2010 UN Global Compact Communication on Progress

NOVARTIS

Novartis commitment to the
UN Global Compact
2010 Communication on Progress

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Principle 1

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." • Right to health: "Novartis endorses the right to health. We believe that each sphere of society – from government and charitable organizations, to medical professionals and business – has a role to play in support of the right to health... We believe the primary contribution of Novartis emanates from our normal business activities – discovering, developing and successfully marketing innovative products to cure disease, ease suffering and enhance the quality of life."
Projects and activities	• Access-to-medicine programs in collaboration with the World Health Organization (WHO) and other intergovernmental and nongovernmental organizations to combat malaria, leprosy and tuberculosis in developing countries. • Patient assistance program for oncology drug, *Gleevec/Glivec*, reaching patients worldwide. • Patient assistance programs for uninsured, low-income citizens in the US. • As part of the UN Millennium Villages project, the Novartis Foundation for Sustainable Development (NFSD) supports a village in Tanzania. • Research on neglected diseases (dengue fever, malaria and tuberculosis) by the Novartis Institute for Tropical Diseases (NITD). • Research on vaccines against diseases of the developing world by the Novartis Vaccines Institute for Global Health (NVGH). • Active participation of Novartis in the Human Rights Working Group of the UN Global Compact to advance thinking on compliance assessments for human rights as well as concepts for access to medicines. • Ongoing testing of the Human Rights Compliance Assessment tool on Novartis sites in cooperation with the Danish Institute for Human Rights (DIHR). • Innovative business model, i.e. "Arogya Parivar," to address the health needs of underserved rural regions of India known as the bottom of the pyramid (BOP).
Results 2010	**Right to health** • Total 2010 access-to-medicine programs valued at USD 1.5 billion at market prices, reaching 85.5 million patients globally. • 82.4 million treatments of the anti-malarial Coartem provided without profit to 46 malaria-endemic countries. • Coartem Dispersible, the antimalarial for children with a body weight 5kg-25kg developed by Novartis and Medicines for Malaria Venture, has been rolled out in 33 countries, up from 18 countries in 2009; 37.5 million Coartem Dispersible treatments were delivered in 2010. • Completed first deliveries of Coartem and Coartem Dispersible under the

	Global Fund's new Affordable Medicines Facility-malaria to Nigeria. • Novartis led the "SMS for Life" 21-week pilot in three districts and 129 health facilities of Tanzania together with Roll Back Malaria, the government of Tanzania, IBM, and Vodafone. The program uses mobile phones and electronic mapping technology to help eliminate stock-outs of Artemisin-based Combination Therapies (ACTs) and quinine injectables in rural health facilities. • Extension of the Novartis tuberculosis (TB) drug donation to Tanzania, administered by the Novartis Foundation for Sustainable Development (NFSD), committing to deliver a further 250 000 treatments over the next three to four years. • Novartis renewed its commitment to donate leprosy drugs worldwide through the WHO. The donation, valued at about USD 26 million, will treat an estimated 1.1 million leprosy patients over the next five years, through 2015. • The NITD started clinical trials for NITD609, an investigational new antimalarial with a novel mechanism of action, and a second malaria compound with potential as a prophylactic has been selected for Proof of Concept (PoC). • The NVGH completed Phase I of the Vi-CRM197 salmonella typhi conjugate vaccine and started a global Phase II study to evaluate its clinical profile in various age groups in India and Pakistan. • The "Arogya Parivar" business model increased accessibility of healthcare education and products for 42 million people in underprivileged rural communities in India. A similar program has been piloted in China. **Human rights** • As part of the activities of the Human Rights Working Group of the UN Global Compact, Novartis presented a report on human rights due diligence activities at the UN Global Compact Summit, based on the human rights assessment tools currently available. • Novartis China tested an advanced draft version of the Human Rights Compliance Assessment tool for pharmaceutical companies, developed in cooperation with the Danish Institute for Human Rights (DIHR). **Global Compact** • Novartis was one of the 54 founding members of the Global Compact LEAD initiative – a platform created by the UNGC to set a new benchmark for corporate sustainability. • To celebrate the 10th anniversary of the UNGC in 2010, the NFSD published two reports: *Novartis and the Global Compact* and *Achieving the UN Millennium Development Goals*. • A conference, co-organized by the Novartis Foundation and the Swiss Agency for Development and Cooperation in October, brought together cross-sectoral experts, including the UNGC's Georg Kell, to discuss the benefits and future challenges of the Global Compact.
Targets 2011	• Participate in the debate on human rights' due diligence and access to health, inter alia through the UNGC's Human Rights Working Group. • Broaden the "Arogya Parivar" portfolio with four additional products covering two therapeutic areas. Launch a pilot in Kenya in 2011.
GRI indicators	• HR1, HR2, HR3, HR8, HR9
Additional information	http://www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml www.novartisfoundation.com www.nitd.novartis.com www.nvgh.novartis.com www.who.int/en/ www.un.org

