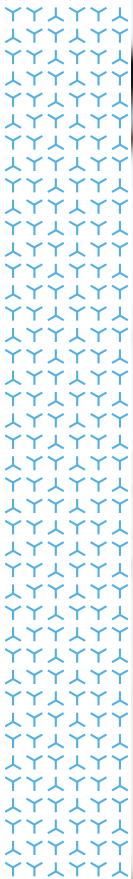
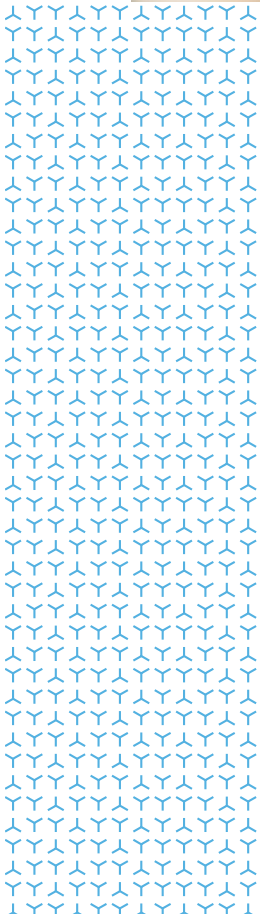




Ethics, Risk & Compliance



Anti-Bribery Report 2021



At Novartis, our purpose is to reimagine medicine to improve and extend people's lives. Integrity is embedded in this purpose as a core value and cultural pillar for Novartis.

We aspire to become the most trusted and valued medicines company. To achieve this, we are fostering an environment across every level of the organization that empowers the inherent desire of our leaders, managers, and associates to “do what’s right” - for patients, society, Novartis, and themselves. Through our Code of Ethics, we set the foundation to act with high ethical standards wherever we operate and to be accountable for the way our business impacts people and the environment. We also strive to provide a safe place for our employees to speak up and act when they feel something is not right. Simply put, we never want Novartis to achieve our financial performance or objectives because we compromised on our ethical standards or our values.

We recognize the increased expectations of our stakeholders, and society overall, to be transparent in our efforts to combat bribery and corruption in our operations by sharing relevant information about our Ethics, Risk, and Compliance program. Transparency plays a key role in building trust and is also an important part of our Environment, Social and Governance (ESG) agenda and disclosure.

We have therefore participated in a collective action, together with other pharmaceutical companies, to develop relevant indicators that aim to enhance reporting on companies’ anti-corruption efforts to external stakeholders. The outcome of this action initiated by the Norges Bank Investment Management and facilitated by the Basel Institute on Governance resulted in a guidance note, which contains 17 indicators covering five broad themes, namely, Culture, Risk Management, Third Parties, Compliance Function, and Oversight.

The guidance note, which also contains supporting descriptors, can be found [here](#).

How we address these indicators for Anti-Bribery Compliance across the different areas can be found in this report.

Klaus Moosmayer

Chief Ethics, Risk & Compliance Officer

January 2022

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Culture

Indicator 1.1

A baseline has been established to identify perceptions of the ethical culture/culture of integrity in the company. There is a methodology to measure/gauge changes to the culture over time.

Novartis has established a baseline on ethical aspects of the company culture and associate engagement and uses different methods to measure changes of associates' perceptions over time.

OurVoice Survey

At Novartis, we conduct a quarterly global engagement survey (OurVoice) that provides regular easily accessible employee engagement data and measures the progress towards our culture aspiration, perception of inclusivity and ethics. A set of tools is available for leaders to address specific areas with their teams based on their respective results.

Ethical Baseline Survey

In addition, in 2021 a comprehensive global ethical survey was launched to ensure that we are living the ethical standards defined by the company. The annual Ethical Baseline Survey was established to understand "how we're doing on ethics" and to measure our progress over time. Piloted in May 2020, the first global survey was launched in January 2021 to all 150 000 associates (internal employees and external contractors), available in 15 languages, and was confidential and anonymous. More than 50 000 associates took part in the survey, representing 104 countries. The next survey will be launched in January 2022.

