

Environmental, Social and Governance (ESG) Index

Novartis welcomes interest from investors and other stakeholders concerned with Environmental, Social and Governance (ESG) topics and aims to report comprehensively and transparently on our objectives and progress. To help ESG analysts, we have created a set of environmental, social and governance indices to signpost where our key disclosures can be found across our publications and channels.

Environmental | Social | Governance

Environmental

Emissions, effluents and waste

Environmental policy, strategy and governance

Environmental policy

[Health, Safety and Environment Policy](#) ^[1]

Environmental management systems (EMS)

Managerial and board-level responsibility for environmental issues

- [Health, Safety and Environment Policy](#) ^[1]
- [CDP Climate 2020](#) ^[2] (p.6)
- [CDP Water 2020](#) ^[3] (p.18)

Identification of products, activities and services that have significant environmental impacts: [Health, Safety and Environment Policy](#) ^[1]

Compliance with environmental regulation: [Health, Safety and Environment Policy](#) ^[1]

Objectives, targets and deadlines: [2025-2030 environmental targets](#)

Environmental programs:

- Climate [5]
- Water [6]
- Waste [7]
- CDP Climate 2020 [8]
- CDP Water 2020 [9]

Roles and responsibilities:

- Health, Safety and Environment Policy [1]
- CDP Climate 2020 [2] (p.6)
- CDP Water 2020 [10] (p.18)

Training and awareness programs for employees: Health, Safety and Environment Policy [1]

Internal and external communications on environmental management issues:

- Health, Safety and Environment Policy [1]
- CDP Climate 2020 [8]
- CDP Water 2020 [9]

Monitoring and measurement:

- Novartis Health, Safety and Environment (HSE) Data 2020 [11]
- Novartis in Society [12]

Environmental performance records: Novartis Health, Safety and Environment (HSE) Data 2020 [11]

External/Internal environmental audits:

- Health, Safety and Environment Policy [1]
- Novartis HSE maintains a robust audit program comprising assessment of compliance with external legal standards and company internal HSE standards. The audit program also conducts themed reviews comprised of specific topics (e.g. process safety, industrial hygiene, contractor safety, etc.) based on the periodic need of the business. All Novartis sites are risk assessed to determine the audit frequency. The frequency varies between 2-5 years based on the risk assessment, prior audit results, emerging regulations and overall operational changes. In general, all manufacturing and laboratory sites are audited every 2-3 years for regulatory compliance and internal conformance.

Corrective actions to stimulate continual improvement: Health, Safety and Environment Policy [1]

EMS certification

Health, Safety and Environment Policy [1]

Hazardous waste management

Commitment to reducing hazardous waste [7]

Air emissions

Identification of relevant air emissions: Novartis Health, Safety and Environment Policy

Details of initiatives to reduce air emissions:

- Novartis in Society 2020 [13]
- CDP Climate 2020 [8]

Monitoring and measurement [14]:
Novartis Health, Safety and Environment (HSE) Data 2020 [11]

GHG reduction programs

Policy commitment to reduce GHG emissions: Climate [5]

Managerial responsibility for GHG emissions: CDP Climate 2020

Initiatives to reduce GHG emissions:

- Novartis carbon-sink forestry projects [15]
- Novartis in Society 2020 [13]
- CDC Climate 2020 [8]

CDP Climate 2020 [8]

GHG reduction targets and deadlines: 2025-2030 environmental

GHG emissions monitoring and measurement:

- Novartis Health, Safety and Environment (HSE) Data 2020
- Novartis in Society 2020 [13]

Regular GHG audits or verification: CDP Climate 2020 [8]

Renewable energy programs and use of cleaner energy sources

Current programs:

- CDP Climate 2020 [8]
- Climate [5]
- Novartis in Society 2020 [13]

Targets and deadlines:

- 2025-2030 environmental targets [4]
- Novartis Health, Safety and Environment (HSE) Data 2020
- Novartis in Society 2020 [13]

Green procurement policy and programs to reduce toxic release footprint associated with the supply chain

Supplier programs (compliance): Novartis in Society 2020 [16]

Supplier programs (beyond compliance): Novartis in Society 2020

Policy addresses process and product-related requirements:

Novartis Third Party Code (p. 12) [18]

- We are committed to protecting and promoting the health and safety of our associates, contractors, visitors, patients and the communities in which we operate. We ensure a rigorous process to identify and mitigate health and safety risks, and promote leading health and safety best practices.

Details and extent of supplier environmental screening and audits :

Novartis in Society 2020 [17]

- Responsible Supply Chain Management [19]
- Novartis in Society 2020 [16]

CDP participation

- CDP Climate 2020 [8]
- CDP Water 2020 [9]

Environmental performance and disclosures

Greenhouse gas emissions (Scope 1, 2, and 3)

Data (including historical data):

- Novartis Health, Safety and Environment (HSE) Data 2020
- CDP Climate 2020 [8]

Trends: Novartis Health, Safety and Environment (HSE) Data 20

Progress against targets (including track record of achieving previous targets):

- [Novartis in Society 2020](#) [13]
- [CDP Climate 2020](#) [8]
- [Novartis Health, Safety and Environment \(HSE\) Data 2020](#) [11]