Principle 2

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 and activities	• Closing any gaps identified on living wages to ensure employees and their families can meet their basic material needs. • Third Party Management: Novartis introduced a revision of the classification process, for prioritizing which suppliers to focus CC5 activities on. The new process aims to be more tailored to the relationship with the supplier and provide a more focused approach for the future, as to how Novartis engages with its supply chain on sustainability issues. • Our third party management process is deployed in 208 different locations with an established organization of 210+ associates to actively support these efforts within our supply chain of circa 200 000 suppliers. • Third party code of conduct is communicated to all class 1 suppliers (professional services, market research, etc.) to promote the Novartis and UN Global Compact principles. • Third party compliance assessment (through questionnaires) for class 2 suppliers (chemical products, construction, etc.) where there could be a potential nonconformity to the values of the UN Global Compact. • Third party compliance assessment through on-site assurance visits for class 3 suppliers (contract manufacturing, waste management, animal testing, etc.) deemed to have a significant influence on Novartis business activities and a very high probability of nonconformity to the values of the UN Global Compact.
Results 2010	• Living wage: the wage-level review identified 24 cases of Novartis employees earning less than the living wage. The salaries of the employees concerned have been adjusted to meet the required living wage levels. • Third party management: – Conducted 112 supplier assurance visits in 2010 in countries ranging from Argentina, Brazil and China to Colombia, India, and Mexico. – Received and assessed 919 third party questionnaires. – Held webinars for Novartis third party management associates in APAC, LatAm, Europe and the US.
Targets 2011	• Continue to use established process to update living-wage levels annually and adjust salaries of any associates found below those levels. • Substantially amend our approach to third-party management, increasing the focus on suppliers with the highest sustainability impacts. This will include modifying existing and defining new follow-up actions to better engage suppliers when potential risks have been identified. • Continue to run assurance visit program for third party suppliers from

	high-risk countries and/or industries.
GRI indicators	• HR1, HR2, HR6, HR7
Additional information	↦ http://www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml ↦ http://www.corporatecitizenship.novartis.com/business-conduct/business-practice/third-party-management.shtml

Principle 3

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 and activities	• Novartis Euroforum (NEF) is an association consisting of Novartis employee representatives in EU countries and Switzerland. NEF represents approximately 28 000 employees and ensures a dialogue between Novartis management and employees about key issues. • Continue to raise awareness among employees on freedom of association (as a part of our corporate citizenship commitment). • Continue reporting on corporate citizenship aspects related to human resources.
Results 2010	• 62% of associates worldwide are represented by a trade union or covered by a collective bargaining agreement. • 45% of associates are represented by internal personnel organizations. • 17% of associates are represented by external personnel organizations (unions). • 62% of associates are explicitly informed about freedom of association.
Targets 2011	• Pursue internal communication on freedom of association (the aspiration is that all employees are informed).
GRI indicators	• HR5, LA3, LA4, LA5, LA6
Additional information	↦ www.corporatecitizenship.novartis.com/managing-cc/governance/code-policies-guidelines.shtml ↦ http://www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml

Principle 4

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 exploitational 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 and activities	• Monitor adherence to labor standards within our operations. • Monitor adherence to labor standards within our supply chain (through assurance visits).
Results 2010	• No forced and no compulsory labor found. • No associates were found below 18 who were not part of a regulated training scheme.
Targets 2011	• Continue to monitor human rights compliance within our operations and supply chain.
GRI indicators	• HR7
Additional information	↳ www.corporatecitizenship.novartis.com/managing-cc/governance/code-policies-guidelines.shtml ↳ http://www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml

Principle 5

Principle 5 - Labor standards: Businesses should uphold the effective abolition of child 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 support programs to abolish child labor in a manner consistent with the basic interests of the child." • Corporate citizenship guideline 2 on fair working conditions, point 10 on child labor: "Novartis will not use child labor." • Corporate citizenship guideline 5 on third party management, point 10 on labor: "Suppliers shall not use child labor."
Projects and activities	• Monitor adherence to labor standards within our operations. • Monitor adherence to labor standards within our supply chain (through assurance visits).
Results 2010	• No associates were found below 18 who were not part of a regulated training scheme.
Targets 2011	• Continue to monitor human rights compliance within our operations and supply chain.
GRI indicators	• HR6
Additional information	↳ www.corporatecitizenship.novartis.com/managing-cc/governance/code-policies-guidelines.shtml ↳ http://www.corporatecitizenship.novartis.com/people-communities/human-rights.shtml

Principle 6

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 and activities	• Group-wide Diversity and Inclusion (D&I) initiative to promote greater diversity of talent, inclusion, engagement, innovation and customer/patient focus throughout the organization. • Expand diverse talent recruitment programs and implement Inclusive Hiring Education. • Pursue initiatives where Novartis divisions are linking Diversity and Inclusion (D&I) to innovation, teamwork, patients, talent development and succession management. • Diversity and Inclusion Advisory Council (DIAC), created in 2006, comprises external experts who advise Novartis on the development and implementation of diversity and inclusion strategies and practices. The DIAC meets semiannually with Novartis leaders to support and challenge the company's progress. The DIAC also holds open meetings with associates. • Run the Global Employee Survey and implement outcomes related to employee engagement from survey. • Input into European Commission activities including the European platform for national diversity charters and co-lead the first-ever European Diversity Benchmark pilot. • Implement actions in Novartis Pharmaceutical Corporation Sales department, as a result of the "Velez vs. Novartis Pharmaceutical Corporation USA" case. • Continue mentoring programs to support D&I, beyond Switzerland. • Continue with inclusive Leadership program and female Leadership program in Novartis Pharmaceuticals division. • Participate in UN Women & UNGC events in Switzerland and in the US.
Results 2010	• Developed and implemented commercial practices within some Sales and Marketing teams. • Group Companies enriched female talent pipeline through selection and development of high potential female employees during the systematic yearly Organization and Talent Review Process.

	• Designed Executive Female Leadership Development Program. • Ensured consistency through implementation of Life-Work Integration Policy. • Focused D&I network to develop a comprehensive, global strategy which addresses business needs within the Novartis Group. • Established D&I Office and D&I Council within the Novartis Institutes for Biomedical Research. • Implemented mandatory training/e-learning for managers/associates to improve quality of performance management discussions. • Novartis became a signatory to the Women Empowerment principles with UNIFEM • Women in management (local definitions and job grades) were 36% in 2010 (35 % in 2009; 37% in 2008; 35% in 2007; 31% in 2006; and 28% in 2005). • The Corporate Executive Group (CEG) of Novartis – representing approximately the 300 most senior executives of Novartis – includes at least 28 nationalities. The proportion of women at CEG level in 2010 is at 19% (19.2% in 2009 from 10% in 2005). In the Novartis Pharmaceutical division women now comprise 24% of the CEG population up from 20% in 2009.
Targets 2011	• Continue high level business commitment to D&I. • Refine divisional D&I scorecards and continue to implement Group-wide D&I strategy actions as defined.
GRI indicators	• EC5, EC6, HR4, LA10, LA11, LA12, LA13, LA14
Additional information	↦ http://www.corporatecitizenship.novartis.com/people-communities/our-people/diversity.shtml ↦ www.pharma.us.novartis.com