For Novartis, Ethics and Integrity is not just knowing what to do, but also making sure we create a working environment that helps our associates "do what's right". Thus, the survey measures several of perceptions that we know from science are predictive of both ethical and unethical behaviors, such as our employee sense of fairness & trust, their psychological safety, and autonomy.

The survey results help us measure the impact of our efforts to date, as well as our future progress, by establishing a robust baseline on how we are doing across the following three pillars: (i) Ethical Climate (ii) Ethical Awareness; and (iii) Ethical Judgement. The survey also supports us in identifying areas for immediate intervention and long-term enhancement.

Indicator 1.2

The frequency (could be a percentage or absolute number) of references to ethics and compliance communicated internally and/or externally by the defined C-level persons.

Our leadership puts a strong emphasis on “doing what’s right” and living a “culture of ethics and integrity”. While we don’t track specific citations nor track the frequency of references to ethics and compliance, the tone from top is strong and consistent on this aspect internally and externally. We conduct an annual mandatory Code of Ethics e-Training. In 2021, around 98% of associates completed the training.

For this report, we concentrate on two C-level executives. The Novartis’ Chief Executive Officer (CEO) and the Chief Ethics, Risk & Compliance Officer (CERCO), who is a member of the Executive Committee, regularly engage in dialogue with Novartis leaders, associates, and external parties on the topics of ethics and compliance.

Our CEO, Vas Narasimhan, repeatedly communicates the priority of ethical standards and values over financial achievements to our associates. One of the most cited quotes is:

“I never want Novartis to achieve our financial performance or objectives because we compromised on our ethical standards or our values. We must always choose our values.”

This theme has been consistent through all leadership communications and has sent a strong message to the organization that ethics, risk management, and compliance matter, and that all three elements are must-haves within our culture journey. This is also reflected in the revised values and behaviors (Inspired, Curious, Unbossed and Integrity) that became effective in 2021.

C-level leaders actively participate in global townhalls for all Novartis associates and in divisional, local/country and functional townhalls, cascading messaging around ‘doing what’s right’. Furthermore, both the CEO and CERCO have each actively addressed Novartis’ top 20k leaders in the Novartis Leadership Perspectives webcast series, most recently in November 2021 where ethical leadership was a topic covered in the agenda. Several regional and business unit leadership conferences were held under the theme of “Ethical Leadership” (most recently the leadership conferences of our Pharma APAC Region and the Global Health unit).

Other Internal Activities from 2021

- Our CEO addressed our responsibility to Build Trust with Society during an ESG townhall in July
- Our CEO & CERCO launched the 2021 Global Ethics, Risk & Compliance Week via a live webcast in August
- Our CERCO spearheaded the company's first global survey on ethics in January 2021, with the support of Country Presidents, involving more than 50,000 associates in sharing feedback on ethics and compliance across the organization
- Five global news stories were published internally, covering topics related to ethics and compliance (including SpeakUp, Human Rights, Conflict of Interest, Ethics of Artificial Intelligence (AI), and Novartis Core Values – Integrity) with a combined readership of over 10 000
- Our CERCO addressed the topics of Ethics & Compliance at four Country Presidents & Country Leadership Team Calls

External Communication

C-level leaders regularly engage with top-tier and local media, as well as participate in panel discussions and events. In September 2021, both CEO and CERCO participated in the Novartis ESG Investor Day, and, as members of the Novartis Trust & Reputation Committee, oversee and endorse various communications on ethics and compliance related topics including the publication of a position paper on [Ethical and Responsible use of AI systems](#) (February 2021) and the publication of the Novartis [Human Rights Commitment Statement](#) (December 2021).

Our commitment to Integrity is also highlighted in Novartis' external reports, including the Novartis Annual Report.

Our CERCO actively drives external communication via his high-level mandates at Business@OECD, the G20/B20 process and the Pharmaceutical Supply Chain Initiative. He regularly shares insights and updates on our Ethics, Risk and Compliance program via LinkedIn.

Indicator 1.3

Does your performance management framework incorporate how ethics and integrity objectives are achieved (Y/N)?

All Novartis associates, including the CEO and other Members of the Executive Committee of Novartis are subject to a performance management process based on quantitative and qualitative criteria. The qualitative part, our Values & Behaviors (Inspired, Curious, Unbossed, and Integrity), are a key component of the process and are embedded in our culture.

