

# Novartis Norge AS Transparency Act Statement 2023

This Statement is made in accordance with the Norwegian Transparency Act (Transparency Act) relating to enterprises' transparency and work on fundamental human rights and decent working conditions. It covers the reporting period January 1, 2023, to December 31, 2023.

Novartis Norge AS is part of Novartis, an innovative medicines company, whose parent company is Novartis AG, headquartered in Switzerland. Unless expressly stated otherwise, references to 'we', 'us' and 'our' refer to Novartis as a whole.

We are committed to respecting human rights throughout our value chain in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Our commitment embraces all internationally recognized human rights, including those contained in the International Bill of Human Rights, consisting of the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR), and the International Covenant on Economic, Social and Cultural Rights (ICESCR); and the International Labour Organization's (ILO) core labour rights conventions. We are also signatories to the United Nations Global Compact (UNGC) and report annually on our progress.

## **A. General description of Novartis Norge AS company structure, operations, guidelines, and procedures for handling actual and potential adverse impacts of fundamental rights and decent working conditions**

Novartis is an innovative medicines company. Every day, we work to reimagine medicine to improve and extend people's lives so that patients, healthcare professionals and societies are empowered in the face of serious diseases. Our medicines reached 284 million patients globally in 2023.

In Norway, we market medicines that cover four key therapeutic areas. These are oncology (solid tumors and hematology); cardiovascular, renal, and metabolic; immunology; and neuroscience. Our activities in Norway are restricted solely to the marketing and distribution of prescription pharmaceuticals, and conducting clinical trials and studies performed in Norwegian hospitals and clinics on behalf of Novartis AG. Local marketing and distribution are governed by the same global policies and procedures as outlined in this report.

We distribute our products through local wholesalers and distributors. We use local external partners for warehouse and transport services for the delivery of our pharmaceutical products. In addition, we use local suppliers for facilities management in our Oslo office related to general services such as security, catering, car lease for employees, travel arrangements, banking, and insurance. Local procurement is governed by the same global policies and procedures as outlined in this report.

As of December 31, 2023, Novartis Norway employed 92 people. For more information on our global business structure, workforce and operations see page 10 of the [Novartis in Society Integrated Report 2023](#).

### **Guidelines and procedures for handling actual and potential adverse impacts of fundamental rights and decent working conditions**

We are committed to addressing the actual and potential adverse impacts of fundamental human rights and decent working conditions in our own operations and supply chain. We have clear and well-defined global policies, guidelines, and standards in place co-sponsored by the Chief Ethics, Risk and Compliance (ERC) Officer and Chief Legal Officer. These are regularly updated to ensure alignment with our human rights and decent working commitments and are binding on all Novartis employees globally.

In addition, Novartis Norway independently evaluates the need for additional local guidelines or standards. We have reviewed relevant local and global governing documents and determined that these are aligned with the expectations in the Transparency Act.

## Policies

- [Novartis Code of Ethics](#), which sets out our commitment to conduct business in a manner that respects the rights and dignity of all people,
- [Novartis Human Rights Commitment Statement](#), which sets out our commitment to implementing the UNGPs and identifies labor rights (including decent working conditions) in our own and external partner operations as one of our salient human rights issues,
- [Global Guideline on People and Organizational Principles and Labor Right Practices](#), which sets out our commitment to respect human rights and decent working conditions in our own operations,
- [Third Party Code](#), which sets out our commitment to ensure that external partners adhere to our human rights and decent working conditions requirements.

## Governance

Overall executive-level accountability for implementation of our human rights program sits with the Chief ERC Officer, who is a member of the Executive Committee of Novartis. The Environmental Social and Governance (ESG) Committee, an executive-level body chaired by the Chief Executive Officer, has endorsed our overall approach to managing human rights, including fundamental rights and decent working conditions.

A dedicated Human Rights team sits within the global ERC function and is responsible for the implementation of Novartis human rights strategy. To further expand capability and oversight into labor rights at our external partners and to remain focused on the highest-risk suppliers and high-impact solutions, we integrated our Third Party Labor Rights team into our global Human Rights team in 2023.

All global governing documents are embedded in the Norwegian organization through management and the local Board of Directors.

We welcome the right to information under the provisions of the Transparency Act. Contact information for Novartis Norway AS is available [here](#).