Principle 7

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 risk management (#3); biosafety (#4); warehousing (#6); hazardous waste management (#7); contaminated site management (#10); transportation (#11); energy management (#13); energy standards for buildings and equipment (#14). • HSE guidance notes: risk management (8 GLs), biosafety (7 GLs), warehousing (4 GLs), waste management (2 GLs), contaminated site management (2 GLs), transportation (5 GLs), energy management (4 GLs), energy standards for buildings and equipment (3 GLs).
Projects and activities	• Precautionary approach applied in all operations to minimize environmental impacts (emissions to air and water, waste to landfill, efficient use of water and energy resources). • 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. • Business Continuity Management (BCM) efforts on pandemic preparedness (reviewed by a group audit).
Results 2010	• Management of HSE risks – 12 corporate HSE and bio-safety audits and 16 divisional and business unit audits conducted in 2010. – Good progress was made in 2010, as a significant number of risks could be removed from the 2009 Group Risk Portfolio. – A BC Audit of Pharma TechOps was carried out with no critical findings. • HSE training – 2 regional courses on systematic incident investigation were held in Mumbai (India) and East Hanover (USA), with 46 participants trained. – 3 regional energy workshops were held in Singapore, Ljubljana (Slovenia) and Montreal (Canada).

	– 3 process safety courses were held in Ljubljana (Slovenia), Istanbul (Turkey) and Basel (Switzerland), with a total of 76 participants being trained. – 3 training courses on HSE data management and reporting were held in Singapore (1) and Basel (2), with a total of 36 participants being trained. – 9 new courses placed on the Novartis Virtual University, accessible to employees worldwide. • Business Continuity Management (BCM) – In 38 corporate Novartis Emergency Management workshops, 732 participants were trained in emergency management. – In 9 corporate BCM workshops, 277 participants were trained in aspects of business continuity management.
Targets 2011	• Management of HSE risks – 14 corporate HSE and bio-safety audits and 27 divisional and business unit audits are scheduled for 2011. – Preparation of the annual divisional and corporate risk portfolios and respective risk minimization actions. – A Business Continuity audit of the Sandoz Division is planned for 2011 • HSE training – 4 energy/environmental sustainability, 2 process safety, 1 risk assessment, 5 systematic incident investigation and 5 data management system (DMS) training courses are scheduled. – Novartis Virtual University to be completely relaunched on a more modern IT platform with new courses accessible to employees worldwide. • Business Continuity Management (BCM) – At least 20 corporate Novartis Emergency Management workshops are planned for 2011. – 5 international workshops are planned to support implementation and development of BCM and readiness.
GRI indicators	• 4.11, EC2, EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN27, EN28, EN29, EN30
Additional information	http://www.corporatecitizenship.novartis.com/environmental-care/index.shtml http://www.corporatecitizenship.novartis.com/business-conduct/responsible-rd/stem-cell-research.shtml

Principle 8

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

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 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 & BC management (#1); emergency management (#2); HSE risk management (#3); biosafety (#4); warehousing (#6); hazardous waste management (#7); contaminated site management (#10); transportation (#11); energy management (#13); energy standards for buildings and equipment (#14). • HSE guidance notes: risk management (8 GLs), biosafety (7 GLs), warehousing (4 GLs), waste management (2 GLs), contaminated site management (2 GLs), transportation (5 GLs), energy management (4 GLs), energy standards for buildings and equipment (3 GLs).
Projects and activities	• Health – Reducing accidents through behavior-based safety training for associates. – Health Promotion initiatives are being rolled out in all sites to support associates with smoking cessation, hypertension, obesity, vaccinations and cancer prevention. • Resources – Energy efficiency: investment policy, mandatory energy challenges on investments, energy audit programs, energy management structures and processes, regular workshops on energy management, and Novartis Energy Excellence Awards. – Water management: efficiency measures for contact water, promotion of water recycling and water risk assessment at sites with water scarcity. • Environment – GHG emission management (Scope 1 and Scope 2): fuel switch to gas (level of 90% achieved), support of renewable resources (bio-fuels, gas from waste, solar, combined heat and power systems), air conditioning with surface or groundwater water. – Waste management: waste separation and recycling/recovery strategies, segregation of materials in the demolition of old buildings, policy to favor recycling and incineration wherever feasible, and elimination of hazardous waste to landfill.