Compensation of our **CEO is bound to a balanced scorecard** which includes strong ESG targets (including ethical standards).

For our sales force, 20% of target variable pay is based on demonstration of our Values and Behaviors. Ultimately, no sales representative will receive the 20% of the variable compensation that is attributed to Values & Behaviors unless he or she meets these expectations. If there is a violation of 'Integrity', then the sales representative would not receive variable compensation, with disciplinary action following.

Our Performance Management - Evolve

Evolve is our new performance management approach that removes the performance rating and emphasizes teamwork and feedback as a vehicle for growth and overall impact on the business. As part of Evolve, we introduced the simplified Values & Behaviors: Inspired, Curious, Unbossed and Integrity in January 2021. Exceptional impact at year end will be assessed based on a combination of:

1. Performance beyond objectives (what),
2. Contribution to the team/network performance (for whom)
3. Role-modelling of Novartis values and behaviors (how).

The annual impact meeting and the regular feedback sessions, held throughout the year, focus on each of the three factors listed above equally.

Ethics and Integrity also plays a significant role in Rewards and Compensation, Talent Acquisition, Succession Planning, Employee Engagement, and Role of the Manager:

- From a selection standpoint, our interview guides and assigned competency areas include questions to test fit with our Values & Behaviors as well as ethical judgement (“hiring for integrity”)
- The manager has a critical role to play to set expectations, role model and encourage ethics and integrity. This is also evident in the Team Boosters that we offer to foster psychological safety, principles-based decision-making, and integrity. Team Boosters contain activities to specifically engage and activate teams in our culture journey towards Inspired, Curious and Unbossed. Our aim is to equip teams with culture insights and nudges to ignite behavior change
- For determining rewards, we consider the “How” as well as the “What” of an associate’s contributions and impact. When we had performance ratings, the “How” piece was a critical element, and this carries through though ratings
- OurVoice survey (please also refer to Indicator 1.1)

Each and every associate at Novartis can reward others and thus reinforce ethical behavior aligned to our Values & Behaviors by sending either an electronic Appreciation Card or awarding an amount of virtual points that can be used for purchases as monetary equivalents. This system is widely utilized at Novartis and is called “SPARK”.



Indicator 1.4

Ethics and integrity are integral components in leadership decisions.

Ethics and integrity play an integral part in leadership decisions and are embedded at the individual level across the organization. They are also an integral part of our hiring and selection process. In addition, we have developed and implemented several programs and tools to support leaders dealing with ethical dilemmas.

At Leadership level

Unbossed Leadership Experience (ULE)

ULE is a targeted transformational journey to support our leaders to fully embed the cultural aspiration of Inspired, Curious, Unbossed, and Integrity in their leadership style.

Executive On-boarding Program

Our executive On-boarding Program ensures all newly appointed local Executive leaders are trained by local Ethics, Risk and Compliance (ERC) Professionals on the company's expectations towards ethical business practices and ethical leadership. This reinforces the importance of ethics and compliance, where leaders are asked to role model our organizational values.

Ethics Conversations Toolkit

The Ethics Conversation Toolkit is a simple virtual journey of self-discovery, based around three sections: Psychological safety, Ethics & me, and Ethics & my team. Each section contains a series of exercises, learnings and activities designed to help leaders to create a culture of integrity, psychologically safe environment, well-being, and satisfaction in their respective team. In 2021, there were 4 290 downloads of the online toolkit.

Relevant ethics and compliance content is integrated within our Global Leadership Training programs for middle-managers and leadership. This ensures that our leaders understand their role in creating a culture of Ethics and Compliance at Novartis.

At all levels

Embedding our Code of Ethics

Novartis is committed to doing what is right. On September 1, 2020, we launched our new [Code of Ethics](#) globally.