Intensity: [Novartis Health, Safety and Environment \(HSE\) Data 2020](#) [11]

3 year average intensity: [Novartis Health, Safety and Environment \(HSE\) Data 2020](#) [11]

Average annual % change: [Novartis Health, Safety and Environment \(HSE\) Data 2020](#) [11]

Renewable energy usage

Data (including historical data):

- [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)
- [CDP Climate 2020](#) [8]

Trends: [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)

Progress against targets (including track record of achieving previous targets):

- [Novartis in Society 2020](#) [20] (p.65-66)
- [CDP Climate 2020](#) [8]
- [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)

Average annual % change: [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)

Waste targets (hazardous, non-hazardous waste)

Data (including historical data):

- [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)
- [CDP Climate 2020](#) [8]

Trends: [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)

Progress against targets (including track record of achieving pre

- [Novartis in Society 2020](#) [21]
- [CDP Climate 2020](#) [8]
- [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)

Average annual % change: [Novartis Health, Safety and Environ](#)

Air emissions (SOx, NOx, VOC, Ozone depleting substances)

Data (including historical data):

- [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)
- [CDP Climate 2020](#) [8]

Trends: [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)

Progress against targets (including track record of achieving pre

- [CDP Climate 2020](#) [8]
- [Novartis Health, Safety and Environment \(HSE\) Data 2020](#)

Average annual % change: [Novartis Health, Safety and Environ](#)

Environmental | Social | Governance

Social

Product Governance and Product Quality and Safety

Product/service safety and quality policy, strategy and governance

**Product/service
safety and quality
policy and program**

Policy commitment to help ensure product/service safety & quality:

- [Novartis quality commitment](#) [22]
- [Code of Conduct](#) [23]
- [Novartis in Society 2020](#) [24]

Details of managerial responsibility for product/service safety & quality:

- The Novartis Quality Manual describes the Novartis Quality Organization and Quality Management System including management responsibilities. Each Function/Local Quality Unit Head is responsible for ensuring compliance with the requirements listed in the Quality Manual. The Novartis Quality Organization (led by the Head of Global Quality who reports functionally to the CEO and operationally to the Global Head of Novartis Technical Operations, a member of the Novartis Executive Committee of Novartis) is an independent function that is responsible for the development, implementation and maintenance of the Novartis Quality Management System. It consists of a formal organization, as well as advisory and decision-making bodies and is responsible for both Quality Assurance and Quality Control throughout Novartis.

Product/service
safety risk
management
procedures:

- Risk management [25]
- Responsible Supply Chain Management [19]
- Throughout the lifecycle of our medicines, we work to help ensure the best balance of benefit and risk by having a variety of systems and processes in place for a continuous and systematic review of the data collected for all products in our portfolio, including those on the market and those that are still in development. The Novartis safety risk management process begins early in the development of new products. Safety management teams develop safety monitoring and risk management plans for each product when it enters development. These plans are regularly updated as new

Regularly tested
emergency response
procedures to help
ensure
product/service
quality/safety:
Business continuity [25]

- Novartis operates in a highly regulated industry: Throughout the product lifecycle, all our operations require a cGxP certificate issued by the relevant health authorities, with a robust Quality Management System in place.
- Novartis Emergency Management (NEM) procedures are established to ensure a quick, safe and coordinated response to emergencies across the Novartis Group. This compulsory, uniform system sets internal reporting and decision-making structures and procedures.
- NEM is an integral element of Business Continuity Management (BCM). Trainings, including simulation

Incident investigation
and corrective action
procedures:

- Responsible
Supply Chain
Management [19]
- Reporting side
effects [26]
- Novartis in
Society 2020 [24]

Monitoring of
product/service
safety performance:

- Code of
Conduct [23]
- Novartis in
Society 2020 [24]

Product/service objectives or targets

- Each product is tested with approved and validated analytical testing procedures before being released on the market and has registered specification limits approved by health authorities.
- We have established the following indicators to measure our product quality and safety:
Novartis in Society Report 2020 ^[27]
 - Number of ICSR (Individual Case Safety Report) reporting
 - Number of HA (Health Authority) inspections without critical findings
 - Audit performance
 - Number of initiated recalls
 - Number of regulatory warnings:
 - Warning letters
FDA

Regular external product/service safety audits (see below): Risk management [25]

- We maintain a robust quality system with harmonized processes and procedures. These include providing integrated medical safety evaluations and benefit-risk assessments as well as monitoring the quality and safety of in-market and investigational products. This quality system is compliant with regulatory requirements and standards. Further, we are regularly subject to health authority inspections, which additionally ensure regulatory compliance and the highest product quality at our manufacturing sites.
- 126 inspections were completed in 2020, all but one was found acceptable (99.2%). The one inspection that may

Public reporting on
product/service
safety issues:

- Novartis in Society 2020 [24]

Safety and quality in manufacturing and handling

Details on whether testing is done in-house (in-house is best practice):

**Extent and scope of
product quality and
safety testing and
monitoring**

- Global Drug Development [28]
- Novartis Clinical Trials [29]
- Investigator-Initiated Trials [30]
- Animals & Research [31]
- Novartis in Society Report 2020 [24]

Scope and frequency of audit program, and further details of internal and external audits

