

# **Novartis Environmental Sustainability Criteria for Suppliers**

**Environmental Sustainability Operations**

September 2022

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Sustainability Operations**

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# 1. The Novartis Environmental Sustainability Strategy

- (a) **Carbon neutrality:** Novartis is committed to becoming carbon neutral across its value chain by 2030 with the following stipulation: All Novartis products and/or services should be carbon neutral by 2030. Additionally, Novartis has committed to become a net zero carbon emissions company across the value chain by 2040.
- (b) **Water quality:** Novartis is committed to becoming water sustainable in its operations and to ensuring that manufacturing effluents have no water quality impacts on the receiving aquatic environment.
- (c) **Waste reduction:** Novartis is committed to becoming plastic neutral by 2030 by promoting circular economy, continuously reducing waste in operations, and adopting eco-friendly materials in its products and/or services where feasible.

# 2. Novartis Environmental Sustainability Expectations

- (a) **Carbon:** Supplier shall ensure that all products and/or services procured by Novartis should be carbon neutral by 2030.
- (b) **Water:** Supplier shall ensure water is used responsibly throughout their 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.

These highlighted provisions apply only to API, 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 along with their 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) Together with Novartis, Supplier and its Affiliates shall 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") and the respective materiality assessment. Supplier will also ensure same standards are followed by their 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 framework 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 for the Supply Chain

- (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](http://www.sciencebasedtargets.org)).
- (b) Supplier and its Affiliates shall establish and maintain external ES reporting and disclosures either through CDP ([www.cdp.net](http://www.cdp.net)), covering the climate change and water security modules, or through EcoVadis ([www.ecovadis.com](http://www.ecovadis.com)) in combination with PSCI ([www.pscinitiative.org](http://www.pscinitiative.org)).
- (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.).