

Novartis Argentina – Communication on Progress – 2009

Novartis Argentina signed the United Nations Global Compact (UNGC) in 2004 and has since been a strong supporter and an active participant in the local UNGC initiative.

The Novartis group supports the initiative and its ten principles globally. For Novartis Argentina, the UNGC represents a formidable opportunity to promote and increase local standards and enforce consistent legal principles, particularly with regard to human rights.

Novartis Argentina follows the group Code of Conduct (CoC) and Corporate Citizenship (CC) policy that support and enforce the protection of international human rights in particular. These documents, together with other group policies on insider trading, global codes of marketing and promotion, conflict of interest, financial integrity, are compulsory for all Novartis associates in Argentina. In 2009, approximately 92% of Argentine employees received training on those corporate policies and on how to report any related violation.

Jim Harold
CPO Head and Country President
Novartis Argentina

Principle 1 - Human rights: Businesses should support and respect the protection of internationally proclaimed human rights.

Commitment and policies

- Code of conduct, chapter 1: why a code of conduct? “Support of and respect for the protection of internationally proclaimed human rights.”
- Corporate citizenship policy: “We seek to promote and protect the rights defined in the Universal Declaration of Human Rights of the United Nations within our sphere of influence.”
- Corporate citizenship guideline 4 on human rights: “Novartis recognizes that the inherent dignity and the equal and inalienable rights of all members of the human family are the foundation of freedom, justice and peace. It therefore respects and supports the protection of human rights, as enshrined in the Universal Declaration of Human Rights (UDHR) issued by the General Assembly of the United Nations on December 10, 1948.”

Projects, activities and outcomes

- Access-to-medicine global programs in collaboration with the World Health Organization (WHO) and other inter-governmental and non-governmental organizations to combat malaria, leprosy and tuberculosis in developing countries. Available upon request in Argentina.
- The Gleevec/Glivec International Patient Assistance Program (GIPAP) for our anticancer medicine Gleevec/Glivec continues to offer discounts and support programs for properly diagnosed patients who lack medical insurance or cannot afford treatment.

- In Argentina around 7% of the patients who are prescribed Glivec® are in the GIPAP program and receive the medicine for free.
- Novartis Argentina undertakes an array of social activities in order to support the protection of human rights in needy communities in the country. Each year, Novartis celebrates the Community Partnership Day throughout the world. In 2009, Novartis Argentina invited all associates to donate groceries, clothing, shoes, stationary, books, toys, etc. to the following charity institutions dedicated to social work:
 - 1) Juanito Foundation for children taken away from their homes due to violence and crimes.
 - 2) “Manos Abiertas” Foundation, which owns two different institutions:
 1. Hogar Santa Ana, a house where nearly 60 elderly persons have lunch everyday and spend the day;
 2. Centro Beato Hurtado, a center where more than 100 children receive scholar assistance, medical care, food and clothing.
 - 3) Intimayo Center, where nearly 90 children and elderly people have dinner everyday.
 - 4) Garrahan Hospital/House, belonging to the most important children hospital in Argentina. People from every Argentine province come to this hospital to have their children treated. Garrahan House offers shelter and food to poor mothers who come to the Hospital with their children. We also donated clothes, toys and baby articles.
 - 5) SER Foundation: it is a special school for disabled children and a center for young disabled people where they can learn a profession.
 - 6) Habitat for Mankind Argentina: it is an NGO devoted to support needy people to build or renovate their homes with the help of volunteers.
 - 7) Pirovano Hospital: donation of medicines.
 - 8) Felices los Niños Foundation: a group representing the bakery workshop visited our office in Buenos Aires and sold loaves of bread, cookies and other bakery products to the local staff.
 - 9) Cáritas Buenos Aires: it is a charity organization that promotes, coordinates and organizes the Catholic Church charity action in Argentina.
 - 10) Combos Solidarios: a raffle plus a fix amount of many donated by our company, Novartis bought approximately 3000 kilos of groceries and goods that were later distributed among the institutions Novartis collaborates with.

Nearly 90 people took part in the 2009 CPD in Argentina.

- Other social activities are the donation of medicines and IT equipment to local NGOs.
- Novartis has been sponsoring ADETRA (the Argentine Association for Transplant Sport Men) since 1996, supporting both the participation of the local delegation in the World Transplant Games (held internationally every 2 years) and the organization of the Argentine and Latin American Games.

In 2009, Novartis Argentina financed the participation of the Argentine team in the games that took place in Sydney (Australia). The national team won 25 medals and remained in the 14 position of the world ranking.

