Novartis Business Services (NBS) and generics division Sandoz.

Our supply network: Australia-specific

Our local supply chain supports the promotion and distribution of innovative and generic medicines nationwide. Novartis engages various goods and services providers across its local business operations, including facilities management, customs clearance, warehousing and transport logistics, IT and telecommunications, fleet management, market research, materials development and distribution, patient support, contingent labour, and clinical trials management.

Novartis also has arrangements with third parties for the distribution and promotion of certain products in Australia.

Modern slavery due diligence

Governance

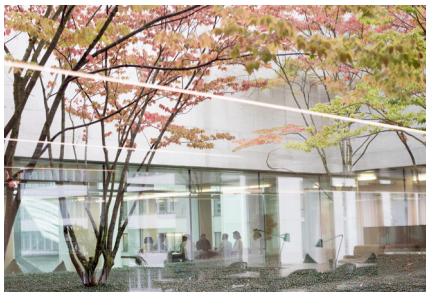
Our approach to corporate responsibility is a key action taken by all Novartis Group companies to identify and address risks in our business, including modern slavery risks.

We have formal policies and procedures in place that promote ethical and compliant business conduct, and supplier compliance with human rights. They define how we want to conduct business, what we expect of ourselves and our business partners throughout the world. Our values, policies and guidelines contain governing principles and procedures to effectively manage a topic and are broadly applicable.

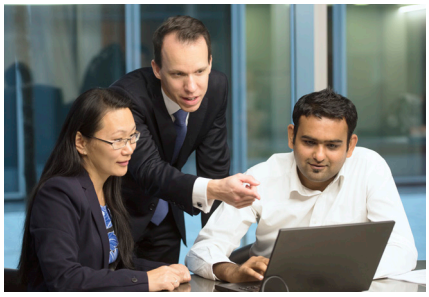
Compliance with all our policies, guidelines and standards is an integral part of line management accountability at all levels and in all parts of our operations.

Governance and oversight for our policies, guidelines and standards is the responsibility of the Global Policy Board, co-sponsored by the Chief Ethics, Risk and Compliance Officer and Chief Legal Officer. This Committee is responsible for overseeing the systematic review, upgrade, alignment, and simplification of the Novartis policies, guidelines and standards; the enterprise policy management organization owns and supervises defined procedures ensuring clear ownership and consistent quality of all global policies, guidelines and standards and monitors the lifecycle of each document. The defined processes are mandatory to ensure that effective training, implementation, and monitoring plans are in place prior to release and communication for global policies and selected guidelines.

Our Ethics, Risk and Compliance (ERC) function has overall responsibility for the management of human rights risks within Novartis operations and supply chains. This responsibility is guided by the Novartis Code of Ethics, which contains various commitments regarding respect for human rights, including labor rights, within our operations and supply chains. Within the ERC function, a dedicated Human Rights Management (HRM) team of business and human rights specialists is responsible for the implementation of the Novartis Human Rights Strategy, including conducting human rights due diligence regarding modern slavery. In 2020, the joint Human Rights and Third Party Risk Management (TPRM) function firmly established third party human rights risks on Novartis' Enterprise Risk Management agenda. The HRM and Third Party Labor Rights teams colla- borated to embed human rights into the TPRM governance framework. Our Novartis Third-Party Code (NTPC), revised in 2020, now contains a stand-alone chapter setting out the company's expectation that third parties respect human rights within their operations and conduct human rights due diligence in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs). In addition, the forced labor provisions of the NTPC were strengthened to better align with international standards.



We have formal policies and procedures in place that promote ethical and compliant business conduct, and supplier compliance with human rights.



Within the ERC function, a dedicated Human Rights Management team of business and human rights specialists is responsible for the implementation of the Novartis Human Rights Strategy, including conducting human rights due diligence regarding modern slavery.

Policies: **Code of Ethics**

Novartis is committed to the highest ethical standards and is taking necessary steps to enable associates to do what's right.

With effect from 1 September 2020, a new Code of Ethics replaced the Novartis Code of Conduct. Co-created by Novartis associates for Novartis associates, it is a principles-based guidance that reflects the different contexts we operate in around the globe. It is applicable to, and binding on, all Novartis associates.

One of the key commitments of our Code of Ethics is to respect human rights. It commits us to conduct our business in a manner that respects the rights and dignity of all people, by striving to prevent, mitigate and remedy adverse human rights impacts throughout our workplace, business operations and in the communities in which we work.