	– Management of historic soil and groundwater contaminations based on a cautious science-based approach and in full cooperation with the respective local authorities and governmental agencies.
Results 2010	• Health – The Lost Time Injury & Illness Rate (LTIR) was further reduced from 0.22 in 2009 to 0.18 per 200 000 hours in 2010. – The Total Recordable Case Rate (TRCR), based on the total number of injuries and illnesses with and without lost time, stands at 0.84 per 200 000 working hours for 2010 (down from 0. 94 in 2009). • Resources – Novartis exceeded its target to improve energy efficiency by 10% by 2010 based on 2006 levels with an overall improvement of 26%. – In 2010, contact water efficiency improved by 39% between the years 2005 and 2010. • Environment – In 2010 Novartis was able to reduce total GHG emissions by 1% despite continuing growth. – Reduction of CO_2 emissions from the company vehicles fleet from 178kt in 2009 to 173kt and by 14% since 2005. – Carbon-offsetting: ❖ Argentina: Land has been purchased in Argentina for afforestation of pasture land to sequester carbon. Afforestation started in 2007 and was complete by the end of 2009. It covers 2,350 hectares or 70% of the overall purchased land. In 2008, the project received Forest Stewardship Council certification, a quality label on the sustainable (environmental and social) aspects of the forest's management. This label was renewed in 2009 and 2010 and Novartis will seek to maintain this certification in the future. Novartis is working on certification of the CO_2 sequestered as Certified Emission Reduction Units (CERs) by national and international CDM bodies. The carbon sequestration is expected to amount to 165,000 tons of CO_2-equivalent between 2007 and 2012 and up to 3 million tons by 2040. The project has been submitted to the UN Framework Convention on Climate Change in November 2010 and accreditation is expected for 2011. ❖ Mali: A second carbon-offset project sponsored by Novartis is a jatropha plantation and bio-fuels project in Mali, West Africa. The seeds of this shrub can be used for pressing oil, making bio-fuel for rural electrification or producing a natural fertilizer from the residues. Since 2007, about 3,200 hectares of jatropha were planted by more than 3800 local farmers in 28 communities in south-western Mali. In 2010, harvest from these plantations was transformed into jatropha oil used for application of rural electricity generation and soap manufacturing. ❖ China: A third carbon-offset project has been initiated in Sichuan, China, to afforest 3,800 hectares of mountainous land with about 5 million trees of native species. In addition to carbon sequestration, the project will protect the land from soil erosion, landslides and flooding and provide labor and income (from wood and non-wood products) to local communities. The project will also enhance biodiversity as natural forests will help to re-establish habitat for a variety of plants and animals. – Novartis achieved a further reduction in emissions of non-halogenated VOCs in 2010 to 1 334 tons, from 1 508t in 2009. – Emissions of halogenated VOCs increased to 258t in 2010 from 215t in 2009. – Hazardous operational waste disposed in landfills decreased from 4.7t in 2009 to 1.3t in 2010. Novartis has eliminated disposing of

	non-inert hazardous waste to landfills and this small quantity represents non-organic ash waste from an onsite incinerator.
Targets 2011	• Health – The TRCR target for 2011 is to reduce this rate by 5%. – The objective for 2011 is to sustain the LTIR to less than or equal to 0.18. – The Novartis Executive Committee has agreed on implementing a non-smoking ban on all Novartis sites, where legally permissible. • Resources – Improve energy efficiency by a further 15% by end 2015, based on 2010. – Improve water efficiency by a further 4% by end 2012, based on 2010.4% contact water efficiency improvement by 2012 (base year 2010). 2010 marked the final year of the five-year target. • Environment – Improve Halogenated VOC emissions by 15% by end 2012, based on 2008. – Improve by Non-Halogenated VOC emission by 15% by end 2012, based on 2008. – Decrease Scope 1 GHG emission from onsite operations 5% below 1990 level of 308 kilotons by 2012, including carbon offsets.. – Improve efficiency of hazardous waste not recycled by 10% by 2012, based on 2008. – Improve efficiency of non-hazardous waste not recycled by 20% by 2012, based on 2008. Reduce total GHG emissions by 15% by 2015 and 20% by 2020, including carbon offsets, based on 2008.
GRI indicators	• EC2, EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN27, EN28, EN29, EN30, LA6, LA7, LA8, LA9, PR1, PR2
Additional information	↦ http://www.corporatecitizenship.novartis.com/environmental-care/index.shtml ↦ http://unfccc.int/2860.php