Developed with modern techniques to produce an innovative product, the new Code has three anchors: (i) behavioral, data, and decision science; (ii) co-creation; and (iii) collaboration. Consistent with these anchors, and our overall objective of embedding ownership of ethics with all associates, we solicited input from more than 3 000 Novartis associates in selecting topics for the new Code and in testing its usability. The new Code is based around a core of 23 ethical commitments we make as an organization, including commitments related to anti-corruption, conflicts of interest, professional practices, and Third Party risk management. In 2021, around 98% of associates completed the mandatory e-training on the Code of Ethics.

Decision Explorer

Consistent with the principles-based approach of the new Code, in June 2020, we launched an online tool called 'Decision Explorer'. Based on behavioral science, the 'Decision Explorer' takes users through 15 questions to help guide their decision-making by challenging their intuitions, identifying hidden biases, and anchoring their thinking in our ethical principles. More than 65 000 associates accessed 'Decision Explorer' in 2021.

The "Why Good People" Program

The "Why Good People" Program is an awareness program supporting our organization's journey toward a value-based culture. It is offered as a 3.5 hour session, both in classroom and virtual settings. Groups are typically between 10-20 associates. It is aimed at helping our organization move from "unconscious unethical" to "unconscious ethical". This means fostering a culture where mistakes are acknowledged, discussed, and learned from, and where there is a clear sense of "walking the talk" from the top.

It supports associates in identifying actions required to move from rules-based compliance to value-based compliance. Upon completing the program, associates sign a personal action contract.

In 2020, more than 3 000 associates completed the program. In 2021, more than 2 000 associates were trained. This includes leaders from across the globe. In addition, around 50 ERC colleagues have been recruited and trained to facilitate sessions in virtual Train the Trainer.

Global Compliance Trainings

To establish the culture we aspire to achieve, and to ensure that our compliance policies are embedded across Novartis, we regularly update our annual mandatory compliance training program. It provides relevant content to enable associates to make the right choices in the course of their work and to perform with integrity.

Global mandatory compliance e-Trainings are rolled out to all associates and external contractors (where applicable), including the Executive Committee of Novartis (ECN) and the Board of Directors, based on relevance to their role.

Indicator 1.5

The company actively engages in anti-corruption Collective Action.

Novartis is involved in and has committed to various anti-corruption collective action initiatives at global, regional, and local level.

For this report, we have focused on global initiatives only.

As a founding signatory of the UN Global Compact (UNGC), Novartis is committed to sharing our progress in implementing its 10 principles, including UNGC principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Novartis is also a signatory to the CEO letter on the UN Convention against Corruption.

In October 2020, Novartis became a signatory to the WEF Partnering Against Corruption Initiative, the principal CEO-led platform in the global anticorruption arena, building on the pillars of public-private cooperation, responsible leadership, and technological advances.

Since 2019, Novartis has actively supported the B20 Presidencies in Saudi Arabia and Italy in the B20 Integrity & Compliance Task Force where our CERCO was a Co-Chair. In 2022, he again serves as Co-Chair of the B20 Integrity & Compliance Task Force in Indonesia.

In addition, Novartis is a member of the Business at OECD (BIAC) where our CERCO serves as an executive board member. Novartis is also co-chairing the Anti-Corruption Committee of BIAC.

Novartis is also a member of different industry associations such as the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA). IFPMA promotes policies that foster innovation, resilient regulatory systems and high standards of quality, uphold ethical practices, and advocate sustainable health policies to meet patient and health system needs.

Moreover, Novartis is a member of the International Chamber of Commerce (ICC) and actively contributes to the “Human Rights and Anti-Corruption Synergies” project initiated by the Basel Institute on Governance.

Our CERCO co-founded and chaired a nonprofit association of compliance heads from major European companies and is on the Advisory Panel of the Pharmaceutical Supply Chain Initiative (PSCI) to further drive compliance standards at an international level.

Novartis was also involved in a Norges Bank Investment Management working group on anti-corruption reporting indicators. The outcome of this initiative forms the basis of this report.

Furthermore, Novartis works in close collaboration with Transparency International UK on the topic of measuring the effectiveness of anti-corruption approaches, including participating in their research consultation and in a workshop on the topic to help share learnings and further develop Anti-Corruption reporting indicators.

Risk Management

Indicator 2.1

The company has an anticorruption compliance risk program which it uses to give regular updates to senior management and board on how risks are being managed.