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Policies: **Global Guideline on People and Organization Principles**

The internal Global Guideline on People and Organization Principles sets out Novartis policies regarding labor rights and working conditions of Novartis associates. It outlines how the People & Organization function supports the company's strategic goals, including our commitment to fair and respectful treatment of associates. In particular, the Guideline commits Novartis to protect associates from unfair or unethical working conditions, including bonded, forced or child labor, or any unsafe working conditions.

Policies: **Human Rights Guideline**

The Novartis Human Rights Guideline (2017) commits us to respect and support the protection of human rights, as enshrined in the Universal Declaration of Human Rights, and to uphold the core labor standards of the International Labor Organization, including the prohibition against forced labor. As a signatory and member in good standing of the UN Global Compact since 2001, we are committed to upholding its human rights principles. In addition, our Guideline states our support for the UN Guiding Principles on Business and Human Rights and commits us to their implementation within Novartis. In particular, our Guideline explicitly states that Novartis does not engage in forced, compulsory or bonded labor.

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Policies: **Third Party Code**

The NTPC[1] sets out our expectations of third parties. It is aligned with the Novartis Code of Ethics and is based on the UN Global Compact, the UNGPs and the International Labor Organization (ILO) core labor rights conventions.

The NTPC defines the company's requirements for third parties within the scope of our TPRM program to adhere to applicable legal standards as well as to any higher standards contained in the NTPC. It also sets out the company's expectation of third parties to adopt standards with their own suppliers that cover the same principles and content included in the NTPC The visibility and importance of the NTPC is introduced to third parties as

1 The NTPC v2.0 came into effect on 01 November 2020 for all new Novartis third party contracts. For existing contracts, the previous version 1.0 will remain in effect until the next contract renewal date, at which time the NTPC v2.0 will take effect.

part of any new sourcing event and is referenced in our standard Novartis Bidder Agreement on our e-sourcing platform. The NTPC also forms an integral part of contractual agreements, such as Purchase Orders and/or formal written contracts, between Novartis and its third parties. This includes integral audit rights to be able to monitor compliance as well as the right for Novartis to immediately terminate the agreement without compensation in case of non-compliance and/or obstructing/refusing Novartis audit rights.

There is also a process in place to deal with third parties that prefer to refer to their own Code of Conduct and/or policies, guidelines and standards in contracting with Novartis, with the aim of ensuring material equivalency of the third party's Code of Conduct and/or policies, guidelines and standards with the NTPC.

Labor rights risks, including modern slavery, are one of the key risk categories addressed in the NTPC. In particular, the NTPC provisions regarding "freely chosen employment" require that third parties not use forced labor, including bonded, indentured or involuntary prison labor, or engage in any form of forced labor or human trafficking.

Labor rights risks, including modern slavery, are one of the key risk categories addressed in the NTPC.

Risk Identification and Management: Global

The Novartis labor rights risk identification and management system is comprised of two main programs: our TPRM program and our HRM program.

In 2020, we further strengthened our TPRM program to make it more risk-based and enable us to ensure that the company's expectations of third parties are addressed at the earliest stages of the third party selection process. Our integrated, end-to-end, third party risk management system enables Novartis to better understand and address our existing and emerging third party risks, in particular regarding labor rights such as modern slavery. The focus of our enhanced program is to go beyond monitoring suppliers' ability to comply with Novartis standards, to promoting real changes that respect and protect workers' rights and the environment in the countries from which we source our inputs.

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Within the TPRM program, in addition to the up-front risk assessment before any formal commitment (e.g., a contract) is made with a third party, an ongoing monitoring (through a negative media screening) is also carried out. A formal re-assessment of the third party is conducted after three years, or earlier, as the situation dictates. Using a risk-based approach, certain third parties may also be subject to audits and additional monitoring between the engagement and re-assessment phases.

For example, whenever our third party risk assessment process identifies a potential labor rights violation in our supply chain, the topic is discussed with the relevant third party. If the risk is substantiated, we address it by jointly developing a corrective and prevention action plan with the third party and monitoring the third party's implementation.

Our Human Rights Management program is integrated with our TPRM program, to help ensure that human rights are embedded in all relevant third-party risk areas and management processes, but in particular into third party labor rights.

Globally, the Human Rights and TPRM function preliminarily identified the following supplier categories as having a heightened risk for modern slavery: labor supply involving the use of recruitment agencies; real estate and facility services involving informal, short-term, low-skilled, and/or low-paid

work, such as catering, house-keeping, grounds-keeping, construction and maintenance; raw material inputs, especially of agricultural origin, at the lowest harvesting/production stages; and non-consensual procurement of human biological material (including organs).