- Accenture Marathon: Novartis Argentina participated in the Gold sponsor category in this initiative. This is a fundraising initiative in favor of the Garrahan Foundation. About 100 employees participate in the event.
- Creating a permanent local medicine donation program
Novartis Argentina has been extensively involved in medicine donation and has supported several projects to facilitate access to healthcare for poor members of the Argentine community. The social situation in Argentina and the company's social responsibility guidelines led Novartis Argentina to the conclusion that a more formal and lasting system for drug donation was needed. The result of extensive research, consultation, and a three-way partnership is the Programa Novartis Comunidad, which offers access to free counseling, healthcare and medicines to qualifying community members. The program was launched in May 2005. The Programa Novartis Comunidad is a permanent drug donation program facilitated by two Argentine NGOs, Cáritas Buenos Aires and Fundación Tzedaká, and Novartis Argentina. Qualifying participants are granted access to free counseling, medical orientation and medicines, allowing even the poorest members of society the chance to keep themselves and their families healthy and giving them the assistance they need to become self-sufficient.

Programa Novartis Comunidad offers a toll-free number for people interested in the program. After answering a brief questionnaire, each person is referred to a social worker at one of the two NGOs. The social workers analyze each case after meeting with each potential participant and learning more about his or her situation. An attending physician examines each participant's file/case, and offers medical orientation and medication free to those who meet the eligibility criteria, including the possibility of long-term care. Nearly all pharmaceuticals and OTC medicines are offered free of charge as part of the program. Those applicants who do not meet the program's criteria are redirected to other organizations that may better suit their individual needs.

The Program was launched in 2005 and near 700 patients have benefited from it so far. Since 2008, the Novartis Community Program has been active in Buenos Aires, its area of influence and in the city of Rosario (located in the province of Santa Fe). The program also answered requests from patients from other regions within Argentina.

In 2008, the program further developed into a sustainable assistance program, based on a concept of integral healthcare and inclusion. The program focused on pathologies and social situations having the greatest negative impact on people's lives.

In practical terms, this means that the program:

- 1) provides care for a larger range of needs (labor insertion, education, legal assistance);
- 2) extends the network of connections to cover such needs;
- 3) deepens the quality of the relationship with beneficiaries and encourages them to assume responsibilities so that they can solve problems;
- 4) provides a greater synergy with other NGOs, such as AMIA, AMIJAI, Manpower and the Buenos Aires Bar Association.

Consequently, in this new stage, the Novartis Community Program provides a “link”, a “bridge”, to match the first-stage beneficiaries’ needs and the collaboration available through prestigious NGOs and other entities.

- In 2009, Novartis Argentina launched the initiative "Presentes Solidarios". The purpose of this initiative was to give donations to two charity organizations: Cáritas Buenos Aires and Tzedaká Foundation, equivalent to the allocations planned for the year-end-gifts to vendors.
- Since 2006, Novartis Argentina has an internal policy to support the worklife balance of its associates. This policy includes several activities that allow employees to share more quality time with their families, such as the flexible time policy.
- Novartis Argentina associates are paid a “living wage”, i.e. a salary that is higher than the legal minimum wage for Argentina. They also have access to a special program which offers financial, psychological and legal counseling for free to them and their families.
- Novartis Argentina has been recognized by Apertura magazine as one of the best employers for the last 4 years (# 3 in 2009 in the segment of companies with 200 to 1000 associates).
- As part of its commitment to associates, Novartis Argentina agreed to participate in an initiative led by both the National Labor and the National Justice Ministries, whose main goal is to support the quality of life and the right to health of those associates suffering from addictions such as drugs and alcohol. The companies participating in this initiative agreed to take care of the prevention and treatment of those employees with severe addiction problems.
- Manpower Argentina, an HR company, recognized Novartis Argentina as “an inclusion partner” as a result of having added disabled people to its workforce.

Targets 2009/2010

- Participate in fora and debates related to human rights organized by NGOs and public administration.
- Contribute to access to medicines for needy people in Argentina in line with the company commitment to the right

to health.

- Develop philanthropic activities in order to contribute to charity social entities which promote the human rights through social inclusion programs.
- Ensure an inclusive social working environment which promotes the respect for human rights.

Additional information

www.novartisfoundation.com
www.nitd.novartis.com
www.nvgh.novartis.com
www.who.int/en/
www.un.org
www.blihr.org
www.corporatecitizenship.novartis.com/businessconduct/index.shtml

Principle 2 - Human rights: Businesses should make sure they are not complicit in human rights abuses.