Extent and scope of product quality and safety audits

- To maintain compliance with our quality and safety standards and to support the continuous improvement of our QMS, Novartis has a robust and independent audit program that covers the product lifecycle.
- The audit program is governed by global procedures and covers Novartis internal sites and functions as well as suppliers. The scope of each audit depends on the type of operations conducted. The frequency of audits is based on activities performed and applicable risk assessments. The Novartis quality audit program normally conducts more than 1 500 audits per year covering internal functions, sites and external suppliers in areas including Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), Good Laboratory Practice (GLP) and pharmacovigilance. Travel restrictions due to the COVID-19 pandemic had an impact on our ability to complete all the audits in our 2020 quality audit program.
- An annual audit plan is established to take into account audit frequency and assessed risks. Audits are performed by certified auditors. The subsequent audit report is reviewed and approved independently and distributed to the auditee (internal function, manufacturing site or external supplier) who is responsible for submitting a corrective and preventative action plan which, upon agreement, is implemented. The audit is closed when all actions in the plan have been completed.

Proportion of employees trained: Learning and development [32]

Extent and scope of product quality and safety training for employees

- All internal and third-party personnel are required to take mandatory Safety and Quality (cGxP) trainings before executing a GxP relevant task.
- Throughout the product lifecycle, all our operations require a cGxP certificate issued by the relevant health authorities, with a robust Quality Management System in place that incorporates all the relevant legal requirements and associated standards, including ISO. Against this background, regulators require we are able to prove that our employees are qualified, through education, training or experience, to perform any assigned task which has an impact on product quality or patient safety.
- We have a very robust quality and safety training process (initial and continuous training) for our associates and we are regularly audited on our training procedures. Examples of topics covered in initial training for all employees include: Product Quality Reporting (adverse events), Information Management and Responsible Record Keeping, Novartis Group Quality Management Escalation, GxP on-boarding and HSE.
- All associates in Novartis Technical Operations complete their initial role-specific training to ensure they can safely and compliantly perform their tasks, prior to performing them independently. All Novartis employees (including contractors) in Manufacturing and Quality Assurance are continuously trained to maintain the skills and knowledge needed to manufacture medicine safely, compliantly and effectively. These trainings include: Aseptic Operator, Enhanced Third-party Oversight, Investigation Certification Program and Quality Management Systems.

Proportion of company facilities that have received external QMS or product safety/quality certification (e.g. ISO 9001, HACCP, or equivalent)

Proportion of own sites that are certified to relevant standard:
Our commitment to quality ^[33]

- For the manufacture of medical devices, we hold the relevant certifications from ISO and other notified bodies. For all manufacturing, supply and distribution of Novartis pharmaceutical products, we hold the relevant manufacturing licenses and GMP/GxP certificates issued by the appropriate health authorities (FDA, EMEA, WHO, SwissMedic), that confirm after inspection that our duties, including our quality management systems, comply with their regulatory requirements.

Responsible sales, promotion and marketing of products

Policy for responsible sales, promotion and marketing

Novartis Professional Practices Policy ^[34]

Scope of training:

- Novartis trains all new employees and new contractors on relevant policy topics ensuring compliance with ethical standards. E-trainings target associates with an email address. All remaining associates are required to be trained face-to-face or through shared kiosks.
- The Professional Practices Policy (P3) global mandatory compliance e-training course was launched in 2018, and includes Novartis expectations for responsible marketing and sales as well as the rules on interactions with healthcare providers. All Novartis employees are required to complete the P3 training, and in 2018 we had a completion rate of 99% (target was 95%). A P3 refresher training was launched in 2020 to reinforce associates' knowledge about principle-based decision making in the area of responsible marketing and sales. As part of our global compliance training curriculum, the P3 refresher training on responsible marketing and sales is mandatory for all employees every two years.
- Since 2019, workshop-style trainings titled "Business Engagement Workshops" are being hosted globally with a target of training all middle managers [can we say 'all middle managers with sales, marketing and healthcare professional interactions' responsibility?]. The objective of these trainings is to promote the use of P3 to facilitate the understanding of the principle-based decision making process. By the end of these sessions, managers should:
 - Understand best practice and guidance on how to make principle-based risk decisions related to responsible marketing and sales
 - Have experience practicing the techniques and behaviors required to make principle-based risk decisions related to responsible marketing and sales
 - Understand how and when to involve personnel from the Ethics, Risk and Compliance function, and other relevant parties in decision-making related to responsible marketing and sales

Scope and depth of employee training on responsible marketing, promotion and interactions with healthcare professionals

Depth of training:

- In addition to the training described above, in-depth training is required for all associates with responsibilities available on a variety of topics related to marketing, promotion and interactions with healthcare professionals, including promotional and non-promotional materials; events and professional meetings; external funding; engagement with healthcare professionals and healthcare organizations; interactions with patients and patient organizations; and market research.
- In-depth interactive scenario-based e-trainings are assigned to all associates whose role involves sales, promotion and marketing activities. Training assignments can vary based on country-specific regulations and other requirements, as well as role-specific needs. These trainings are also available face-to-

