

# Novartis Supplier Code

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## Introduction

“High Performance with Integrity” is a Novartis strategic imperative.

Novartis promotes the societal and environmental values of the United Nations Global Compact to its suppliers and third parties and uses its influence where possible to encourage their adoption. The Novartis Supplier Code (the “Supplier Code”) is based on the United Nations Global Compact and other international standards or accepted good practices. The Supplier Code is aligned with the Novartis Code of Conduct.

Novartis expects its suppliers to aspire to the standards defined in its Supplier Code.

Novartis is committed to being a leader in good corporate responsibility, and this commitment is embodied in the Supplier Code. The Novartis Responsible Procurement program has been created to extend the Novartis commitment to corporate responsibility to suppliers and third parties.

Novartis is a member of the Pharmaceutical Supply Chain Initiative. The Supplier Code is consistent with the Pharmaceutical Industry Principles for Responsible Supply Chain Management (the “Principles”) for ethics, labor rights, health and safety, environment and related management systems.

- Novartis supplier programs are consistent with the Principles.
- Novartis believes that society and business are best served by responsible business behaviors and practices. Fundamental to this belief is that business should not only operate in compliance with applicable laws, rules and regulations, but that our behaviors address underlying societal concerns.
- Novartis is aware that differences in cultures and laws create challenges to applying these Principles globally.
- Novartis believes the Principles are best implemented through a continual improvement approach that advances supplier performance over time.

The Supplier Code does not replace local law. Novartis expects suppliers and third parties to operate in compliance with applicable laws, rules and regulations in addition to the standards contained herein.

For the purposes of this Supplier Code, the term “suppliers” may include distributors, wholesalers, licensors, licensees, other technology partners, and other sales entities.

*Links referenced on this page can be found at the end of this document.*

## Monitoring against our standards

Adherence to the standards contained in this Supplier Code is one of the evaluation criteria in the Novartis supplier selection process.

Novartis expects suppliers to adhere to applicable legal standards and work toward the higher standards contained herein. Under some circumstances, where the suppliers or third parties have shown and continue to show a material commitment to improvement, Novartis is willing to work with them to bring about improvements through engagement and collaboration. This may include audits, development and progress monitoring of corrective action plans, referring suppliers to external experts, and other reasonable improvement plans.

# Responsible Procurement – Ethical Standards

## 1 Labor Rights

Suppliers shall be committed to uphold the human rights of workers and to treat them with dignity and respect. The labor elements include:

### 1.1 Freely Chosen Employment

Supplier Code

Suppliers shall not use forced, bonded or involuntary prison labor.

Expectations

**Forced Labor - Management Systems:** a nominated manager with responsibility for HR at each site follows policies and procedures to ensure that all onsite workers, including agency and temporary labor, have freely chosen to be there and are fully paid for the work they do.

**Prison Labor:** the use of any prison labor is voluntary and clearly communicated to Novartis, and where used, all applicable local laws or international guidance is followed.

**Notice Periods:** workers are free to leave their jobs after reasonable notice and are paid on time and in full for the work they have done prior to leaving.

**Retention of ID/Passports:** workers are not required to hand over their identity papers to secure employment unless required to do so by local law. If this is the case, workers have access to their papers at all times.

**Freedom of Movement:** workers are able to freely come and go from the site or onsite accommodation at all times and are not controlled by security guards (e.g., monitored during breaks, followed to the toilets, etc.).

**Cash Deposits:** workers do not pay “deposits” to secure a job or employer-provided accommodation, nor do they pay excessive “deposits” for tools, training or personal protective equipment necessary to carry out their jobs safely.

### 1.2 Child Labor and Young Workers

Supplier Code

Suppliers shall not use child labor. The employment of young workers below the age of 18 shall only occur in non-hazardous work and when young workers are above a country’s legal age for employment and the age established for completing compulsory education.

Expectations

**Child Labor - Management Systems:** a nominated manager with responsibility for HR ensures that there are adequate policies and procedures in place to monitor the ages of workers at each site, including agency or temporary workers.

**Child Labor:** children below the local minimum working age, the age of compulsory education or the ages set out in the International Labor Organization Core Conventions (whichever is higher) are not employed.

A child is:

- Any young person below the ages defined in the International Labor Organization Core Conventions, which is 15 in Developed Countries or 14 in Less Developed Countries.
- Any young person below the local legal minimum working age where this is higher than 15.
- Any young person below the age of local legal compulsory education where this is higher than 15.

**Remediation:** if children are found working, an appropriate remediation procedure to ensure the welfare of the child is put in place. If children are found working, suppliers will:

- Remove the child from the workplace immediately.
- Put in place a suitable plan to support the child, which may involve covering the cost of formal or vocational training, accommodation or other costs as necessary.