Commitment and policies

- Code of conduct, chapter 4: non-discrimination: “Novartis will not tolerate discrimination” and chapter 9: compliance with the law: “Compliance with the law is an absolute requirement for Novartis and its employees. [...] Novartis is strongly committed to non-discriminatory and fair labor standards, to protecting the environment and to ensuring the health and safety of its employees.”
- Corporate citizenship policy: “We do not tolerate human rights abuses within our own business operations.”
- Corporate citizenship guideline 2 on fair working conditions
- Corporate citizenship guideline 4 on human rights
- Corporate citizenship guideline 5 on third party management
- Corporate citizenship guidance note 5.1 on practical implementation and recommendations for corporate citizenship in 3rd party relations.

Projects, activities and outcomes

- Novartis Argentina enforces the protection of human rights, avoiding any kind of violation in the course of its normal business practices.
- Novartis Argentina follows the group Third Party Management policy. We work closely with all suppliers/third party contractors to safeguard the inclusion of human rights in their business practices and policies. All third parties are classified annually in one of four categories according to their turnover with Novartis, the anticipated duration of the contract and the level of risks associated with their operations. Critical third parties are evaluated by a self-assessment and where applicable, the most critical third parties are visited by Novartis in order to learn about the level of compliance with our corporate citizenship principles. Follow-up visits are conducted on a regular basis. Novartis maintains the data received during

this process for ongoing compliance evaluations. In cases where the results of the assurance visits and inquiries are unsatisfactory, Novartis assists the third party in developing an improvement program designed to raise the level of compliance with our Third Party corporate citizenship principles. If concerns persist regarding the commitment or capability of the third party to improve its corporate citizenship standards, Novartis evaluates as to whether special support should be provided or the contract terminated. If an agreed improvement program is not completed within three years, or if the respective audit results are not satisfactory, then the contracts are terminated.

- All our external providers should follow the guidance established in our Corporate Citizenship policy and adhere to the 10 principles of the UN Global Compact.
- Novartis Argentina associates are paid a “living wage”, i.e. a salary that is higher than the legal minimum wage for Argentina. They also have access to a special program which offers financial, psychological and legal counseling for free for them and their families.
- E-training modules on integrity and compliance (code of conduct, corporate citizenship, competition law, insider trading, conflict of interest, financial integrity, etc.) for all associates. Novartis Argentina achieved nearly a 92% compliance rate including the 2009 training sessions.
- Corporate Citizenship Ambassador Program: Novartis Argentina carried out 2 workshops in 2009 (involving 30 employees) to train associates on the Novartis Corporate Citizenship initiatives and how to communicate them.
- Manpower Argentina, an HR company, recognized Novartis Argentina as “an inclusion partner” as a result of having added disabled people to its workforce.

Targets 2009/2010

- Continue to use established process to update living-wage levels annually and adjust salaries of any associates found below those levels.
- Third party management: optimize current approach to third party management to improve quality and effectiveness by focusing on key risks in the supply chain.
- Continue to run assurance visit program for third party suppliers from high-risks industries

Additional information

www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml

www.corporatecitizenship.novartis.com/business-conduct/business-practice/third-party-management.shtml

Principle 3 - Labor standards: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Commitment and policies

- Corporate citizenship policy: “We believe in constructive dialogue between employer and employees and support the principle of freedom of association.”
- Corporate citizenship guideline 2 on fair working conditions, point 8 on freedom of association: “Novartis recognizes that each employee has the right to choose whether to join a trade union or employee association. Novartis companies shall give trade unions a fair chance to compete for unionization of employees and shall be comfortable with collective bargaining arrangements, individual arrangements, or a mixture of the two.”
- Corporate citizenship guideline 5 on third party management, point 6 on freedom of association: “Suppliers shall respect the rights of workers, as set forth in local laws, to associate 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.”

Projects, activities and outcomes

- The Novartis group supports the right to free association among employees and collective bargaining, favoring a constructive dialog and communications among stakeholders, the employer and employees.
- In Novartis Argentina, there is no ruling or policy that stops our associates from forming any kind of workers association or presenting a collective negotiation or labor request.
- Novartis Argentina is in line with this principle and with the local regulations, where we allow every associate to be part of a union or any kind of workers association.
- Novartis Argentina associates are aware of the right of free association, granted by the national Constitution, the local Labor Regulations and the Corporate Citizenship policy.
- On a monthly basis, the Country Pharma Organization and part of senior management of Novartis Argentina hold meetings with all employees. In 2009, several open space discussions with the Head of Novartis Argentina were held.
- Channels to ensure effective communication with the Union are active, such as, meetings with Union representatives and HR representatives or other managers and a special Union internal board on Novartis premises.
- Novartis Argentina actively interacts with unionized personnel in order to be open to their requests and demands and solve them effectively. Human Resources area is in charge of ensuring a good relation with the Union. Several events and meetings between the Union and Novartis regularly take place.