Audit and control procedures on responsible marketing

- Scope and depth of control procedures and frequency of audits: Novartis in Society 2020 ^[12]
- Novartis has established a comprehensive compliance framework (P3), which addresses promotional and non-promotional materials; events; professional meetings; medical utility and cultural acknowledgements; external funding; HCP and HCO engagements; interactions with patients and patient organizations; and market research.
- To ensure processes are implemented, Novartis has established a comprehensive monitoring and audit framework, which comprises three types of activities:
 - Local commercial country organizations make a compliance self-risk assessment vs. the established P3 compliance framework using the Risk Assessment & Monitoring tool, which highlights risk areas requiring further attention.
 - A central independent worldwide compliance monitoring team has been established in January 2020 and will conduct 70+ country monitoring reviews (Ethics, Risk & Compliance audits) in selected units in 2020. This team partners with local businesses to assess how effectively the Novartis compliance framework guides our associates. Each review is concluded with a report and agreed remediation actions. Remediation actions are defined to address identified gaps, and a dedicated Remediation Team has been established in February 2020 to strengthen follow-up.
 - Novartis has also established a comprehensive third-party risk management program, which among other risk areas, addresses anti-bribery risks. Once a third party is on-boarded, it can be subject to anti-bribery audits conducted by Novartis or an external audit company.
- Further, Internal Audit, which is part of the Novartis Business Advisory & Audit function, performs 70+ audits spread over 6 blocks per year, including in-market audits and functional audits. In 2020, out of the 70+ audits, Internal Audit will complete 30+ in-market audits specifically on Sales, Marketing and Distribution, including ethical marketing. In 2019, 24 in-market audits on Sales, Marketing and Distribution, including ethical marketing, were completed.
- Final audit reports are shared with members of the Executive Committee of Novartis (ECN) and other Novartis stakeholders. All high and medium observations from audits are reported, and they are rated based on their impact on the local, cross-divisional or group level.
- The Audit and Compliance Committee (ACC) from the Board of Directors receives a summary of these reports every quarter. “Needs Major Improvement” (i.e. serious breaches or major deviations from regulations or policies putting the organization at risk) and “Leading” (i.e. effective and efficient controls, showing a continuous improvement cycle) reports are submitted to the ECN and the ACC.

Alignment with external guidelines on responsible marketing

The Novartis P3 policy reflects several industry codes such as the Code of Practice of the International Federation of Pharmaceutical Manufacturers & Associations and the Ethical Criteria for Medicinal Drug Promotion established by the World Health Organization.

Supply chain and sourcing

Scope of supplier qualification and training

- In accordance with health authority requirements and expectations, all third parties with whom Novartis does business, and who provide goods or services that fall within scope of GxP, including Good Manufacturing Practice (GMP) or Good Distribution Practice (GDP), undergo a formal and rigorous assessment, qualification and monitoring process. This includes initial and periodic audits of facilities and quality management processes, with over 1 000 audits of GMP third parties, both direct and indirect, performed each year. The clear definitions, specific expectations, requirements, obligations and responsibilities are established through the Novartis Third Party Code [18] and quality agreements specific to the type of product or service provided.
- All third parties providing materials or products manufactured to GMP are required by regulation to have their own Quality Assurance department and a formal training process. Novartis routinely assesses the capability and effectiveness of third-party training programs during audit, to confirm suitability for the provided service or product. Where transfer of product or technology occurs from Novartis to a third party, full knowledge transfer and associated technical skills training (e.g., quality-critical parameters, process steps) are provided by Novartis. The extent of training provided varies according to the complexity and risk of the associated product and process technology. For highly complex technologies, for example involving personalized medicine, Novartis uses a robust multi-step process with specialized training.

Membership of external bodies

Name of membership organization(s) and formality of involvement:
Novartis in Society 2020 [35]

**Trial data
transparency**

Please refer to the business ethics section [36]

Product quality and safety performance

Class I (severe), Class II (moderate) & Class III (minor) and details:

Product recalls

- Novartis statements [37]
- Novartis in Society Report 2020 [38]

Regulatory warnings Number and details: Novartis in Society Report 2020 (data table p.57
[39])

FDA Form 483s: Novartis statements [38]

Access to Healthcare

Access to medicine program and access strategy

**Formal policy promoting
access to medicine**

Alignment with Novartis overall corporate strategy:

- Novartis position on access to medicines [40]
- Novartis in Society 2020 [41]

Alignment with national/international health priorities: Novartis
in Society 2020 [41]

Senior management or board responsibility for access to
medicine:

- Novartis in Society 2020 [42]
- Novartis Annual Report 2020 [43] (p.145)

CSR or other committee oversight of access to medicine: Novartis in Society 2020 [42]

Quantitative targets or qualitative objectives to enhancing access to medicine: Targets and results [44]

Monitoring on progress of access initiatives: Novartis in Society 2020 [12]

Reporting on progress of access initiatives:

- Expanding access to healthcare [45]
- Novartis in Society 2020 [41]

Participation in credible industry initiatives to enhance access to medicine: Novartis in Society 2020 [35]

Extent of access to healthcare strategy in Ems/developing Countries

Presence in emerging markets via direct operations or majority-owned subsidiaries:

- US Securities & Exchange Commission Form 20-F [46] (p.F83-F84)
- Novartis in Society 2020 [47]
- Novartis Social Business [48]