**Young Workers:** young people under the age of 18, legally able to work, do not carry out any hazardous work (chemical handling, strenuous physical labor, etc.) or night shifts, and all applicable local laws are followed, including access to education, training, health checks and number of hours allowed to work, etc.

### 1.3 Non-Discrimination

Supplier Code	Suppliers shall provide a workplace free of harassment and discrimination. Discrimination for reasons such as race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership or marital status is not tolerated.
Expectations	<p><b>Non-Discrimination - Management Systems:</b> a nominated manager with responsibility for HR ensures adequate policies and procedures are in place at each facility to prevent discrimination as well as manage effective disciplinary procedures. All workers know to whom they can report incidences of discrimination.</p> <p><b>Non-Discrimination:</b> workers do not face harassment or discrimination at any time (from recruitment to leaving employment) for any reason such as race, color, race, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership or marital status. Potential recruits are not pregnancy-tested unless required by local law and pregnant women are not discriminated against in accordance with local laws.</p> <p><b>Trade Union Non-Discrimination:</b> workers are not discriminated against if they seek to join a trade union or worker committee.</p>

### 1.4 Fair Treatment

Supplier Code	Suppliers shall provide a workplace free of and with no threat of harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers.
Expectations	<p><b>Fair Treatment - Management Systems:</b> a nominated manager with responsibility for HR ensures adequate policies and procedures in are in place so that all workers receive fair treatment.</p> <p>Workers understand disciplinary and grievance procedures, and fines imposed on workers as part of a disciplinary action are legal and fair.</p> <p>Supervisors and managers found abusing workers are disciplined accordingly.</p> <p><b>Harassment or Abuse:</b> workers neither face nor are threatened with bullying, sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse.</p> <p><b>Role of Security Personnel:</b> workers are not subject to unreasonable body searches, and physical security searches are only carried out by authorized bodies, according to local legal standards, and by same-sex security guards.</p> <p><b>Fair Treatment - Bribery:</b> workers do not have to pay other workers to avoid victimization or preferential treatment.</p>

## 1.5 Wages, Benefits and Working Hours

Supplier Code	<p>Suppliers shall pay workers according to applicable wage laws, including minimum wages, overtime hours and mandated benefits.</p> <p>Suppliers shall communicate in a timely manner with workers regarding the basis upon which they will be paid. Suppliers are also expected to communicate with the worker whether overtime is required and the wages to be paid for such overtime.</p>
Expectations	<p><b>Wages and Working Hours - Management Systems:</b> a system is in place to monitor the hours and wages paid to all agency staff onsite, and complete hours and payroll records are kept for all workers onsite at all times.</p> <p><b>Wages:</b> workers are not required to do unpaid work. Workers' monthly pay, or piece rate, is at least at local legal minimum wages or industry benchmarks, and is paid regularly and in full, in accordance with local laws.</p> <p><b>Overtime - Pay:</b> overtime is paid according to all local laws, and where these do not exist, as a minimum at the same rate as normal pay, but ideally at a premium rate.</p> <p><b>Benefits and Bonuses:</b> all legally required benefits and bonuses are paid to workers on time and in full.</p> <p><b>Working Hours:</b> working hours are aligned with local laws or industry benchmarks.</p> <p><b>Overtime Hours:</b> overtime is voluntary and workers do not regularly work more than 12 hours of overtime per week.</p> <p><b>Time-off and Breaks:</b> workers are given time-off and breaks in accordance with local laws.</p> <p><b>Communication:</b> payment terms are communicated to workers before they start and confirmed in writing. Workers receive written pay slips.</p> <p><b>Deductions:</b> deductions for disciplinary issues, lateness and absence are only taken in accordance with local laws.</p>

## 1.6 Freedom of Association

Supplier Code	<p>Open communication and direct engagement with workers to resolve workplace and compensation issues are encouraged.</p> <p>Suppliers shall respect the rights of workers, as set forth in local laws, to freely join or not join labor unions, seek representation and join workers' councils. Workers shall be able to communicate openly with management regarding working conditions without threat of reprisal, intimidation or harassment.</p>
Expectations	<p><b>Collective Bargaining:</b> workers are able to bargain collectively and understand how to raise issues if they wish. Where collective agreements are in place, they are communicated to all workers in a language they can understand.</p> <p><b>Trade Union/Worker Representation Rights:</b> workers are freely able to join, or form, a trade union or worker committee without fear of reprisal or discrimination. Worker representatives are granted reasonable time, and access to facilities like meeting rooms, to carry out their role, in accordance with local laws.</p> <p><b>Parallel Means:</b> where local laws restrict trade unions, workers are able to form worker committees if they so choose.</p>

## Health, Safety and Environment

Given the breadth, complexity and size of the Novartis supply chain, the outlined standards in section 2 and 3 for Health, Safety and Environment (HSE) provide suppliers with basic standards and concepts that Novartis expects adherence to throughout its supply chain.

