

Gender Pay Gap Report 2022– Novartis Ireland



Novartis Gender Pay Gap Report 2022

Introduction

The Novartis Ireland Country Leadership team welcome the introduction of the Gender Pay Gap reporting. Novartis views this as a positive tool to further review where we are as an organization. This will help us as an organization to continue building on our current initiatives that we have implemented to improve gender equity. Moving forward Novartis will annually report their gender pay gap findings and the country leadership team look forward to reviewing this in the coming years and understanding what progress has been achieved.

Gender Pay Gap in Ireland

In July 2021 the Irish Government signed into law a new set of regulations that require all organizations with at least 250 Ireland-based employees to analyze and publish their gender pay gap on an annual basis beginning in 2022. Novartis has two legal entities in Ireland with over 250 employees, and as such is subject to these new requirements. This regulation is not unique to Ireland and similar requirements are in place across an increasing number of countries around the world.

Understanding the difference between Equal Pay and Gender Pay

It is important to understand the distinction between the gender pay gap and equal pay. The gender pay gap is a measure of the difference between the average hourly and bonus earnings of all males and females in the business. It should not be confused with equal pay, which refers to legislation already in place in Ireland which requires organizations to pay males and females equally for performing the same or similar work or work of equal value. At Novartis, we are already working on this pledging to conduct regular gender pay analyses and remediate annually as appropriate. To help prevent pay differences, we pledge to eliminate the use of historical salary data when making internal and external offers. Additionally, we commit to pay transparency by sharing with our associates their pay as compared to internal and external benchmarks. We remain committed to achieving a gender-balanced representation in management.

Equal pay calculations consider both level and job type which are not factors considered in the new Gender Pay Gap legislation. The new calculations focus on the differences in average pay between males and females across the whole organization. The results of this specific analysis are shown below by the legislative requirements but more importantly because we are committed to transparency on this subject and to demonstrate our total commitment to being an equal opportunities employer.

What we are required to report

Under the requirements, we are required to report:

- Mean and median hourly remuneration gap between relevant male and female employees
- Mean and median hourly remuneration gap between relevant male and female part-time employees
- Mean and median hourly remuneration gap between relevant male and female employees on temporary contracts
- Mean and median bonus remuneration gap between relevant male and female employees
- Percentage of relevant male and female employees receiving a bonus

- Percentage of relevant male and female employees receiving a benefit in kind
- Percentage of male and female relevant employees falling into each quartile pay band

All analysis is based on a 'snapshot' date of our pay on 30th June 2022. Results must be published within 6 months of this date (30th December 2022) on our company website, and in future years organizations will also be required to report their results on a new government portal which is currently under development. All Pay and Bonuses looked at for this analysis cover the full year leading up to the snapshot date (1st July 2021 – 30th June 2022).

Mean Pay

The mean is calculated by adding up the total pay of employees and dividing by the total number of employees. This calculation is completed separately for males and females with the difference expressed as a percentage of males' earnings. As an example, a mean of 10% shows that females are paid 10% less than males when comparing the respective averages.

Median Pay

The median is the middle number in a ranking of pay from lowest to highest. This calculation is completed separately for males and females with the difference expressed as a percentage of males' median. As an example, a median of 15% shows that females are paid 15% less than males when comparing the respective gender mid-points.

Novartis' 2022 Gender Pay Gap Results

Our analysis shows that the overall difference between female and male hourly pay earnings is 14.8% (mean) and 17.8% (median) for Novartis Ireland Limited (**NIL**) and the difference between bonus earnings is 24.8% (mean) and 28.6% (median). This is based on information as of 30th June 2022. On the reference date the gender split of employees in Novartis Ireland Limited is 45% males and 55% females.

At NIL there are 15 part-time employees, of which 12 are female.

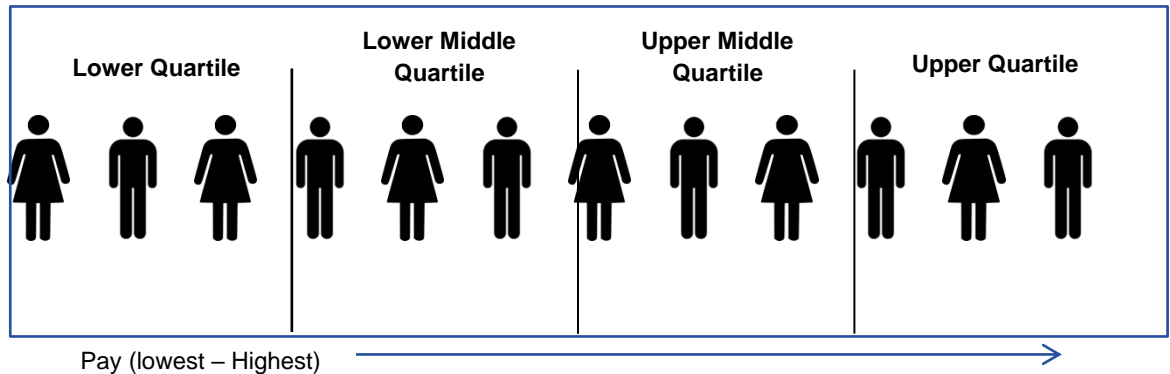
During the pay period, there were 16 temporary employees, 12 of whom were female. Of the top 5 highest paid, 4 are female contributing to the low Mean gap.