Targets 2009/2010

- Pursue internal communication on freedom of association (the

aspiration is that all employees are informed).

Additional information

www.corporatecitizenship.novartis.com/managing-cc/governance/code-policies-guidelines.shtml
www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml

Principle 4 - Labor standards: Businesses should uphold the elimination of all forms of forced and compulsory labor.

Commitment and policies

- Code of conduct, chapter 9: compliance with the law: “Novartis is strongly committed to non-discriminatory and fair labor standards, to protecting the environment and to ensuring the health and safety of its employees.”
- Corporate citizenship policy: “We do not tolerate forced labor and other forms of exploitative labor.”
- Corporate citizenship guideline 2 on fair working conditions, point 9 on forced, compulsory and bonded labor: “Novartis will not engage in forced, compulsory or bonded labor.”
- Corporate citizenship guideline 5 on third party management, point 10 on labor: “Suppliers shall not use forced, bonded or indentured labor or involuntary prison labor.”

Projects, activities and outcomes

- The Novartis group prohibits forced labor of any kind throughout its operations. We define forced labor as work done under the influence of undue pressure, without an individual’s own will.
- Novartis Argentina offers to all associates a fair work contract that establishes clear terms and conditions to perform a designated job. The contract also mentions penalties for associates if they fail to show for work or do not comply with their responsibilities.
- All Novartis Argentina employees are hired according to local regulations and internal policies.
- Novartis Argentina expects all third party manufacturers and suppliers not to resort to forced labor or impose a work unwillingly on their workers. In order to create a commitment on this point and on all 10 Global Compact principles, Novartis Argentina includes a Global Compact letter (to be signed by the third party) in the requirements to become one of its suppliers.
- Since the end of 2007, Novartis Argentina has been participating in the Company Network against Child Labor, an initiative which started as a result of an agreement with the national Labor Ministry, CONAETI (the National Commission for the Eradication of Child Labor) and CEOs and management representatives of more than 50 top companies based in the country. This agreement is aimed at stimulating and implementing coordinated actions developed by different members of society in order to act jointly to eradicate child labor. Different awareness actions and campaigns were carried out by this network.

	<ul style="list-style-type: none"> • In 2009, Novartis Argentina collaborated in coordinating the European Union, Latin America and Caribbean Forum (EU-LAC) on "Responsibility and competitiveness - the contribution of Corporate Social Responsibility and multi-sector alliances to competitiveness and sustainable development" organized by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Argentine Ministry of Labor, Employment and Social Security (MTEySS).
Targets 2009/2010	<ul style="list-style-type: none"> • Continue to monitor human rights compliance within our operations and supply chain. • Continue to comply with local regulation as regards the labor field. • Participate in public initiatives which promote decent labor.
Additional information	<p>www.corporatecitizenship.novartis.com/managing-cc/governance/code-policies-guidelines.shtml www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml</p>

Principle 5 - Labor standards: Businesses should uphold the effective abolition of child labor.

Commitment and policies	<ul style="list-style-type: none"> • <u>Code of conduct</u>, chapter 9: compliance with the law: "Novartis is strongly committed to non-discriminatory and fair labor standards, to protecting the environment and to ensuring the health and safety of its employees." • <u>Corporate citizenship policy</u>: "We support programs to abolish child labor in a manner consistent with the basic interests of the child." • <u>Corporate citizenship guideline 2</u> on fair working conditions, point 10 on child labor: "Novartis will not use child labor." • <u>Corporate citizenship guideline 5</u> on third party management, point 10 on labor: "Suppliers shall not use child labor."
Projects, activities and outcomes	<ul style="list-style-type: none"> • The Novartis group supports and enforces the practice of not hiring minors. • Novartis Argentina does not hire minors. The minimum hiring age in the country is 18 years. • In 2004, Novartis Argentina signed the local Declaration of Argentine Companies against Child Labor, as a result of the program "Adoption of a declaration against the child labor in Argentina: an answer from the leading companies", sponsored by the International Labor Organization Office in Argentina. • As of the end of 2007, Novartis Argentina has been participating in the Company Network against Child Labor, an initiative which started as a result of an agreement with

the national Labor Ministry, CONAETI (the National Commission for the Eradication of Child Labor) and CEOs and management representatives of more than 50 top companies based in the country. This agreement is aimed at stimulating and implementing coordinated actions developed by different members of the society in order to act jointly to eradicate child labor. Different awareness actions and campaigns were carried out by this network.