Plans to expand to emerging markets/developing countries:

- [Targets and results](#) [44]
- [Novartis in Society 2020](#) [41]

Company's disclosure of its Access to Healthcare-related lobbying activities

Explicit support for generics competition:

- Sandoz is a division of the Novartis Group and a global leader in generic pharmaceuticals and biosimilars.
- [Novartis Position on Competitive Off-Patent Markets](#) [49]

Explicit/general support of the TRIPS agreement: [Novartis Position on Intellectual Property](#) [50]

Capacity advancement initiatives in developing countries

- [One Novartis health system strengthening framework: Novartis in Society 2020](#) [51]
- [Expanding access to healthcare](#) [45]
- [Novartis Social Business](#) [48]

Value-based healthcare program

Value-based healthcare policy

Policy commitment to value-based approach: [Novartis position on value-based healthcare](#) [52]

Managerial responsibility for value-based programs

- The Executive Committee of Novartis reviews access strategies for all launches, including value-based programs, in the Innovative Medicines Division before their implementation.

- Valuing our impact: Novartis in Society 2020 [53]

Implementation of value-based initiatives: Novartis in Society 2020 [54]

One Novartis health system strengthening framework: Novartis in Society 2020 [51]

Reporting on value-based outcome: Novartis in Society 2020 [54]

Drug/product donations policy and program

Strategic long-term drug donation program

Details of charity partnerships:

- Donations [55]
- Novartis in Society 2020 [56]

Disaster relief approach:

- Donation programs for disaster relief [55]
- Novartis in Society 2020 [56]

Formal policy :

Drug donation policy

- Novartis has a policy and a clearly defined process for ad-hoc donations aimed at emergency relief efforts, which comply with the WHO Checklist and the requirements set forth in the WHO Guidelines for Medicine Donations [57].

Scope of product donations in developing countries

Number (and details) of long-term drug donations programs:

- [Donations](#) ^[55]
- [Novartis in Society 2020](#) ^[56]

Value of drug donations

Total amount: [Novartis in Society 2020](#) ^[13]

Equitable pricing and availability

Equitable pricing and availability policy

Equitable pricing policy for developing countries: [Novartis position on access to medicines](#) ^[40]

Commitment to register products in LIC(s): [Novartis Access R&D principle](#) ^[58]

Defined criteria for selecting a country for equitable pricing: [Novartis in Society 2020](#) ^[54]

Price strategy for developed markets: [Novartis in Society 2020](#) ^[54]

Novartis discloses the total year-over-year gross and net price changes across the US product portfolio: [Novartis in Society US Report 2020](#) ^[59].

Pricing transparency in developed and developing markets

For the US, the manufacturer list price (Wholesaler Acquisition Cost) is published in the Red Book, and updated every year, including annual price increases. For other countries, if reimbursed, the list price is published in the official gazette, as well as on the authority/agency's website (e.g. G-BA in Germany, AIFA in Italy, and NICE in the England).

Approach to tiered pricing Inter-country tiered pricing in LICs and LMICs based on affordability:

- [Novartis in Society 2020](#) [54]
- [Access to Medicine 2021 Novartis Report Card](#) [60]

Intra-country tiered pricing in LICs and LMICs based on affordability:

- [Novartis in Society 2020](#) [54]
- [Access to Medicine 2021 Novartis Report Card](#) [60]

Products covered by equitable pricing policies

Number of products:

- [Novartis in Society 2020](#) [54]
- [Access to Medicine 2021 Novartis Report Card](#) [60]

Proportion of products for diseases in scope:

- [Novartis in Society 2020](#) [54]
- [Access to Medicine 2021 Novartis Report Card](#) [60]

Intellectual Property access

Policy on enforcing patents in LICs, LDCs, and non-LICs

Policy not to file for or enforce patents in LICs or LDCs:

- [Patents and Licensing](#) [61]
- [Novartis Position on Intellectual Property](#) [50]

Policy not to file for or enforce patents in some non-LICs:
[Patents and Licensing](#) [61]

Engagements in non-exclusive voluntary licensing (including those with quality checks)

Number of products with non-exclusive voluntary licensing:

- [Patents and Licensing](#) [61]

[Novartis Position on Intellectual Property](#) [50]

Number of non-exclusive voluntary licenses with (pre-manufacturing) quality checks:

- Patents and Licensing
[61]

Novartis Position on Intellectual Property [50]

Neglected diseases and orphan drugs R&D

Novartis' approach to R&D neglected diseases

Direct and indirect initiatives: Novartis in Society 2020 [62]

Membership of groups/consortiums on R&D and neglected disease research: Novartis in Society 2020 [35]

Extent of products in neglected disease areas / orphan drugs

Number of disease areas where Novartis has products: Novartis in Society 2020 [62]

Extent of ongoing R&D into orphan drugs and neglected diseases

Number of disease areas where Novartis is undertaking R&D: Novartis in Society 2020 [62]

Human Capital

Employee training and development

Employee development policy Learning and development [32]

Initiatives for talent development, recruitment and retention

Formal talent pipeline development strategy (forecasts hiring needs, actively develops new pools of talent): Annual Review 2020
[63]