Novartis has a robust end-to-end Compliance Risk Assessment and Management program (RAM). RAM covers local business units in all geographies and includes first and second line risk management functions. It is designed to assess and mitigate compliance risks covered by relevant compliance policies, guidelines, or standards, and to monitor the execution of activities and controls.

As stipulated in the Novartis Regulations of the Board of Directors, the Board Committees, and the Executive Committee of Novartis AG, the Audit and Compliance Committee (ACC) reviews the processes and procedures used by management to execute an effective compliance program at least annually.

In the RAM process the business units' management is responsible for performing an annual Compliance Risk Assessment to identify and assess the primary compliance risks based on the business strategy and objectives. The annual process starts on February 1 and ends the following year on January 31.

Local teams throughout the organization are responsible for the development of a remediation plan to minimize the likelihood and/or impact of the compliance risks from occurring. These risks are continuously monitored throughout the year.

In addition, Business leaders and function representatives (including Compliance) come together once a year (normally in September) for the Enterprise Risk Workshop to discuss and consolidate the Novartis risk portfolio as part of the [Enterprise Risk Management Process](#). This process results in a single holistic view of risks across the company, known as the "Novartis Risk Compass", which groups the key risks in three categories: strategic, operational, and emerging. "Awareness Topics" are identified that may become new risks over time. "Legal, Ethics and Compliance" is one of our Operational Risks.

The Risk Compass helps senior management and the Novartis Board of Directors to focus discussions on key risks and align the company strategy, our risk exposure, and [our ways of working](#).

At Novartis, our continued success depends on our ability to manage risk. Our Board has ultimate oversight of the Enterprise Risk Management (ERM) system and regularly reviews the most significant risks and how these risks are managed. The Board is supported by various board committees, i.e., the Audit and Compliance Committee and Risk Committee, focusing on topics relevant to our ERC program.

Indicator 2.2

The percentage of business functions that are included in the anti-corruption risk assessment.

100% of our business units defined in RAM, in total 145 units, have conducted the anti-corruption risk assessment in 2021. The term “business unit” extends beyond the Novartis legal entities.

More than 20 000 samples of various activities were tested by the respective business units last year. All RAM results are covered in the Novartis Risk Assessment and Management tool (iRAM) which provides a systematic and harmonized approach to manage compliance risks across all Novartis divisions and Organizational Units.

Indicator 2.3

The company has established anti-corruption compliance KPIs that are used to measure the compliance program.

Novartis has developed and implemented a methodology to measure the maturity and effectiveness of its anti-bribery compliance program.

We believe it is critical to ensure that our compliance program is not only well-designed but is also implemented and working in practice across Novartis. We established a Compliance Evaluation Program in 2020 to enable a standardized annual assessment of our compliance program as well as to measure progress over time. Metrics have been developed to measure all key elements of our compliance program across these two dimensions:

Dimensions

Objective

Maturity

Does the Compliance Program

- encompass what it should across all pillars, and
- is supplemented and executed as designed across Novartis?

Effectiveness

Is the Compliance Program

- driving the outcomes we want to achieve?

The annual evaluation covers the following six pillars:

- 1 Compliance Risk Management
- 2 Compliance Policy Management
- 3 Compliance Training and Communications
- 4 Misconduct Reporting and Investigations
- 5 Organization and Governance
- 6 Ethical Culture

Our methodology balances out extensive input, expert judgement, and qualitative measures to provide simple insights on a comprehensible and nuanced scale. We review the KPIs on an annual basis to ensure that changes in our program (e.g., changes to compliance policies, and processes) or new expectations are reflected accordingly.

The overall compliance program evaluation is completed and reported to the Audit and Compliance Committee (a sub-committee of the board of directors) and other committees on a yearly basis.

To ensure our methodology is robust, we have engaged an independent not-for-profit competence center who is an expert in the area of anti-corruption, integrity and compliance to review the approach taken.

Third Parties

Indicator 3.1

Percentage of Third Party reviews conducted.