Novartis expects each supplier and third party to understand the applicable HSE standards for its specific products or services, and to augment these standards as necessary.

## 2 Health and Safety

Suppliers shall comply with all applicable health and safety laws and regulations by providing a safe and healthy working environment, and, if applicable, safe and healthy company living quarters. The health and safety elements include:

### 2.1 Risks and Process Safety

Supplier Code

Suppliers shall have systems and programs in place to identify both occupational and external hazards. They should classify such hazards and define the risk levels appropriately, and have programs and systems in place to prevent or mitigate these risks (e.g., catastrophic releases of chemicals, fumes, dust, etc.).

### 2.2 Worker Protection

Supplier Code

Suppliers shall have systems and processes in place to protect workers from exposure to chemical, biological and physical hazards (including physically demanding tasks) in the workplace and company-provided living quarters.

### 2.3 Emergency Preparedness and Response

Supplier Code

Suppliers shall develop and distribute emergency plans across their facilities and company-provided living quarters. Suppliers should minimize the potential impact of any emergency by implementing suitable emergency plans and response procedures.

### 2.4 Hazard Information

Supplier Code

Suppliers shall have programs and systems in place to provide workers with safety information relating to hazardous materials and education to protect them from potential hazards. Hazardous materials can include but not be limited to raw materials, isolated intermediates, products, solvents, cleaning agents, and wastes.

### 3 Environment

Suppliers shall comply with all applicable environmental laws and regulations. All required environmental permits, licenses, information registrations and restrictions shall be obtained, and their operational and reporting requirements followed, specifically:

#### 3.1 Environmental Authorizations

Supplier Code

Suppliers shall have processes and systems to conform with applicable environmental laws and regulations. Required environmental permits, licenses, information registrations and restrictions shall be obtained, and their operational and reporting requirements followed.

#### 3.2 Waste and Emissions

Supplier Code

Suppliers shall have processes and systems in place to ensure the safe handling, movement, storage, recycling, reuse, or management of waste. Any generation and disposal of waste, emissions to air and discharges to water, with the potential to adversely impact human health or the environment shall be appropriately minimized, properly managed, controlled, and/or treated prior to release into the environment.

#### 3.3 Spills and Releases

Supplier Code

Suppliers shall have processes and systems in place to prevent and mitigate accidental and diffusive spills and releases to the environment.

#### 3.4 Sustainability and Efficiency of Resources

Supplier Code

Suppliers shall have processes and systems in place to optimize the use of all relevant resources sustainably, such as energy, water and materials.



## 4 Animal Welfare

Supplier Code	Animals shall be treated respectfully, with pain and stress minimized. Animal testing should be performed after consideration to replace animals, reduce the numbers of animals used or refine procedures to minimize distress. Alternatives should be used wherever scientifically valid and acceptable to regulators.
Expectations	<p>Novartis is committed to globally achieving high standards of Animal Welfare whenever animals are involved in a Novartis study or procedure. The Novartis Animal Welfare Standard applies to all internal and Novartis external animal studies. It corresponds with the US regulations, namely the AW Act (USC 7; 1966) and Regulations, and the US Guides for the Care and Use of Laboratory and Agricultural Animals (including all vertebrates). More stringent criteria apply for Non-Human Primates. For countries with local/national regulations that are more stringent than those of the United States, the higher standards apply.</p> <ul style="list-style-type: none"><li>• The welfare of animals is of primary concern.</li><li>• The Three Rs (Replace, Reduce, Refine) are applied.</li><li>• Studies are carried out by well-trained, competent and experienced personnel.</li><li>• Finished cosmetics and their ingredients will not be tested on animals.</li><li>• Only animals specifically bred for research purposes are purchased and used, except for some farm animals, companion animals used in clinical studies, and fish.</li><li>• Animals are treated respectfully and cared for in accordance with the particular needs of the given species and individual.</li><li>• Animals experience the minimum amount of discomfort, distress or pain.</li><li>• Particular care and attention is paid to the transportation of animals.</li><li>• The principles and requirements apply to Novartis-initiated studies performed at third party facilities (e.g., contract research organizations, universities and other companies).</li></ul>

## 5 Anti-Bribery and Fair Competition

### 5.1 Anti-Bribery

Supplier Code

Suppliers shall not bribe any public official or private person and shall not accept any bribes. No intermediaries, such as agents, advisers, distributors or any other business partners, shall be used to commit acts of bribery.