- In 2009, Novartis Argentina collaborated in coordinating the European Union, Latin America and Caribbean Forum (EU-LAC) on "Responsibility and competitiveness - the contribution of Corporate Social Responsibility and multi-sector alliances to competitiveness and sustainable development" organized by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Argentine Ministry of Labor, Employment and Social Security (MTEySS).

Targets 2009/2010

- Continue to monitor human rights compliance within our operations and supply chain.
- Continue to comply with local regulation as regards the labor field.
- Participate in public initiatives which promote decent labor.

Additional information

www.corporatecitizenship.novartis.com/managing-cc/governance/code-policies-guidelines.shtml
www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml

Principle 6 - Labor standards: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Commitment and policies

- Code of conduct, chapter 4: discrimination: "Novartis will not tolerate discrimination or harassment based on race, religion, creed, national origin, sex, disability, age or any other relevant category."
- Corporate citizenship policy: "The Novartis core values are based on the fundamental rights of every individual [...], such as nondiscrimination [...]. We base our human resources policies and practices on fairness [...]."
- Corporate citizenship guideline 2 on fair working conditions, point 11 on non discrimination: "Novartis will not tolerate discrimination based on personal characteristics that are not inherently relevant to the performance of a job. Such characteristics include race, color, sex, religion, political opinion, national extraction or social origin or any other characteristic protected under local law. [...] Each Novartis company shall ensure equitable treatment among its employees in terms of basic employment terms, advancement possibilities, paid holidays granted, occupational safety and health, access to training and vocational guidance, and all other material terms and conditions of employment."

- Corporate citizenship guideline 5 on third-party management, point 10 on labor: “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 condoned.”

Projects, activities and outcomes

- The Novartis group champions the elimination of any kind of discrimination regarding differentiation, exclusion or preference in relation with gender, color, religion, social status, political affiliation or nationality.
- In Novartis Argentina there are no practices that stimulate discrimination of any kind.
- The interviewing and hiring processes are clear and transparent. For the promotion, training and salary increases of our associates, there are guidelines to avoid discrimination and favor transparency about the opportunities available for associates and their career advancement.
- Novartis Argentina expects that all third party manufacturers and suppliers of external services have in their policies and procedures non-discriminatory guidelines, as stated in the conditions to become a Novartis Argentina supplier.
- Novartis Argentina is committed to avoiding any kind of discrimination, or harassment and to promoting diversity. Efforts have been done to inform and train all associates about this topic to ensure compliance.
- In 2005, the Novartis group established a Business Practices Office (BPO), meant to receive complaints from associates and stakeholders related to violations to human rights, discrimination or any kind of harassment, misconduct or any violation to our guidelines and policies. Reports to the BPO can be addressed by mail or by phone to ‘the integrity line’. All complaints reported to the BPO are duly investigated and results are provided to the business unit head to take corresponding corrective actions. Lessons learned are also considered to strengthen controls.
- Novartis created group-widely, the Diversity and Inclusion (D&I) initiative to promote greater diversity of talent, inclusion, engagement, innovation and customer/patient focus throughout the organization. Under this initiative, the company established a formal Diversity and Inclusion (D&I) Leadership network with divisional D&I leaders; defined a strategy to support the business case; and introduced metrics to measure progress.
- As part of the Diversity and Inclusion Policy, Novartis Argentina developed in 2009 some programs and initiatives with the purpose of fostering a culture that values diversity in all areas of the organization. Such practices are based on two pillars: Culture (by establishing an environment of inclusion which engages leaders

accountable) and Talent (by attracting, developing and retaining broader talent pools).

- Regarding the 2009 Novartis Climate Survey results, the Diversity & Inclusion policy showed an 88% positive responses in Argentina. In comparative terms, the results represent: a) 6% of growth versus the prior survey, b) 1% of growth versus the Latin America totals, c) 11% above the global pharmaceutical division performance. Other quantitative results are: a) the level of company management, where women retention rate is 95%, b) the objective goal rate of women management teams is exceeded: 43.14% actual versus 42% target; c) the female participation in recruitment processes to all vacancies reached 59.49% versus 50% target; and finally, d) annual turnover rate was 4% versus an 8% objective.
- Manpower Argentina, an HR company, recognized Novartis Argentina as “an inclusion partner” as a result of having added disabled people to its workforce.
- As part of its commitment to associates, Novartis Argentina agreed to participate in an initiative led by both the National Labor and national Justice Ministries, whose main goal is to support the quality of life and the right to health of those associates suffering from addictions such as drugs and alcohol. The companies participating in this initiative agreed to take care of the prevention and treatment of those employees with severe addiction problems.