We have established a Third Party Risk Management Framework (TPRM) to ensure that we only engage with Third Parties who conduct business in a manner that is consistent with our values and standards, as defined in the Novartis [Third Party Code](#). The TPRM framework promotes ethical behavior and fosters sustainability across our supply chain by addressing risk areas such as (1) anti-bribery, (2) health, safety and environment, (3) labor rights, (4) human rights, (5) information security and (6) data privacy.

With respect to anti-bribery, all Third Parties that pose more than a low risk are subject to an anti-bribery risk assessment. In 2021, we assessed 2303 suppliers against bribery risks, with an increase of 14% from 2041 in 2020. We agreed compliance and remediation actions with 912 suppliers.

In 2020, the Central Monitoring Team of our Ethics, Risk and Compliance (ERC) function assumed responsibility for organizing the conduct of Third Party anti-bribery audits. The selection criteria for Third Parties to be audited include, among others, the type of business the Third Party is engaged in, the corruption risk perceived in the country and the outcome of the initial anti-bribery due diligence assessment of the Third Party. Audits are conducted by reputable external audit firms.

In 2021 we completed 29 anti-bribery audits at high risk Third Parties (report received). These Third Parties have agreed to implement 238 recommendations from the audit reports.



Indicator 3.2

How the findings from Third Party reviews are addressed.

Our TPRM framework is designed to manage interactions with Third Parties for the purpose of assessing, mitigating, and monitoring the ongoing risk that each Third Party relationship represents.

The Business Owner initiates the Third Party risk assessment process. Its outcome determines whether a commitment with the Third Party can be made or if additional steps (e.g., remediation or additional contract clauses) are first required. A re-assessment of each Third Party is triggered every three years. The Business Owner owns and manages the risks identified with the Third Party during the entire Third Party relationship lifecycle.

Specifically, for all Third Parties in-scope of the anti-bribery risk assessments (new and existing Third Parties whose contracts are to be renewed):

-
- A pre-assessment is conducted to determine the level of due diligence required. This is done based on risk-related factors such as geography and type of prospective services requested
-
- Due diligence is conducted, which includes a background check on the Third Party performed by a specialized external consultant and a questionnaire to be completed by the Third Party
-
- To ensure consistency in the decision making, an automated risk summary which includes a risk classification (low, medium, high) is generated for all assessed Third Parties based on the findings from the due diligence
-
- The results of the anti-bribery due diligence are reviewed by various stakeholders depending on the risk level assigned to the Third Party. Risk mitigation measures are put in place to address any red flags identified
-
- For all Third Party engagements, specific mandatory compliance clauses must be included in the respective contract. For certain engagements with an assigned risk level of medium and high, Third Parties are required to provide, on an annual basis, a compliance confirmation to confirm that they have complied with the legal and contractual obligations in relation to anti-bribery and anti-corruption. Other risk mitigation measures include, but are not limited to, providing training to Third Parties if during the due diligence process it was identified that they do not have their own compliance training program (please also refer to Indicator 3.3.)
-
- Ongoing monitoring is conducted for all engaged Third Parties throughout the contract duration, up to a maximum of 3 years after which the due diligence must be renewed

From July 2021, beyond our external controls and remediation actions from our Third Parties, we have implemented a dedicated internal control that ensures our internal stakeholders are kept accountable for their responsibilities of including required anti-bribery clauses in their contracts.

As mentioned under Indicator 3.1., Novartis is also auditing the Third Parties. These audits are conducted by internationally recognized external audit firms (e.g., Deloitte, BDO, Grant Thornton, RSM). An anti-bribery audit comprises a standard scope, which assesses the compliance framework established by the Third Party and additional risk areas tailored to the scope of the Third Party's activities on behalf of Novartis (e.g., promotional practices for Third Parties engaged in promotion of products). Each anti-bribery audit comprises a process walk through, document review, and sample testing. The report and expected remediation actions inform our internal risk assessments and Third Party management and are shared with the respective Third Party.

Indicator 3.3

Percentage of Third Parties that improve their anti-corruption compliance program.

We provide Third Parties with the following tools to improve their anti-corruption compliance programs:

Annual Compliance Confirmation (ACC)

This is an attestation requested from the Third Party to confirm their compliance with the law and to confirm the validity of the information collected as part of due diligence. The ACC helps us to track any compliance or material changes that the Third Party might have undergone since its engagement with Novartis and draw necessary mitigation plans.