Suppliers shall comply with applicable laws and regulations and industry standards related to anti-corruption.

Expectations

**Facilitation Payments:** no facilitation payments are made, irrespective of whether or not local law permits them.

**Gifts, Hospitality and Entertainment:** gifts, hospitality, and entertainment are modest, reasonable and infrequent, so far as any individual recipient is concerned.

- Gifts, hospitality, and entertainment are never offered or provided with the intent of causing the recipient to do something favoring the supplier and/or Novartis or to refrain from doing something disadvantaging the supplier and/or Novartis.
- Gifts in the form of cash and gifts that are cash-equivalent are never given.
- No entertainment is provided to any participant to business meetings, congresses or comparable events, unless the entertainment is an appropriate and incidental part of such events. No payment is made for any side or extended trips.
- No payment is made for the entertainment, hospitality or travel costs of anyone who accompanies an invitee to a business meeting, congress or comparable event.

**Grants and Donations:** grants and donations are only given if the supplier and/or Novartis do not receive, and are not perceived to receive, any tangible consideration in return.

**Political Contributions:** if the supplier chooses to make political contributions, they must be made in compliance with all applicable laws, regulations and industry codes and standards, and must not be made with the expectation of direct or immediate return for the supplier or Novartis.

**Internal Control Mechanisms:** suppliers have policies or guidelines in place that define under which circumstances, or within what limits, employees are allowed to receive gifts or favors from external companies with whom the company does business.

- These are publicly available and widely disseminated to staff in an appropriate language.
- Compliance with the policies/guidelines is ensured and periodically reviewed.

Suppliers train their sales forces and any other relevant employees on anti-bribery, at their own expense.

- Such training includes the provisions of the applicable anti-corruption laws.
- Upon request from Novartis, the supplier shall promptly provide a copy of the training material and the training attendance sheets (including name and qualification of the trainer).

**Reporting Potential Misconduct:** all workers are encouraged to report concerns or illegal activities in the workplace, without threat of reprisal, intimidation or harassment.

- Appropriate investigation and corrections are carried out. The supplier makes such records available to Novartis on request.

**Public Officials:** any relationship between the supplier and public officials is in strict compliance with the rules and regulations to which they are subject (i.e. any applicable rules or regulations in the particular country relating to public officials or that have been imposed by their employer). Any benefit conveyed to a public official is fully transparent, properly documented, and accounted for.

**Third-party Relationships:** the supplier does not sub-contract or otherwise engage with third parties on behalf of Novartis or represent Novartis to third parties, without the prior written consent of Novartis. Similarly, there is no assignment of the contract, without prior written consent of Novartis.

**Engagement as Third Party:** suppliers' engagement by Novartis as third parties is never used to create an incentive or reward for prescribing Novartis products or to secure any improper business advantage for Novartis.

**Books and Records:** Novartis may audit the supplier at any time upon reasonable prior notice to ensure its compliance with these standards and to confirm all payments made by Novartis and to third parties.

- The supplier prepares and maintains books and records that document accurately and in reasonable detail all matters related to the supplier's business with Novartis, accounting for all payments (including gifts, hospitality and entertainment or anything else of value) made on behalf of Novartis, or out of funds provided by Novartis.
- A copy of this accounting is available to Novartis upon request.

## 5.2 Fair Competition

Supplier Code

Suppliers shall conduct their business consistent with fair and vigorous competition. They shall employ fair business practices, including accurate and truthful advertising.

Suppliers shall comply with all fair competition and antitrust laws and regulations.

## 6 Data Privacy

**Supplier Code** Suppliers shall apply adequate data privacy and security protection to individuals' personal information it processes. Suppliers will operate in a manner that is consistent with applicable data protection laws.

**Expectations** **Proper Protection of Personal Information:** suppliers shall have the proper organizational structure, processes and procedures to ensure the protection of personal information against accidental, unauthorized or unlawful loss, destruction, alteration, disclosure, use or access.

**Proper Security Measures:** suppliers must have adequate policies and procedures in place which address technical and organizational security and take reasonable steps to confirm compliance with those.

**Compliance with Cross-Border Transfer Restrictions:** suppliers must have adequate safeguards, rules and procedures to ensure that they remain in compliance with all applicable laws that govern cross-border data transmissions.