Targets 2009/2010

- Develop the D&I global initiative in the company in agreement with the Argentine labor regulations.
- Implement standards linked to the performance management process at
- Novartis to ensure leaders and managers are role models.
- Develop internal and external staffing strategies to further improve diversity of talent.

Additional information

www.corporatecitizenship.novartis.com/people-communities/our-people/diversity.shtml
www.pharma.us.novartis.com

Principle 7 - Environment: Businesses should support a precautionary approach to environmental challenges.

Commitment and policies

- Code of conduct, chapter 9: compliance with the law: “Novartis is strongly committed [...] to protecting the environment and to ensuring the health and safety of its employees.”
- Corporate citizenship policy: “We take a precautionary approach in the innovation and development of new products and technologies. To this end, we follow a step-by-step approach, we engage in scientific peer review, and we consider benefits and risks of innovation in a scientific and

transparent manner.”

- Novartis position on precautionary principle: “The company applies the precautionary approach wherever a significant threshold of plausibility for a potential risk is reached and when science does not give a clear-cut answer on that potential risk. [...] When an activity or a product poses a threat of serious or irreversible damage to the environment, precautionary measures are considered even if cause-effect relationships are not fully established scientifically. However, the precautionary approach needs to remain science-based in order to ensure continued innovation.”
- HSE guidelines: HSE management (#1); emergency management (#2); HSE in development and production (#3); biosafety (#4); warehousing (#6); hazardous waste management (#7); transportation (#11); energy management (#13); energy standards for buildings and equipment (#14).
- HSE guidance notes: risk portfolio (1.1); performance management (1.2); and energy management (1.3).

Projects, activities and outcomes

- The Novartis group supports environmental regulations and preventive guidelines all over the world.
- Novartis Argentina regularly evaluates potential environmental damages. There is a portfolio of potential risks that are communicated to group management, as often as required.
- Novartis manages risks proactively by implementing appropriate preventive and contingency measures. This risk management process is designed to identify potential hazards and take action to reduce the risk of an event – the likelihood of occurrence and severity of consequences – to an acceptable minimum level. Risk portfolios are elaborated on the sites, consolidated at divisional and corporate levels and reviewed by senior management.
- Identifying and managing HSE risks by conducting site analyses and audits by corporate HSE and the HSE organizations of the divisions and business units. In 2009, two audits were made in Argentina (one at the offices and one at the quality assurance laboratory).
- In 2009, Novartis Argentina updated its Business Continuity Management (BCM) efforts on pandemic preparedness (reviewed by a group audit).
- During 2009, policies and procedures related to Energy Management were implemented with the objective of establishing energy saving programs and identifying opportunities for alternative energy uses.
- Novartis Argentina’s main office was built in accordance to several environmental guidelines:
 - Many green existing spaces in the field were preserved as a way to respect original afforestation in the place.
 - The company decided not to occupy the whole available surface in the field, so green surrounding areas are

	<p>preserved.</p> <ul style="list-style-type: none"> - Novartis Argentina replaced the extinguishing system fueled by Halon 1301 gas with another one using FM200, an ecological gas which doesn't damage the ozone layer. - To water green areas, the system uses the water coming from the underground sheets of water in order to preserve drinkable water. - Novartis Argentina generates its own energy, thus safeguarding public energy.
Targets 2009/2010	<ul style="list-style-type: none"> • Continue to closely monitor the risks evaluation in the company premises. • Update the local Business Continuity Management plans.
Additional information	<p>www.corporatecitizenship.novartis.com/environmental-care/index.shtml</p> <p>www.corporatecitizenship.novartis.com/business-conduct/responsible-rd/stem-cell-research.shtml</p>

Principle 8 - Environment: Businesses should undertake initiatives to promote greater environmental responsibility.