Training & Code of Conduct program

One of the key initiatives we implemented to support the Third Party's anti-corruption compliance program is the Training and Code of Conduct modules. Third Parties can leverage a dedicated tool to train their associates and create their own Code of Conduct. We have digitized and automated the entire process of monitoring the training program. Emphasis has also been given to make these processes simple and user-friendly.

Additional elements favoring ethical expectations from our Third Parties

In November 2020, we launched our revised Novartis [Third Party Code](#) that addresses several aspects including anti-bribery. The Third Party Code is attached to every supplier contract.

Compliance Function

Indicator 4.1

The organizational structure of the company is transparent, including the location of the compliance function within the structure, and it identifies where the Chief Compliance Officer is situated.

The organizational structure of Novartis and its Ethics, Risk and Compliance (ERC) function, including the role of our Chief Ethics, Risk and Compliance Officer (CERCO) is transparent internally and externally.

The Novartis organizational structure is published on our website:

[Novartis Organizational Structure](#)

Our CERCO reports to the CEO and is a permanent member of the Executive Committee of Novartis. In this role, he holds global responsibility for overseeing, developing, implementing, and maintaining an effective ERC program in alignment with the Novartis corporate strategy, and is fully supported by the entire Novartis executive management.

The various Novartis Divisions / Business Units, and Organizational Units are responsible for implementing the ERC Program within their respective areas. The Global Heads of Ethics, Risk & Compliance (ERC) within each Division are responsible for contributing to the development of the ERC Program and leading the implementation of the ERC Program within their respective areas.

Within the Divisions / Business Units – Novartis Pharmaceuticals, Novartis Oncology, and Sandoz – Regional & Cluster ERC Heads support the Countries on the implementation of the ERC Program. The Regional Heads of Ethics, Risk & Compliance are responsible for overseeing and supporting the Heads of Ethics, Risk and Compliance for their Countries / Clusters in their units. They ensure the proper implementation of the ERC Program within their Region.

Indicator 4.2

The governance structure of the company enables the Chief Compliance Officer to execute her/his responsibilities impartially.

The CERCO of Novartis has seniority, and authority to fulfil the duties of this role effectively and impartially.

Klaus Moosmayer was appointed in 2018 as Chief Ethics, Risk & Compliance Officer, and member of the Executive Committee of Novartis. As mentioned in Indicator 4.1., he reports operationally to Vas Narasimhan, our Chief Executive Officer (CEO).

Klaus Moosmayer brings a global reputation as a leader in the field of ethics and compliance. He was previously Chief Compliance Officer at Siemens AG, and the first head of compliance from a company to be invited to address the General Assembly of the United Nations about the fight against corruption.

He leads global integrity, compliance, and anti-corruption bodies for business towards the Organization for Economic Co-operation and Development (OECD) and the G20/B20.

Klaus Moosmayer co-founded and chaired a nonprofit association of compliance heads from major European companies and is on the Advisory Panel of the Pharmaceutical Supply Chain Initiative (PSCI) to further drive compliance standards at an international level.

As CERCO of Novartis, he oversees several important risk functions that help Novartis deliver on its strategy to build trust with society. His role is independent and separate from any business or other corporate functions (such as the Legal function).

In addition, Klaus Moosmayer is a permanent member of the Novartis Trust & Reputation Committee (T&R), which is chaired by our CEO. The T&R committee is responsible for the oversight of the strategy, and progress in each of the key areas underpinning the Novartis strategic priority to build trust with society, which includes the ERC Program. They meet at least quarterly. He is also a member of the Finance & Governance Committee (FGC) and the Deal Committee (DC), both are sub-committees of the Executive Committee of Novartis.

Furthermore, the CERCO is a permanent attendee of the Risk Committee (RC) and the Audit & Compliance Committee (ACC) of the Novartis Board of Directors. Both are sub-committees of the Board of Directors and meet quarterly. If needed, the CERCO can request a closed session with the RC, ACC or the Chairman of the Board of Directors.