## EPRM framework

Our overall approach to labor rights risk identification and management, including fundamental rights and decent working conditions, is through our risk based External Partner Risk Management (EPRM) framework, formerly known as Third Party Risk Management. For further information on how we work with our external partners to mitigate adverse human rights impacts, see Section C below.

## Training and capability building

We seek to empower our employees through formal and informal training and capability-building on human rights.

- All employees are required to complete an annual training on our [Code of Ethics](#), which includes our ethical commitment to human rights. In 2023, 97% of our employees globally completed the training.
- 95% of our employees globally completed the mandatory EPRM e-training launched in November 2022, on the importance, scope and responsibilities associated with the management of external partner risks.

- We have an active Human Rights Ambassador Network globally that meets every quarter to discuss existing and emerging human rights risks. In 2023, 53 employees joined the network bringing the total to 190 employees globally. The Norwegian Head for ERC is an ambassador in this global network and participates in these discussions.
- We held three targeted human rights training webinars for relevant functions across the organization, extending our reach beyond ERC, to include the Legal, Operations and Global Health & Sustainability functions. These were attended by approximately 1 000 employees. Additionally, we conducted live trainings with newly hired employees at our global headquarters in Basel, Switzerland, on human rights, including a modern slavery related case study for analysis.
- The importance of patient safety, which we take seriously, was highlighted in our [latest materiality assessment](#). In full alignment with Novartis global policies on pharmacovigilance, all employees in Norway are trained in adverse event reporting and quality complaints. We have a medical information service for healthcare professionals and the public. We monitor all Novartis Norway social media accounts to ensure information is handled correctly.

### Grievance mechanism and remediation

The Novartis SpeakUp Office is our confidential grievance mechanism for global and local Norwegian employees, external partners and their employees to report misconduct, including misconduct related to human rights and decent working conditions. The web-based and telephone channels are operated by an independent third party available 24 hours a day, seven days a week.

We follow a clear process to manage all allegations raised. Reported misconduct is investigated, and substantiated cases are escalated to management for appropriate action.



In 2023, our SpeakUp Office received a total of 2 628 complaints of alleged misconduct, of which one was received from Novartis Norway and was not related to human rights and decent working conditions.

In 2023, we also updated our SpeakUp policy and launched a new reporting tool. The new SpeakUp reporting tool enables both employees and external parties to raise complaints more easily. It will also make case management and reporting more efficient and increase oversight of human rights related grievances.

### B. Information regarding actual adverse impacts and significant risks of adverse impacts identified through due diligence.

Since 2017, we have assessed human rights risks across our business through in-country assessments, business-unit assessments, rapid response to hot spots, and reviews of business development and licensing deals. These measures ensure proactive risk management and alignment with international standards. For more information see pages 4-5 of [Novartis Norge AS Transparency Act Statement 2022](#).

## Identifying salient risks areas

Using the UNGPs scope, scale and remediability principles we conducted an internal cross-functional risk saliency exercise in 2023 which underscored the following focus areas as having the most severe actual or potential negative human rights impacts.

- Right to health
- Labor rights
- Human rights and the environment
- Human rights and technology

Our [Human Rights Commitment Statement](#), is endorsed by the executive-level ESG committee, chaired by our Chief Executive Officer. It explains the four human rights focus areas we have identified and outlines our methodology for embedding human rights throughout our business.

## Maturity of routines and procedures in assessing external partner risks

We have a mature system in place to assess and address supply chain risks, that considers country risk and procurement category risks. For more information on the routines and procedures, see pages 5-6 of the [Novartis Norge AS Transparency Act Statement 2022](#).

## Potential external party risks

We have identified the following potential risks related to human rights and decent working conditions through our EPRM due diligence framework, peer collaborations, participation in industry groups, and external data sources including regular media scans. The risk areas are (in no particular order):

1. Contract manufacturing organizations
2. Labor supply with recruitment agencies
3. Facility services (catering, construction) involving informal labor
4. Packaging
5. Transport, logistics and warehouses
6. Raw materials sourced from agriculture

Risk areas 1 to 5 are well managed through our existing EPRM framework. See section C below on how we work on risk area 6- raw materials sourced from agriculture.

## Potential risks for Novartis Norway

Through our external partner risk assessment process, we have identified transport and logistics procurement as a category that presents potential risks related to labor rights for Novartis Norway, including low wages, long working hours, and social dumping. We conducted a desktop review of our key supplier that provides road transport, sea freight, air freight and logistics services. The outcome of the review was satisfactory as we determined that the supplier has the requisite routines and procedures in place to respect human rights. We are continuing to engage closely with this supplier through meetings on several topics, including respecting our human rights obligations.