Commitment and policies	<ul style="list-style-type: none"> • Code of conduct, chapter 9: compliance with the law: "Novartis is strongly committed [...] to protecting the environment and to ensuring the health and safety of its employees." • Corporate citizenship policy: "We want to be a leader in Health, Safety and Environmental Protection (HSE). [...] We strive to make efficient use of natural resources and minimize the environmental impacts of our activities and our products over their life cycle. We assess HSE implications to ensure that the benefits of new products, processes and technologies outweigh remaining risks. We periodically review such assessments in light of new concerns or evidence." • Corporate citizenship guideline 5 on third party management, point 8 on principles and expectations: "Novartis gives preference to third parties that share the societal and environmental values required by the Global Compact." • Corporate citizenship guideline 5 on third party management, point 11 on health and safety: "Suppliers shall provide a safe and healthy working environment, including for any company provided living quarters." • Corporate citizenship guideline 5 on third party management, point 12 on the environment: "Suppliers shall operate in an environmentally responsible and efficient manner and they shall minimize adverse impacts on the environment." • HSE guidelines: HSE management (#1); Novartis emergency management (# 2); HSE risk management (#3); bio-safety (# 4); occupational health (#5); warehousing (#6); hazardous waste management (#7); selection and management of third party contractors (#8); incident reporting and learning (#9); setting and reviewing provisions for environmental liabilities (#10); transportation (#11); and business continuity
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	<p>management (#12); energy management (#13); energy standards for buildings and equipment (#14).</p> <ul style="list-style-type: none"> • HSE guidance notes: risk portfolio (1.1); performance management (1.2); and energy management (1.3).
Projects, activities and outcomes	<ul style="list-style-type: none"> • The Novartis group enforces Health, Safety & Environment (HSE) policies and guidelines globally. • Novartis Argentina strictly follows the group HSE policies and guidelines as well as the regulations issued by the Environmental Ministry. This guarantees the implementation of programs for optimal waste disposal management, transport of dangerous items and sewage disposal of residues. At the same time, we monitor key indicators such as water consumption and employee training on the proper use of natural resources such as water and energy. • Carbon-offsetting: in Argentina, land was purchased for afforestation to sequester carbon. Starting in 2007, a total of 2350 hectares have been planted, representing about 3 million trees. In 2008 and again in 2009, the project received Forest Stewardship Council certification. • Recycling is a top priority and all associates of Novartis Argentina are encouraged to participate in recycling programs at work. Novartis Argentina has been participating for the last 10 years in a number of paper, ink cartridges and plastic bottles tops recycling programs. In 2009, nearly 3800 kg of paper were given to these programs and 86 kg of plastic tops. • Novartis Argentina participates as an active member in the CEADS (Consejo Empresario Argentino para el Desarrollo Sustentable), the local chapter of the World Business Council for Sustainable Development,
Targets 2009/2010	<ul style="list-style-type: none"> • Participate in debates, chambers and associations that promote environmental care. • Contribute to the commitment of Novartis of reducing CO2 emissions through local management of the global Novartis Group plan of an afforestation in Argentina.
Additional information	<p>www.corporatecitizenship.novartis.com/environmental-care/index.shtml http://unfccc.int/2860.php</p>

Principle 9 - Environment: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Commitment and policies	<ul style="list-style-type: none"> • <u>Corporate citizenship policy</u>: “We strive to make efficient use of natural resources and minimize the environmental impacts of our activities and our products over their life cycle. We assess HSE implications to ensure that the benefits of new products, processes and technologies outweigh remaining risks.”
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	<ul style="list-style-type: none"> • <u>Corporate citizenship policy</u>: “We give priority to business partners, suppliers and contractors who share our societal and environmental values, and we support their efforts to promote these values through their business activities.” • <u>Corporate citizenship guideline 5</u> on third party management, point 21 on improvement programs and special support: “In cases where the results of the assurance visits and inquiries are unsatisfactory, Novartis may assist the Third Party in developing an improvement program designed to raise the level of compliance with the Third Party Code of Conduct.”
Projects, activities and outcomes	<ul style="list-style-type: none"> • The Novartis group supports the implementation and the wide application of new technologies that are environmentally friendly. Yet, there are no manufacturing facilities belonging to Novartis Argentina. • The main office of Novartis Argentina was built in accordance with stringent environmental guidelines: <ul style="list-style-type: none"> - Many green existing spaces in the field were preserved as a way to respect original afforestation in the place. - The company decided not to occupy the whole available surface in the field, so green surrounding areas are preserved. - Novartis Argentina replaced the extinguishing system fueled by Halon 1301 gas with another one using FM200, an ecological gas which doesn't damage the ozone layer. - To water green areas, the system uses water coming from the underground sheets of water in order to preserve drinkable water. - Novartis Argentina generates its own energy, thus safeguarding public energy. • Recycling is a top priority and all associates of Novartis Argentina are encouraged to participate in recycling programs at work. Novartis Argentina has been participating for the last 10 years in a variety of paper, ink cartridges and plastic bottles tops recycling programs. In 2009, nearly 3800 kg of paper were given to these programs and 86 kg of plastic tops.
Targets 2009/2010	<ul style="list-style-type: none"> • Promote environmentally friendly disposal processes, such as recycling programs owned by charity institutions. • Improve and keep the environmentally friendly conditions of the Novartis Argentina premises.
Additional information	www.corporatecitizenship.novartis.com/environmental-care/index.shtml

Principle 10 - Anti-corruption: Businesses should work against corruption in all its forms, including extortion and bribery.