- Our talent strategy aims to anticipate future business priorities, and we have adopted comprehensive succession planning and development programs at various levels to help ensure we have the right capabilities to execute on our business strategy. For our succession planning process, we include all Executive Leadership and senior management roles and include successors at various levels of readiness, typically down through middle management. There is a full-review with the CEO/ Chief People & Organization Officer annually. Summary succession plans, and talent metrics are captured/reported to the Board of Directors annually.
- The Executive Committee (ECN) has a standing “Talking Talent” topic on their monthly meeting during which all key open positions and key talents are being reviewed and discussed.
- In partnership with the business, finance, strategy and People & Organization (P&O), we have identified more than 50 key roles across the Enterprise and more than 150 in our respective business areas, which will unlock significant future value for Novartis. We have built our capacity to design the roles and support talent to help ensure that we realize this value. Circa 30 associates were trained on the methodology with plans to increase to 90 in 2020. We aspire to have 0-days vacancy time in these roles. Therefore, the target is for 90% of these value roles to have at least 1 internal successor fully ready to take on the role and for 70% of these value roles to have 2 internal successors fully ready. Finally, we encourage continuous talent scouting externally, as well as targeted development for potential internal successors, to help ensure a healthy pipeline for these roles. At the end of 2019, 98% of these value roles were occupied, 65% of them had strong succession plans and 59% low retention risk.
- Our talent and leadership development approach is grounded in our beliefs on 21st century leadership principles and is informed by external evidence into what factors influence performance for knowledge workers. Leaders are critical for driving culture change, and this means developing strong and self-aware managers who act in an inspired, curious, and unbossed way. In other words, they set clear priorities, empower their teams, and encourage employees to speak their mind and take smart risks.
- We have three leadership development journeys to enable leadership excellence at different stages, and two talent development programs to develop the succession pipeline with early and emerging talent. In 2020, a total of 5 000 leaders took part in one of these programs to prepare for transition to a new career stage and build sustainable performance in their role.

Partnering with
educational
institutions to
develop or deliver
joint training
programs for staff:

- Learning and
development ^[32]
- Novartis in
Society 2020 ^[64]
- Novartis
Annual Review
2020 ^[63]

- Job-specific development training programs: Novartis Annual Review 2020 ^[63]
- Dedicated divisional and functional training teams offer job-specific programs to all permanent employees and part-time employees. Engagement-specific trainings are also offered to contractors.
- Global Oncology launched the OUTSMART program to strengthen the skills of marketing teams. Marketers have access to knowledge and best practices from more than 1 200 employees in 68 countries, enabling them to be at the forefront of marketing innovation.
- Following a guideline issued by the International Council for Harmonisation (November 2019)

Regular performance appraisals and feedback processes for all permanent employees aligned with career development: [Novartis Annual Review 2020](#) [63]

Scope and extent of performance reviews

- Novartis has employed a global approach to performance management which encompasses objective setting, a mid-year check-in and an end-year review with a formal rating of each individual employee's performance.
- In January 2021, we shifted our approach to Performance Management with the launch of Evolve. This contemporary approach to performance management, is based on outcome-focused objectives, teamwork and frequent feedback to help associates and teams grow, learn and reach their full potential. Evolve will fundamentally change how Novartis' associates are valued and enabled. It will help to boost performance, drive and direct our cultural journey to reimagine medicine by being curious, inspired and unbossed.
- In pilot programs involving more than 16 000 employees in eight countries, we eliminated individual performance ratings, stressing instead the importance of teamwork and collaboration. Employees received regular feedback from peers as well as managers, and we increased the focus on coaching to improve performance. The experience we gained will inform how we extend the process across the company in the next two years.

Programs covering all Novartis employees. We also make these available to part-time workers and contractors:

Scope and support for employee and contractor degree programs and certifications and traineeship / apprenticeship program

- [Learning and development](#) [32]
- [Career programs](#) [65]
- [Students & scholars](#) [66]
- [Novartis Quantitative Sciences Hackathon](#) [67]
- [AI innovation lab](#) [68]
- [Novartis in Society ESG Report 2020](#) [69]
 - [Building skills across the organization](#) [69]
 - [Training community health workers](#) [70]
- [Novartis Annual Review 2020](#) [63]

Disclosure of performance of employee training and development programs

Novartis in Society ESG Report 2020 [71]

Employee training and development metrics

Quantitative targets related to human capital development:

- Novartis in Society ESG Report 2020 [72]
- Training and development targets [4]

- Reporting on human capital development metrics: Novartis in Society 2020 [12]
- Our aspiration is for all employees to spend 100 hours a year on learning and personal development. The annual training hours per employee rose to 45.7 in 2020, from 35.8 in 2019. This was supported by an ongoing campaign called #wearecurious to encourage learning, with more than 21 000 employees taking part in 215 webinars and other events during Curiosity Month in September. These totaled 60 000 hours of learning on topics such as innovation, digital skills, and patient access to medicines.
- Novartis is committed to our associates' learning and development. In addition to encouraging each associate to spend 100 hrs of learning per year, there have been significant investments since 2019 in learning, with an average training spend per FTE at 2,479 USD. This is a 21.4% increase in comparison to 2 years ago (2018).