## **C. Information regarding measures to cease actual adverse impacts or mitigate risks of adverse impacts, and the results or expected results of these measures.**

### **Policies**

Our updated Third Party Code (TPC), which was launched in 2023, clarifies our human rights due diligence and environmental sustainability expectations from external partners, including a clear expectation that external partners adopt the same principles with their own suppliers. The TPC is incorporated into our standard supplier contract terms with external partners, regardless of whether the external partner is low, medium or high risk. These contractual terms give us the right to conduct an audit to monitor compliance with the TPC as well as the right to immediately terminate an agreement for non-compliance with the TPC (whether identified in an audit or otherwise).

### **EPRM**

In 2023, we assessed 7 756 suppliers as part of our external partner risk management process, of which 4 362 were screened for labor rights risks. Of these, 614 were classified as medium and high risk based on country and procurement category risks. All 614 external partners underwent a labor rights-focused Third Party Questionnaire (TPQ) assessment. At some of the suppliers, potential exploitative labor practices related to excessive working hours, overtime, lack of labor policies and lack of grievance procedures were identified, resulting in 136 follow-up activities (i.e., risk mitigation actions and audits). None of these external partners were from Novartis Norway. Mitigation actions, including CAPAs, have been put in place and are being monitored by the global Human Rights team.

In 2023, we initiated a pilot program involving direct engagement with external party workers through a digital “workers voice” platform. This approach enables us to gain insights into labor rights at external partner sites by directly hearing from supply chain workers. The responses received through this platform are currently undergoing assessment by the global Human Rights team.

### ***High risk mitigation projects***

We have identified two areas of our supply chain with heightened risk for forced labor: recruitment practices involving foreign migrant workers, and raw materials sourcing. We have carried out a risk analysis and taken steps to mitigate the risks in each of these areas, as described below.

First, foreign migrant workers are vulnerable to potential exploitation through the payment of excessive recruitment fees, leading to situations of forced labor and in worse cases debt bondage. In 2022, we undertook a global risk mapping of our foreign migrant worker footprint and have identified a relatively low foreign migrant worker population in specific high-risk countries primarily in Asia and the Americas.

However, in 2023 we worked with 25 external partners employing foreign migrant workers to evaluate their recruitment and employment practices. Our focus included examining potential recruitment-fee deductions, their oversight on recruitment agency usage, language-appropriate employment contracts, and consistent access to identity documents for workers. Most foreign workers staffed directly by our external partners held specialist or managerial roles, minimizing their susceptibility to exploitation. In Singapore, we identified five external partners with workers in potentially vulnerable situations and are continuing our engagement with them to ensure compliance with our responsible recruitment standards.

Second, we source raw materials as part of our manufacturing process which has heightened risk of forced and child labor. In 2023, we established a standalone risk area within our EPRM framework, “Raw Material Certification,” to directly manage our raw material suppliers. In this new risk area, external suppliers of high-risk raw materials are required to complete a targeted TPQ focused specifically on

explaining raw material risks in their supply chain, traceability efforts and details about their raw material sources, and on providing any external human rights third-party certifications they may have obtained. We recognize that a certification program will not mitigate all risk in these complex supply chains, but it does represent a first step toward mitigation given limitations on leverage and visibility beyond our direct (Tier 1) suppliers, a challenge which we are working to analyze and improve. The program will formally be launched in early 2024 and we plan to use the new TPQ responses to further guide our analysis, allowing us to focus on prioritized raw materials such as aluminum, palm oil, soy, sugar, and magnesium.

### **Grievance mechanism and remediation**

In 2023, we further integrated human rights into our SpeakUp grievance mechanism by introducing three new complaints categories to facilitate the reporting of concerns related to human rights. As these were integrated toward the end of 2023, we will start reporting on these categories as of FY2024. These categories are:

1. Human and labor rights
2. Environmental impacts
3. Health and safety

We collaborated with an external human rights expert to train our internal SpeakUp teams on human rights issues, ensuring accurate categorization and addressing concerns appropriately. We created guidance explaining how the grievance mechanism operates, including our standalone [Non-Retaliatio](#)n Policy, which is available on our corporate website.

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