Principle 9

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

Commitment and policies	• Corporate citizenship policy: "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." • Corporate citizenship policy: "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." • Corporate citizenship guideline 5 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 and activities	• Technology for best renewable/alternative energy use is one of the four criteria used to identify projects in the annual Novartis Energy Excellence Awards. • Research initiatives to generate essential know-how on the effects of pharmaceuticals in the environment (PiE). • Research collaborations between academia, regulators and industry, aiming at a more targeted and efficient environmental risk assessment for human pharmaceuticals. • Building construction contractors (Campus Basel): requirements on materials, energy management, waste separation, etc.
Results 2010	• Annual Energy Excellence Awards recognize outstanding examples of energy management and reductions of GHG emissions across the Novartis Group. To date, the 124 projects submitted to the 2010 awards program (83 of them already implemented) have achieved annual energy cost savings of USD 10 million and would bring annual savings of USD 40 million if all projects were fully implemented. The achieved savings (USD 10 million) are equivalent to 3% of Novartis total energy costs for 2009. Many projects demonstrate very short payback periods. For two-thirds of the projects, it is less than two years and for more than half, it is one year or less. The annual energy savings from completed projects amount to 750 TJ — more than 4% of the company's 2009 energy consumption. Respective GHG emission reductions will add up to 76kt. • The release rate of our priority active pharmaceutical ingredients (API) from the Pharmaceuticals Division with waste water streams has been reduced to less than 1.9t (or below 0.05%) of the total API production volume.
Targets 2011	• Energy Excellence Awards in energy efficiency and GHG emission reduction will continue in 2011. • With relaxed investment rules and promotional and educational activities, Novartis supports the achievement of increasing energy excellence and use of renewable energy in its facilities worldwide. • Research activities on pharmaceuticals in the environment are ongoing.
GRI indicators	• EC2, EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN27, EN28, EN29, EN30
Additional information	↦ http://www.corporatecitizenship.novartis.com/environmental-care/index.shtml

Principle 10

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

Commitment and policies	• 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 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 and activities	• Continued implementation of an Integrity and Compliance (I&C) Program throughout the company, with more than 200 full- or part-time Integrity and Compliance Officers. • Training of employees on Code of Conduct-related issues. • Certification of selected associates on Code of Conduct • Strengthen cross-divisional organizational cooperation. • Strengthen clearance and self-monitoring processes within divisions.

	• Managing inquiries and complaints (through the Business Practices Office, BPO, charged with receiving and investigating misconduct cases worldwide).
Results 2010	• Face-to-face leadership training programs operational. • Maintained policies and processes to ensure accuracy in promotional materials globally. • Monitored marketing practices at divisional and business unit levels to reinforce Novartis marketing standards. • Divisional Compliance Committees fully operational in Sandoz, Consumer Health, Vaccines and Diagnostics, and Pharma. • New mandatory e-learning courses launched in up to 17 languages on topics such as Diversity & Inclusion, Information Security, Privacy & Data Protection, Protecting Patient's Privacy: Use of health medical information and human research data, Quality Performance Management and Sandoz Promotional Practices Policy SP3. • 318 112 e-training courses completed on ethics and compliance-related topics worldwide. • 18 302 Novartis and third-party associates trained on Code of Conduct via e-learning courses. Numbers include new Novartis associates and those not previously trained, as well as certain associates of third-parties who work within Novartis. • 29 835 associates completing certification on Code of Conduct. • The BPO received 1236 complaints that became investigations. To date, 883 of the complaints reported during 2010 have been fully investigated and 553 fully or partially substantiated. Employment contracts of 303 associates were discontinued while 213 warning letter were issued and appropriate training undertaken to improve behavior. • Updated Novartis animal welfare standards in all in-house and partner facilities. • Monitored animal welfare at both in-house facilities and with partners. • Conducted 76 animal welfare audits of partners globally, with 14 audits in Asia.
Targets 2011	• Upgrade our Group Policy Framework, review and update key policies. • Establish strategies to further improve integration of integrity and compliance into business practices, e.g. into leadership responsibilities and performance management. • Review and more clearly define the roles and responsibilities of the Compliance organization and develop plans to align skills, resources and organization structure accordingly. • Continue to strengthen clearance, self-monitoring processes and awareness within divisions and business units by introducing new tools with regards to fair marketing practices. • Continuously improve animal welfare standards throughout organization and with partners. • Exchange best practices at Animal Welfare Forum and assign 3Rs Award, reinforcing 3Rs principle.
GRI indicators	• 4.3, 4.6, 4.8, PR6, PR7, PR8, PR9, SO2, SO3, SO4, SO7, SO8
Additional information	↳ http://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/