Indicator 4.3

Ethics and integrity are integral components in all talent and leadership development programs.

Our Values and Behaviors (which includes Integrity) are an integral part of all talent and leadership development programs at Novartis.

At Novartis, we take an 'end-to-end' approach to associate development from recruiting and onboarding, through professional and leadership development.

For more detail, please refer to Indicators 1.3 and 1.4.

Establishing a culture of integrity within our business relies on strong ethical leadership. Novartis is keen to ensure that our leaders are well equipped to identify and manage risks and role model ethical leadership. The Executive On-boarding Program provides new local Executive leaders with training on ethical business practices, enables a partnering relationship between local leaders and ERC and ensures business goals can be achieved ethically.



Indicator 4.4

The program is adequately resourced and empowered to function effectively.

Our Ethics, Risk and Compliance program is adequately resourced and empowered.

We aspire to become the most trusted and valued medicines company. To achieve this, we are fostering an environment across every level of the organization that empowers the inherent desire of our leaders, managers, and associates “to do what’s right”. Our Ethics, Risk and Compliance (ERC) function is at the core of these efforts.

ERC is fully integrated within all the Novartis operating units. In January 2020, we took a decision to expand the role of compliance in Countries - previously focused on Compliance only - to cover the full scope of the Ethics, Risk, and Compliance Program. This has broadened their scope of responsibilities to cover Ethics, and Enterprise Risk & Crisis Management, which has elevated the roles into the leadership teams across all levels of the organization.

We believe the greatest strength of Novartis is our people, whose diversity, energy and creativity are crucial to our success. Our ERC function, formed in April 2018, is adequately resourced with over 600 ERC associates globally across all business units, corporate functions, and risk areas.

Budget is evaluated frequently throughout the year and the impartial role of ERC enables the program to function effectively.

Indicator 4.5

The frequency of the board actively reviewing the sufficiency of resources allocated to the global anti-corruption and bribery program including the compliance function.

Our CERCO presents on a regular basis to the Board of Directors (BoD) and its sub-committees. He also has private sessions with the Chair of the BoD to discuss ethics, risk and compliance topics. As stipulated in the Regulations of the Board of Directors, the Board Committees and the Executive Committee of Novartis AG, the Audit and Compliance Committee (ACC) of the Board reviews at least annually the processes and procedures used by management to execute an effective compliance program.

Hence, the results and insights of the annual evaluation of the compliance program (please refer to Indicator 2.3.) are presented by the CERCO and discussed with the Novartis Executive Committee as well as the ACC of the Board. This evaluation also includes relevant aspects of:

- Support of business units by dedicated ERC partner assigned
- Turnover of ERC partner and their training
- Open and filled ERC partner roles

For identified improvement areas, relevant actions to ensure a high maturity and effectiveness of the compliance program are also discussed with this committee. This also provides the opportunity to address topics related to the sufficiency of resources.

Oversight

Indicator 5.1

Access by the Chief Compliance Officer to the board including the board committees (i.e., the supervisory level of the company) on a formalized basis and the actual frequency of that access in practice.

Please refer to Indicator 4.2

In 2021, the CERCO attended all quarterly Board of Director meetings including a two day Strategy meeting. He also participated in all quarterly meetings of the Audit and Compliance Committee as well as the Risk Committee.

The CERCO also held four private sessions with the Chairman.

I never want Novartis to achieve our financial performance or objectives because we compromised on our ethical standards or our values. We must always choose our values.

- Vas Narsimhan, CEO Novartis

Summary

Acting in an ethical manner is essential to building trust with society.

We hold ourselves accountable to not only to do what is legally required, but to also follow our high standards of ethical behavior and to share information about our anti-corruption efforts.

We aim to be fully transparent in what we do and how we contribute to the fight against any form of bribery and corruption. For Novartis, openness and transparency are not only elements of good governance but hallmarks of strong and trustful relationships that we desire to build and maintain with our stakeholders and society.

As this is our first external report, we have focused on the reporting indicators suggested in the guidance note issued by the Norges Bank Investment Management. However, we aim to progress in expanding the report beyond the current information to cover other areas that might be of interest to our external stakeholders and society over the next few years.