External recognition as employer of choice

- Awards and Recognition [73]
- Novartis in Society ESG Report 2020 [74]

Evidence of trainings:

- [Novartis in Society ESG Report 2020](#) [71]

In 2019, we continued our focus on building leadership capabilities:

- More than 1 400 employees completed their Association for Talent Development award-winning Ready to Grow learning journey, which supports an associate's preparation or transition from an individual contributor to an associate who leads in some capacity. Building on the 2019 success, we will offer an additional 1 500 seats globally in 2020.
- In 2019, more than 1 700 leaders in 25 countries completed M1 Lead the Way, a 9-month multiphase leadership journey that develops greater self-awareness and understanding of their impact on others while demonstrating and fostering Novartis values and leadership practice. The program will extend its reach to more than 1 600 leaders in 20 countries in 2020.
- In 2019, 330 Novartis leaders completed IMPACT, a 17-week first-line leadership development program, which will be further scaled up to offer an additional 375 seats in 10 countries in 2020.

Scope and extent of managerial development training

Formal mechanisms to promote an open feedback and development culture

- [Our culture and values](#) [75]
- [People and culture](#) [76]
- [Novartis in Society ESG Report 2020](#) [77]

Reporting on human capital risk assessment

- [Novartis Annual Report 2020 \(p.16\)](#) [78]

Employee engagement and satisfaction

Scope and frequency of employee survey

- Annual engagement surveys to monitor employee satisfaction: Novartis in Society ESG Report 2020 [79]
- Our employee engagement surveys are conducted quarterly and reviewed extensively by the ECN, the Risk Committee of the Board of Directors and by managers with their teams to define actions. The engagement score in the Q4-20 survey of Novartis associates was 80 - out of 100, an all-time high and 7 points ahead of the industry benchmark. Engagement favorability, which measures the percentage of “agree” or “strongly agree” survey responses, rose to 87% in the fourth quarter from 80% a year earlier.

Procedures for grievance and escalation

Formal grievance escalation/reporting (confidential):

- Novartis in Society ESG Report 2020 [80]
- Handling complaints [81]

Employee benefits

Employee stock ownership plan (ESOP) or employee stock purchase plan (ESPP): Novartis Annual Report 2020 [82] (p.F-63)

Non-salary benefits and work-life balance: Novartis in Society ESG Report 2020 ^[77]

- All Novartis associates (and or their families) are covered by a wide variety of benefits and flexible working arrangements. Benefits are locally competitive compared to benefits offered by other companies and in line with or exceeding statutory requirements. For example, around 85% of Novartis employees receive pension/ retirement scheme benefits in excess of statutory requirements; the corresponding figure for healthcare plans is 77%
- Novartis is constantly reevaluating its benefit offerings adapting it to the diverse and changing needs of its employees, e.g.:
 - The Novartis healthcare plan in the US which includes cover for egg freezing and gender reassignment
 - The Chinese healthcare plan which allows employees to include their parents in the coverage
- In 2019, we launched a number of key benefit initiatives:
 - A minimum of 14 weeks of paid parental leave regardless of gender. All associates are entitled to a minimum of 14 weeks of paid parental leave when they become a parent. The roll-out of this program was complete by the end of 2020 and as of Jan 2021, all associates can benefit from this guideline --> Global Parental Leave Guideline
 - Global Financial Wellbeing: Global Financial Wellbeing (GFW) initiative supports our associates in confidently managing financial life today, while preparing for the future and anything unexpected along the way. Currently roughly 90% of our employees from ca. 50% of our countries have access to this offering with plans to expand access in the coming years. Our focus on enabling our associates around the world was heightened with Covid 19 and key components of all initiatives were scalability and digitization. These included a comprehensive global wellbeing awareness campaign of 120 webinars; designing a personalized wellbeing eLearn available in 20 languages; developing an internal customized support platform entitled 'How are you feeling?' Ongoing Mental Wellbeing initiatives include facilitator guided meditations along with a pilot mindfulness train the trainer program. We continue to grow our network of mental health first aiders trained to respond to the signs of mental illness among their colleagues, now available in 19 countries.
- Benefits during global public health crisis: COVID-19 ^[83]

Employee Turnover Rate % of total employee turnover rate: Novartis in Society ESG Report 2020 [12]

- Retention of associates is a key focus area for Novartis. We benchmark turnover locally (2019 data source is Workforce Turnover Around the World). Voluntary Turnover (2019*) in key markets like US, Germany, India and Japan is significantly lower than the Industry and country turnover benchmark.

% of voluntary turnover: Novartis in Society ESG Report 2020 [12]

Diversity and inclusion

Managerial or board level responsibility for diversity initiatives

- Diversity & Inclusion [84] strategy
- Diversity & Inclusion Governance and Community [85]
- Novartis in Society ESG Report 2020 [74]
- Meet Elena Rodriguez, Global Head of Diversity & Inclusion at Novartis [86]
- Executive Committee members have diversity aspirations as part of their individual strategic objectives. Diverse candidate slates and interview panels are required for senior positions and monitored as part of the monthly talent reviews at the executive level.

Promoting diversity learning within the workforce

We made progress in removing possible gender bias from our recruiting system by eliminating historical salary data when making job offers across 75% of global hiring, up from 40% in 2019.