In 2020, as part of our TPRM program improvements, we further developed our supplier assessment and auditing tools to address the risk of forced labor associated with the use of recruitment agencies by suppliers, in particular regarding the charging of recruitment fees, retention of identity and educational documents, excessive or mandatory overtime, and restriction of freedom of movement involving supplier-provided accommodation.

In early 2020, in response to the potential for labor rights violations in our supply chains due to the COVID-19 pandemic, we issued a COVID-19 Good Practice Guidance for Third Parties, reminding our suppliers of their obligations to comply with the NTPC, including the prohibition against forced labour. Later in 2020, in response to labor law relaxations by the Government of India to counteract the economic impacts of COVID-19, we issued a letter to all our Indian suppliers in five relevant States advising them that we would monitor any changes in their practices for violations of the NTPC labor rights provisions.

In response to the potential for labor rights violations in our supply chains due to the COVID-19 pandemic, we issued a COVID-19 Good Practice Guidance for Third Parties,

In addition, in 2020, we initiated a pilot project to develop handbooks for high-risk supplier categories, to build their capacity to identify and address labor rights risks and impacts, including forced labor. Starting with the construction sector, and subject to the outcome of this pilot project, we plan to develop handbooks for other high labor-rights risk supplier categories during 2021 and beyond.

In 2020, we finalized the reports from our 2019 human rights assessments in India, Singapore, Brazil, and China. We did not identify any actual or potential modern slavery involving our own operations or Tier 1 suppliers during those assessments. However, we are aware that the risk of modern slavery might exist deeper in our supply chains, primarily in the production of our various raw material inputs. In 2020, we launched a desk-based research project to identify potential human rights and labor risks associated with raw material inputs of an agricultural origin and to map their supply chains. In addition, we initiated and participated in a collaborative research project to identify additional high labor rights risk pharmaceutical inputs through the Human Rights and Labor Subcommittee of the Pharmaceutical Supply Chain Initiative (PSCI). We are incorporating findings from the PSCI joint project into our internal risk assessment and mitigation approaches.

Following up on previous modern slavery risks identified in our carnauba wax supply chain in Brazil, in 2020 we worked collaboratively with our PSCI peers to develop a mitigation approach based on collective action. The group jointly investigated organizations working on the ground in Brazil to address the issue through worker engagement and capacity building at the carnauba wax farm-level. We organized a webinar for our direct suppliers to raise their awareness of the risks of modern slavery in carnauba wax production and the opportunities for collaboration with organizations working to address this issue in Brazil. We encouraged them to join in these efforts, and to cascade the recommendation through their supply chains.

Novartis follows one global ethical standard for conducting clinical trials regardless of geography. We are 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:
Ethics in Clinical Trials

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. Special care is taken when recruiting trial participants from vulnerable populations, such as children or the economically disadvantaged. 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.

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.

Novartis acknowledges that the situation of clinical study participants in developing nations is more complex than in the developed world. As such, trials in the developing world are subjected to heightened scrutiny by Novartis to help ensure they are not used to escape regulations or ethical standards in Europe or the US.

In our UK market, all contracts with third parties explicitly require them to comply with the requirements of the UK Modern Slavery Act (2015) and the Labour Standards Assurance System, to not commit any act or omission that causes Novartis to be in breach of Novartis' obligations under the UK Modern Slavery Act (2015) or Labour Standards Assurance System, and to provide its full cooperation to Novartis in order to ensure compliance with the relevant requirements.

Risk Identification and Management: Australia-specific

Novartis reporting entities in Australia have considered risk factors in their local supply chains and operations. To date, Novartis Australia has focused on the following sectors: facilities management (i.e., cleaning and catering); office supplies; IT hardware; warehousing and transport; contingent labor recruitment; contract sales organizations; marketing print; and network and telephony. In 2020, Novartis Australia communicated with Tier 1 suppliers in these sectors requesting notification of any actual or suspected occurrences or incidents of modern slavery in their supply chains. No reported issues were received. Novartis Australia also updated its third party contracts requiring suppliers to comply with the requirements of the Australia Modern Slavery Act 2018 and to cooperate with Novartis in order to ensure compliance with the relevant requirements.

We launched and rolled out a global e-training on the new Code of Ethics from September 2020 to February 2021, with a preliminary completion rate of 98% by December 31, 2020.

Training

We launched and rolled out a global e-training on the new Code of Ethics from September 2020 to February 2021, with a preliminary completion rate of 98% by December 31, 2020. We also launched and rolled out a mandatory Modern Slavery Awareness and Due Diligence e-learning module November 2020-February 2021, with a preliminary completion rate of 92% by December 31, 2020. The rollout scope included all employees in our UK and Australia markets, and selected relevant employees in our global Ethics, Risk and Compliance, People & Organization, Procurement and SpeakUp Office functions.