Commitment and policies	<ul style="list-style-type: none"> • Code of conduct, section 6: Bribes, business entertainment, gifts: “No employee shall make any payment, or kickback, or offer improper financial advantage to an official of a government or a government-controlled entity for the purpose of obtaining business or other services, as set out
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in the OECD Convention on Combating Bribery of Foreign Public Officials. [...] Third parties must not be used to circumvent any of the policies mentioned above.”

- Corporate citizenship guideline 3 on business ethics – bribes, gifts and entertainments. “Novartis will not engage in any form of bribery. In plain language bribery means money or favor given or promised in order to influence the judgment or conduct of a private person or public official in a position of trust” “All associates and managers of Novartis and its affiliates (“Novartis”) shall at all times comply with the law. They have the duty to inform themselves about the national and international laws relating to their business activities. Activities that would violate local or international criminal law may under no circumstances be carried out even if they may seem permissible under this policy.”
- Promotional codes established for each Novartis division. The intent behind the codes is to secure the credibility and integrity of Novartis in worldwide healthcare by ensuring that promotion to healthcare professionals and the general public is conducted in an ethical and balanced manner, supported by accurate and relevant information and in accordance with local regulations.
- Code of conduct, section 5: Conflict of Interest: “Business transactions must be conducted with the best interests of Novartis in mind. Nobody, whether an individual, a commercial entity, or a company with a relationship to a Novartis employee, may improperly benefit from Novartis through his or her relationship with the employee or as a result of the employee’s position in the company. Furthermore, no employee may personally benefit in an improper way. Situations which may cause conflict between an employee’s responsibilities towards Novartis and his or her personal interests should be avoided.”
- Conflict of Interest policy dealing with giving and receiving gifts.“ An Associate’s personal interests should never influence his/her business judgment or decision-making on behalf of Novartis. Novartis fully respects the Associates’ private life, but expects Associates to avoid situations that could result in a conflict between their personal interests and those of the company. The Conflicts of Interest Policy provides rules on how to avoid or handle such conflicts.”
- Provision in employment contracts: “The Code of Conduct, the Novartis Group Conflicts of Interest Policy, the Guidelines on Reporting Violations of Law and Policies and all other Novartis policies, procedures, guidelines and other such items applicable to your work are to be adhered to by you and you are aware that a violation of such policies could lead to disciplinary actions up to and including termination of the employment.”

Projects, activities and outcomes

- The Novartis group works permanently against corruption of all kind, including extortion and bribery.
- In addition to the Code of Conduct, Corporate Citizenship policy and Conflict of Interest policy, the Novartis group has developed global guidance on grants and marketing and

promotional practices codes for each of its divisions. These codes ensure compliance with local regulations and protect the integrity of Novartis. They are meant to align promotional practices with high ethical standards and favor responsible product promotion with physicians.

- In 2005, the Novartis group established a Business Practices Office (BPO), meant to receive complaints from associates and stakeholders related to fraud, conflict of interest, corruption, misconduct or any violation to our guidelines and policies. Reports to the BPO can be addressed by mail or by phone to 'the integrity line'. All complaints reported to the BPO are duly investigated and results are provided to the business unit head to take corresponding corrective actions or sanctions. Lessons learned are also obtained to strengthen controls. Novartis Argentina has its own Compliance Officer and also its Integrity Line (0800 666 0078).
- New mandatory e-learning courses launched in 17 languages on topics such as Misconduct Reporting Requirements (BPO), Health, Safety and Environment in the Workplace, Novartis Promotional Practices Policy (NP4), Off-Label Promotion and Adverse Event Reporting and Drug Safety.
- Associates of Novartis Argentina receive regular training on corporate policies and marketing codes, where guidelines are clearly defined regarding corruption issues. In 2009, approximately 92% of Argentine employees received e-learning on those corporate policies and on how to report any related violation.

Targets 2009/2010

- Strengthen organizational processes that foster key drivers of ethical business conduct. Improve responsible leadership skills through further integration of integrity into leadership training.
- Strengthen clearance and self-monitoring processes within divisions with regards to fair marketing practices.

Additional information

www.corporatecitizenship.novartis.com/business-conduct/index.shtml
www.eoa.org/
www.celc.executiveboard.com
www.ifpma.org
www.oecd.org
www.iccwbo.org/policy/anticorruption/
www.ethisphere.com/