Training and guidance regarding diversity:

- Annual mandatory unconscious bias e-training for recruiters has been assigned to all recruiters in 2020.
- Annual, Novartis-wide mandatory Diversity & Inclusion e-Training was developed throughout 2020 and launched in Q1 2021.
- We have established a global D&I learning playlist that is being curated and updated, to meet the changing needs in D&I skill building for all associates.
- We have developed the Listening Dialogues approach throughout 2020 that we roll out in 2021, to enable all associates/teams have open conversations, foster psychological safety and hone their empathetic listening skills.

Employee affinity groups, diversity councils, or networking groups:

- [Building internal communities](#) [87]
- [Novartis in Society ESG Report 2020](#) [74]

Mentorship programs: [Attracting and retaining diverse talent](#) [88]

Diversity and inclusion initiatives beyond legal compliance

Targeted recruitment:

- [Nudging bias out of the organization](#) [89]
- [Novartis in Society ESG Report 2020](#) [74]

Initiatives that support a diverse workforce:

- [Diversity & Inclusion](#) [84]
- [Pride @ Novartis 2020](#) [90]
- [Global parental leave guideline](#) [91]
- [Novartis in Society ESG Report 2020](#) [74]
- [Novartis Equal Pay International Coalition \(EPIC\) pledge](#) [92]

Workforce breakdown by age Novartis tracks employee age data to understand its age distribution by region and country. In 2020 we had 17% under the age of 30, 65% between 30 and 50, and 18% over 50.

Workforce breakdown by ethnicity/race and nationality In addition, we track the nationalities of our employees outside of the US. The top 5 nationalities of our workforce is German (9.5%), Indian (9.4%), Chinese (7.3%), French (4.7%), and Slovenian (4.4%). The percentage of these nationalities in management is 9.7%, 8.3%, 3.2%, 5.3%, 2.6% respectively. This is excluding the US because passport nationality is not tracked within the company for US-based associates.

% of women in STEM-related positions In 2020, 54% of STEM related positions were filled by women. At Novartis, all STEM related job families are categorized within Research and Development, and IT job families.

Females in management positions in revenue-generating functions In 2020, the percentage of females in management positions in revenue-generating functions was 43%.

Total number of hires Novartis creates many job opportunities per year. In 2020, Novartis filled 15,847 positions (the total number of hires), including interns, and Novartis Temporary Contracts.

Diversity monitoring and audits Novartis in Society ESG Report 2020 [12]

Commitment to inclusion List of the types of discrimination the company is committed to eliminate: Human rights guideline [93] (p.4)

Commitment to help ensure equal opportunity:

- Novartis Equal Pay International Coalition (EPIC) pledge [92]
- Pay equity and transparency [94]
- Women's Empowerment Principles launched by the UNGC and the UN Development Fund for Women (UNIFEM) [95]
- United Nations' workplace standards protecting the rights of lesbian, gay, bisexual, transgender and intersex people [96]

Reference to the ILO conventions: Novartis in Society ESG Report 2020 [35]

Employee representation

Code of conduct and referral to the applicable conventions of the International Labor Association (ILO):

Freedom of Association Policy

- Code of Conduct ^[23]
- Human rights guideline ^[93](p.4)
- Novartis Modern Slavery Statement ^[97] (p.5)

Supplier spend 2020

Country	Spend		
	Total %	Direct spend % ²	Indirect spend % ³
Switzerland	29.95	24.29	31.1
United States	24.84	9.63	30.1
Austria	6.55	11.22	4.1
Germany	6.06	9.68	1.1
Ireland	3.31	9.94	1.1
France	2.20	1.96	2.1
Japan	2.19	1.90	2.1
China	2.04	0.90	2.1
Spain	1.83	3.17	1.1
Canada	1.48	1.86	1.1
Italy	1.37	1.37	1.1
India	1.23	1.67	1.1
Belgium	1.20	1.97	0.1
United Kingdom	1.15	1.43	1.1
Singapore	0.79	0.78	0.1
Rest of the world	13.81	18.23	12.1
Total	100	100	100

¹ Suppliers with whom we have a direct contractual relationship pertaining to the delivery of goods and services.
² Purchase of goods and services directly incorporated into a product being manufactured. Example: raw material, subcontracted manufacturing services, packaging

³ All suppliers necessary to run an organization, such as furniture, capital expenditure, marketing supplies, etc.
⁴ The sum of individual country totals is larger than the grand total because some suppliers serve multiple countries. Suppliers are counted for each country they serve, but counted only once for the grand total.

informed at the earliest possible time (usually between 30 and 180 days). In addition to regulations in collective bargaining agreements, social plans and balance of interests negotiated with employee representatives may allow longer pre-notice and notice periods, as well as severance pay, redeployment to other Novartis companies, outplacement services or transition assistance in compliance with the regulatory or bargaining agreement requirements.

- More than 60% of Novartis Group company associates have access to an employee assistance program, i.e. Job Center support, which can include coaching, application training and social counselling. We also offer outplacement support to assist associates in their transition post-exit – the support we offer goes beyond the legally required minimum for more than a third of our workforce.
- Novartis has paused globally any new restructuring-related notifications due to COVID-19, and has communicated to employee representatives accordingly.