SpeakUp Grievance Mechanism

We require associates to report actual or suspected violations of our Code of Ethics and enforce clear policies to prevent retaliation against any associate reporting an issue.

Novartis strives to adhere to the highest business and ethical standards to meet and exceed stakeholder and associate expectations. Speaking up is the best way to foster a culture of trust and detect instances of misconduct that may harm the reputation and success of Novartis.

The SpeakUp Office offers employees and people outside of Novartis a channel through which to confidentially report misconduct. Complaints can be made by email, phone, online or in-person. The web-based and telephone channels are operated via a third-party vendor. The SpeakUp Office manages investigations into all complaints and escalates any substantiated cases of misconduct to management for appropriate action. We report on complaints received and substantiated in our Novartis in Society Report. The SpeakUp Office also provides a reporting point that can be used to capture any allegations of modern slavery which are experienced or communicated involving our suppliers. These reports are investigated and acted on as required.

In 2020, the Novartis SpeakUp Office did not receive any reports of alleged modern slavery.

Our SpeakUp process

REPORT

Report concern using one of the **SpeakUp** platforms*

REVIEW

Concern reviewed to decide next steps

INVESTIGATE

Local or global function investigates

DECISION

Business decides on appropriate action

UPDATE

Employee will be updated on the case

ACTION

If required, actions will be put into practice

CLOSE

SpeakUp case closed

Monitoring and evaluation

Novartis Australia has developed a modern slavery-specific supplier questionnaire, which we started to roll out to all newly on-boarded suppliers in Australia starting in late 2020. Longer-term, this questionnaire will be embedded into our global existing Third Party Questionnaire on Labor Rights, as part of our comprehensive TPRM process. In Australia, we have incorporated a specific clause requiring suppliers to comply with their obligations under the Australia Modern Slavery Act.

Partnerships/collaboration

Novartis is a member of the PSCI and supports its Principles for Responsible Supply Chain Management regarding ethics, labor, health and safety, environment and related management systems. These principles are incorporated into the NTPC. Since 2018, we have played a leading role in the PSCI, including chairing the Board in 2019, and co-chairing the Human Rights and Labor Rights Subcommittee and Partnerships Committee in 2020.

We have used our membership in the PSCI to scale up our human rights due diligence efforts to address modern slavery risks beyond our own supply chains. In 2019, PSCI members jointly commissioned research on forced labor risks in the pharmaceutical sector in India and delivered a webinar to members on forced labor risk in the industry. In 2020, we mobilized a PSCI working group to identify options for collective action in the carnauba wax supply chain, following-up on previous forced labor allegations (see “Risk Identification and Management” above). More broadly, we participated in joint research to identify human rights risks, including forced labor, associated with raw material inputs in pharmaceutical products, and developed and delivered a webinar for members on managing labor rights risks in these supply chains. We also participated in the development and delivery of human rights trainings for pharmaceutical suppliers in India on identifying and addressing labor rights risks, including risks of modern slavery and forced labor.

Next steps FY 2021

In 2021, we plan to build on our 2020 risk-based approach to scale up our modern slavery due diligence efforts.

We will continue to advance the collective action initiatives through the PSCI to identify and address modern slavery risks and impacts in pharmaceutical sector carnauba wax and other raw material supply chains. In addition, we will continue our own internal research into labor rights risks in our raw material supply chains of an agricultural origin, including modern slavery risk. Subject to the results of our pilot project to address labor rights risks, including forced labor, involving migrant workers in the construction supplier category, we plan to initiate similar projects regarding the risk of forced labor in other high risk supplier categories such as real estate and facility services and logistics and warehousing.

Based on the Global Slavery Index of high-risk countries, we plan to conduct targeted modern slavery risk assessments in our highest risk markets, including supply chain mapping, supplier engagement and corrective and prevention plan development and implementation monitoring.

Consultation

This Statement has been prepared by the Novartis ERC function subject matter experts responsible for managing human rights and third-party labor rights risk management processes for our own operations and supply chains. It was prepared with input from other key functions including People & Organization, Legal and SpeakUp Office, with specific input from those key functions in our UK and Australia markets.

Prior to being put to the Chairman of the Board for review and approval, the Statement was reviewed by Novartis Chief Legal Officer and Chief Ethics, Risk and Compliance Officer. Both Officers are members of the Executive Committee of Novartis, which is responsible for the day-to-day management of the Group and reports directly to the Board of Directors, including its Risk Committee.

For more information
contact the Novartis Human Rights team: **human.rights@novartis.com**