## 7 Identification of Concerns

**Supplier Code** All workers should be encouraged to report concerns or illegal activities in the workplace, without threat of reprisal, intimidation or harassment. Suppliers shall investigate and take corrective action if needed.

## 8 Management Systems

Suppliers shall use management systems to facilitate continual improvement and compliance with the expectations of these principles. Elements of the management systems include:

### 8.1 Commitment and Accountability

**Supplier Code** Suppliers shall demonstrate commitment to the concepts described in this document by allocating appropriate resources.

### 8.2 Legal and Customer Requirements

**Supplier Code** Suppliers shall identify and comply with applicable laws, regulations, standards and relevant customer requirements.

### 8.3 Risk Management

**Supplier Code** Suppliers shall have mechanisms to determine and manage risk in all areas addressed by this document.

### 8.4 Documentation

**Supplier Code** Suppliers shall maintain documentation necessary to demonstrate conformance with these expectations and compliance with applicable regulations.

## **8.5 Training and Competency**

Supplier Code

Suppliers shall have a training program that achieves an appropriate level of knowledge, skills and abilities in management and workers to address these expectations.

## **8.6 Continual Improvement**

Supplier Code

Suppliers are expected to continually improve by setting performance objectives, executing implementation plans and taking necessary corrective actions for deficiencies identified by internal or external assessments, inspections and management reviews.

## 9 References and Bibliography

The following references are included for information. They are not intended to create any additional obligations beyond this Novartis Supplier Code.

<b>General References</b>	<p><a href="#">Novartis Code of Conduct</a>  <a href="#">Pharmaceutical Supply Chain Initiative</a>  <a href="#">United Nations Global Compact</a>  <a href="#">Universal Declaration of Human Rights</a></p>
<b>Labor Rights</b>	<p><b>Freely Chosen Employment</b>  <b>International Labor Organization</b> (“ILO”) Conventions 29 and 105: <a href="http://www.ilo.org/ilolex/english/convdisp1.htm">http://www.ilo.org/ilolex/english/convdisp1.htm</a></p> <p><b>Child Labor</b>  ILO Conventions 138 and 182: <a href="http://www.ilo.org/ilolex/english/convdisp1.htm">http://www.ilo.org/ilolex/english/convdisp1.htm</a></p> <p><b>Non-Discrimination</b>  ILO Conventions 111 and 100: <a href="http://www.ilo.org/ilolex/english/convdisp1.htm">http://www.ilo.org/ilolex/english/convdisp1.htm</a>  International Convention on the Elimination of All Forms of Racial Discrimination: <a href="http://www2.ohchr.org/english/law/cerd.htm">http://www2.ohchr.org/english/law/cerd.htm</a>  Convention on the Elimination of All Forms of Discrimination Against women: <a href="http://www2.ohchr.org/english/law/cedaw.htm">http://www2.ohchr.org/english/law/cedaw.htm</a></p> <p><b>Wages, Benefits and Working Hours</b>  ILO Conventions 131, 95, 14 and 1: <a href="http://www.ilo.org/ilolex/english/convdisp1.htm">http://www.ilo.org/ilolex/english/convdisp1.htm</a></p> <p><b>Freedom of Association</b>  ILO Conventions 87 and 98: <a href="http://www.ilo.org/ilolex/english/convdisp1.htm">http://www.ilo.org/ilolex/english/convdisp1.htm</a></p>
<b>Health, Safety &amp; Environment</b>	<p><a href="#">OHSAS 18001</a>  <a href="#">ISO 14001 Environmental Management Systems standard</a>  <a href="#">ISO 50 000 Energy Management Systems standard</a>  <a href="#">Forest Stewardship Council</a>  <a href="#">Sustainable Palm Oil</a></p>
<b>Animal Welfare</b>	<p><a href="#">Guide for the Care and Use of Laboratory Animals, 8th Edition (©2011) National Research Council (NRC), Washington DC, USA</a>  <a href="#">Guide for the Care and Use of Agricultural Animals in Agricultural Research and Teaching, 3rd Edition (2010), Federation of Animal Science Societies (FASS), Champaign IL, USA</a>  <a href="#">European Directive 2010/63/EU (PE-CONS 37/10) of the European Parliament and of the Council of the European Union on the Protection of Animals used for Scientific Purposes (2010)</a></p>
<b>Anti-Bribery</b>	<p><a href="#">OECD Anti-Bribery Convention</a>  <a href="#">US Foreign Corrupt Practices Act 1977</a>  <a href="#">UK Bribery Act 2010</a></p>

Novartis International AG  
P.O. Box CH-4002 Basel,  
Switzerland  
Tel: +41 61 324 11 11

[www.novartis.com](http://www.novartis.com)  
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