	Novartis Ireland Limited	
	Mean	Median
Hourly pay gap: all employees	14.8%	17.8%
Hourly pay gap: part-time employees	-22.5%	21.0%
Hourly pay gap: employees on temporary contracts	0.1%	-2.1%
Bonus Pay Gap	24.8%	28.6%
	Males	Females
Bonus recipients	92.1%	91.1%

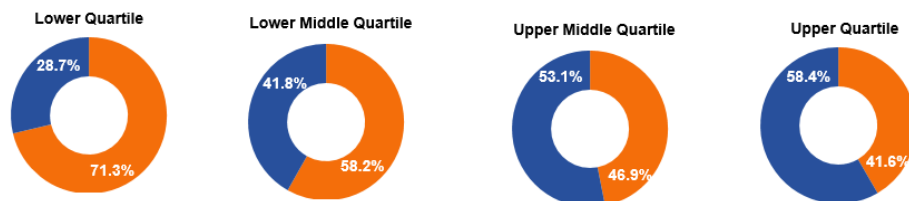
Benefit in Kind recipients	93.4%	91.7%
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Pay Quartiles

To calculate the quartiles, all hourly pay rates are listed from low to high and the list is then divided into four groups with an equal number of employees in each. The gender division in the resulting four groups is then analyzed.



Novartis Ireland Limited's pay quartile results



Understanding our gender pay gap results

Overall, the results of the gender pay gap analysis show a gap in favor of male employees for our hourly pay calculations and our mean bonus gap at both legal entities, whilst there is a gap in favor of females for our median bonus gap calculation. There are several factors that we believe will be contributing to these results:

- **Seniority:** a higher proportion of our most senior positions are currently occupied by males in the upper quartile. This is one of the main reasons for our reported gender pay and bonus pay gap. We have a higher proportion of female employees in less senior roles, and we are committed to developing our leadership pipeline to close this gap over the coming years.
- **Role specialization:** Like others in our sector, we continue to have difficulty in recruiting and engaging females into employment across some of our technical areas. Nationally

there is a significant gender gap in STEM at both college and workforce levels. Novartis moving forward want to build on STEM initiatives and use this to assist in our aim of achieving parity in his area.

- **Part-Time employees:** At Novartis Ireland Limited, 2% of all female employees work part-time, whereas only 0.6% of male employees work part-time. Whilst this does not affect the hourly gender pay gap, where both working hours and pay are taken into consideration, part-time employees typically receive lower bonuses as their bonuses are prorated to reflect the hours worked, which is not taken into consideration in the bonus gap calculations, and this, therefore, will have an impact on our gender bonus gap
- **Bonuses:** Our bonus cycle is run from January to December and associates who resign in advance of the bonus cycle payment date do not receive the bonus payment. We saw a lower percentage of women receive bonus, that was due to attrition from the 12 months reported in NIL, with a higher proportion of female leavers.
- **BIK:** Novartis have a strong benefits offering with opportunity for all employees to opt in for our healthcare offering. Not every associate has opted in to receive the healthcare offering which is why not all employees receive a benefit-in-kind.

How do we intend to close the gaps?

Diversity & Inclusion

At Novartis, we aspire to live diversity and inclusion. We want to build an equitable and inclusive workforce that values unique and curious minds, where we are all free to be our best and true selves. We seek to ensure everyone has a fair opportunity to fulfil their potential and contribute to reimagining medicine for a better world. Novartis' form of focus on our D&I strategic priorities are:

Equity: We will create a diverse, equitable and inclusive environment that treats all associates with dignity and respect.

Inclusivity: We will educate our people on inclusivity and provide all associates with equal opportunities to contribute to our company and advance their careers.

Society: We will listen to different communities with a learning mindset, to do what we can to contribute to building a world that is safer and more inclusive.

To support our commitment to Diversity, ensuring we attract a diverse workforce is important for increasing and developing our DEI proposition within the organization.

Pay Transparency and Salary

At Novartis, we believe in equal pay for women and men for work of equal value. In this spirit, we are proud to support the United Nation's Equal Pay International Coalition (EPIC).

Having made our EPIC Pledge in 2018, Novartis has established at a global level a multi-year program to prepare and implement global principles and processes for pay equity and transparency across all our countries of operation by the end of 2023 (with the final countries going live in time for the annual compensation cycle manager-to-associate communication in February 2024). Delivery of the Epic Pledge is intended to incorporate the below:

1. Monitor pay equity

Establishing a robust pay equity analysis cycle based on a global methodology.

2. Remove bias from the system

Removal of historical salary comparisons from our offer processes and focus on an objective assessment of a candidate's relevant experience, education, and competency against internal and external benchmarking data to remove possible bias.

3. Pay Transparency

Transparent communication of individual pay positions compared to internal and/or external benchmark data.

4. Gender Balance

An overall pay gap is often driven by unequal representation of one gender in traditionally higher-paid skill sectors and/or senior leadership levels. By focusing on achieving gender balance in management by 2023, we aim to positively influence the overall gender pay gap.

5. Other ways to close the Gender Pay Gap

The gender pay gap may also be influenced by the extended time off taken by women for maternity leave or childcare which historically may have lowered women's salary over time. Novartis Ireland implemented a new non-statutory Novartis Parents Leave policy in 2021, which provides men and non-birthing partners with 26 weeks paid leave to support the wellbeing of their families after a birth or adoption.

Closing thoughts

We confirm that the data and information presented in this report are accurate and meet the requirements of the Employment Equality Act 1998 (Gender Pay Gap Information) Regulations 2022.

The Novartis Ireland Country Leadership team are committed to improving our results and this will be a standing topic for review in our leadership meetings in 2023.