

Corporate Citizenship Guideline # 2

Fair Working Conditions

1. Purpose of this guideline
This guideline was put in force by the Executive Committee of Novartis on July 3, 2002. It addresses the human resources dimension of Corporate Citizenship (CC), including related aspects of human rights.
2. Relationship with Guideline # 1
CC Guideline # 1 - Management of Corporate Citizenship - regulates the scope and applicability of this guideline. In addition, it establishes certain general responsibilities, rules and procedures that need to be observed in the implementation of this guideline.

Responsibilities

3. Divisions and CSO heads
Divisions and CSO heads are responsible for ensuring fair working conditions in their organizations in accordance with CC principles and this guideline.
4. Human resource executives
Human resources executives are responsible for the HR processes through which fair working conditions are implemented. In addition, they monitor adherence to this guideline and support division, business unit and CSO management accordingly.

Principles & Standards

5. Fair wages
Novartis seeks to pay fair wages that meet or exceed the amount needed to cover basic living needs.

In each local market, full time wages must be set at or above a level that covers the market price of a basket of goods and services representing the subsistence level for an average worker in the town or region in question. This basket should include reasonable housing, health care, clothing, nutrition and education for dependent children in accordance with local standards of living. In addition, in each local market, Novartis shall pay wages that are competitive.
6. Fair working hours
As a rule, Novartis employees are expected to work a specified number of hours per week with paid periodic vacations and holidays, as mandated by industry practice and local law or custom. Overtime must be compensated for those entitled to statutory protection. Rules for overtime must be clearly defined, and employees must be informed about them. Working hours should not be excessive by local standards and should allow for adequate time for rest and leisure.

For employees in management positions, working hours may be less predictable and significantly higher than for the majority of employees, reflecting a higher level of responsibility and pay.
7. Constructive dialogue
Novartis believes that employer and employee need to talk regularly about ways to conduct business in the most productive manner while taking the needs of the involved parties into consideration. Each CSO shall establish a communication process that ensures a free exchange of opinion and a constructive dialogue.
8. 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. Employees doing the same work to the same standards of flexibility and productivity shall receive comparative remuneration and employment conditions, whether employed under individual or collective agreements.

Provided that local law does not stipulate different conditions, employees have the

freedom to join any association given the following criteria are met: The association shall be constituted according to democratic principles; it shall have a written statute that is in full compliance with local laws; it shall have a history of respecting the applicable labor laws; it shall be free and independent; and it shall be in no way committed to violence.

Each company may establish additional criteria for the recognition of negotiation partners, provided that local law permits it. In particular, such criteria may include a reasonable hurdle rate in terms of the minimal number of represented employees and a limit on the total number of recognized negotiating partners.

9. Forced, compulsory and bonded labor

Novartis will not engage in forced, compulsory or bonded labour. Forced or compulsory labor means work or services extracted from persons under the threat of non-contractual penalty and work or services which such persons have not voluntarily offered to perform. Bonded labor means work or services extracted under economic conditions that leave employees without reasonable choice of whether they want to continue to perform the work or service.

10. Child labor

Novartis will not use child labor. The absolute minimum age for employment is the higher of 15 years or the age at which compulsory schooling is no longer required by law. Wherever feasible, employees below 18 years should be employed as trainees or apprentices whose work is part of a regulated training scheme.

11. No 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.

Employees shall be protected, to the best of Novartis' ability, against harassment in the workplace, including sexual harassment. Employees shall be made aware of what is acceptable and unacceptable behavior.

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. Differentiation according to responsibility and performance is permitted.

Novartis reserves the right to support affirmative action where permitted by law and if deemed necessary in specific circumstances.

12. Security

Novartis pays close attention to the human rights of employees and associated persons in the context of corporate security. All Novartis companies shall establish procedures for corporate security personnel to protect employees and associated persons against excessive use of force and inappropriate invasions of privacy. Such procedures shall be reinforced by repeated training and monitoring.

Local custom and government practice shall not justify deviations from universally accepted standards of human rights.

Management Process

13. Information

All employees shall be made aware of their rights under Novartis' commitment to fair working conditions. The principles shall be made available in local languages, and oral briefings must be arranged where illiteracy is a problem.

14. Safe reporting of grievances

All Novartis companies shall establish a complaint procedure located within the human resources organization to ensure that employment-related complaints are dealt with fairly and impartially. Employees should be made aware of the existence of this procedure.

15. Special situations CSO management should be prepared to raise concerns of employee persecution by public officials with the authorities through quiet diplomacy or speaking out when the situation demands it.
- In countries where union activity is illegal, CSO management should explore the possibility of alternative worker representation systems.

Reporting Criteria & Measurements

Human resource executives shall measure the criteria below and report once a year. Deviations from CC principles shall be discussed with the CSO head and the involved executives. Corrective measures shall be taken as soon as feasible.

16. Fair wages Calculation of the relevant living wage, including any medical, housing and other social benefits; actual number of Novartis employees earning less than the living wage; included.
17. Fair working hours Applicable legal requirements with vacations and holidays; overview of actual hours worked; level of absenteeism; level of overtime.
18. Freedom of association Nature and frequency of meetings and other contacts with employee representatives; description of relevant union negotiations and outcomes; qualitative assessment of employee relations in comparison to local standards.
19. Forced labor, bonded labor and child labor Qualitative description of employment practices that may be interpreted as forced labor or bonded labor; qualitative assessment of concerns or incidents that indicate exploitation by 3rd party employers such as suppliers.
20. Discrimination Published equal opportunity policies; brief description of complaint procedures; incidences of discrimination complaints and disputes.
21. General Achievements of the current year; identified open CC issues and corresponding targets and priorities for the next year.
22. Quality of data gathered A number of reporting items require a qualitative judgment by the human resources executive who gathers the information. Human resource executives need to make sure that they are familiar with employment conditions in business areas and facilities of their respective CSO.