



Novartis Environmental Sustainability Criteria for Suppliers

Environmental Sustainability (“ES”) Criteria

1. Novartis ES Strategy

- (a) **Climate:** Novartis is committed to becoming a net zero carbon emissions company across the value chain by 2040.
- (b) **Nature:** Novartis is committed to contributing to Nature Positive, i.e. ‘Halt and Reverse Nature Loss by 2030 on a 2020 baseline and achieve full recovery by 2050’ as defined by Nature Positive Initiative based on the Global Biodiversity Framework 2022.

2. Novartis ES Expectations

- (a) **Climate:** Supplier shall continuously reduce its GHG emissions in own operations and across its value chain to meet its science-based targets established in line with 4(a).

In line with the current best practices and acknowledged guidance, such as from the Science-Based Target Initiative (SBTi), Supplier is also encouraged to take Beyond Value Chain Mitigation (BVCM) measures to contribute to additional avoidance or reduction of GHG emissions beyond its value chain.

- (b) **Water:** Supplier shall aim to continuously reduce its water withdrawals throughout own operations and avoid any water quality impacts on the receiving aquatic environment as per local regulatory requirements.

Supplier shall manage active pharmaceutical ingredient (API) and drug substance manufacturing effluents during the course of production of products and/or services procured by Novartis in order to avoid any water quality impacts on the receiving aquatic environment with the following stipulations:

- i. Manufacturing effluents must be treated according to local regulatory requirements, and at least by either an on-site or an off-site mechanical-biological treatment.
- ii. The ratio of the API load to surface water (predicted environmental concentration, PEC) to the predicted no effect concentration (PNEC) shall be below 1 ($PEC/PNEC < 1$), with the concerned PNEC value retrieved from a scientifically sound and reliable source approved by Novartis.
- iii. For API, Supplier shall demonstrate its water quality performance to Novartis through the disclosure of mass balances and/or analytical monitoring results. For a mass balance approach, conservative assumptions shall be applied.

Note: Provisions 2(b) i-iii (in blue) are only applicable to API and Drug Substances suppliers.

- (c) **Waste:** Supplier shall aim to continuously reduce waste in its operations and adopt eco-friendly materials for products and/or services procured by Novartis where feasible.
- (d) **Supplier engagement:** Supplier along with its approved subcontractors/suppliers shall support Novartis’ ES Strategy by complying with (i) the provisions of Sections 2 (a) to (c) above, (ii) any applicable laws relating to ES and (iii) any terms in the existing contract relating to ES.

3. ES Related Data Collection & Reporting Obligations

- (a) Upon request, Supplier shall grant access to Novartis, its Affiliates and/or designated representatives for conducting assessments on Supplier's performance with regard to the ES Expectations for products and/or services procured by Novartis.
- (b) Novartis, together with Supplier and its Affiliates may establish a sustainability roadmap for products and/or services procured by Novartis, including agreeing to track certain ES related Key Performance Indicators ("**ES KPIs**"), defining baselines and setting milestones in order to track Supplier's performance with regard to the ES Expectations and to identify opportunities to improve Supplier's and its Affiliates ES performance.
- (c) Supplier and its Affiliates shall establish and maintain ES data in accordance with the relevant sustainability standards e.g. Global Reporting Initiative ("GRI"), EU Corporate Sustainability Reporting Directive ("CSRD") and similar, and the respective materiality assessment. Supplier will also ensure same standards are followed by its suppliers and overall supply chain.
- (d) Supplier and its Affiliates shall establish and maintain Novartis product/service specific ES data (Product/ Service Carbon Footprint), and shall make it available to Novartis on annual basis. For this, they shall follow industry frameworks e.g. Partnership for Carbon Transparency (PACT) framework developed by the World Business Council for Sustainable Development (WBCSD).
- (e) Supplier and its Affiliates shall allow Novartis to report their ES related data regarding products and/or services procured by Novartis and/or its Affiliates to an independent third-party platform in an anonymized form, as may be required for the purposes of external reporting, benchmarking and auditing.

4. Sustainability Standards and Commitments

- (a) Supplier and its Affiliates shall establish and maintain public commitments related to carbon emissions and shall align its targets with and have them approved by the Science based targets initiative (SBTi) (www.sciencebasedtargets.org) by the end of 2025.
- (b) Supplier and its Affiliates shall establish and maintain external ES reporting and disclosures either through the CDP (www.cdp.net), in the form of the integrated submission, or through EcoVadis (www.ecovadis.com), incl. the carbon module.
- (c) Supplier and its Affiliates shall provide, upon request from Novartis or at an agreed frequency, the relevant environmental footprint data accredited by an independent third party (e.g., SGS, TUEV, Bureau Veritas, etc.).