



Integrity & Compliance at Novartis



Doing the right thing makes good business sense

As a leading healthcare company, Novartis is convinced that integrity and values are key drivers of business success. Our company values are based on a strong commitment to ethical business conduct.

Doing business with integrity is not only the right thing to do, but also drives performance through building a culture of integrity, managing risks, strengthening our reputation and fostering competitive advantage. We believe responsibility can drive innovation.

Adherence to Novartis values and standards is the personal responsibility of every associate – and cannot be delegated. Responsible decision-making is best assured through a culture of integrity based on ethical leadership and integration of ethical considerations into decision-making processes.

Values and integrity guide responsible business conduct

The Novartis Code of Conduct, our business conduct policies and standards give our associates guidance in their daily work.

However, translating our integrity and compliance principles into practice requires more than written standards. At Novartis, we align our ethical aspirations with an ambitious Integrity & Compliance Program.

**“If we don’t have a set of values – and live by them –
the company won’t be successful.”**

Daniel Vasella, Chairman and CEO, Novartis



Establish Promote Enforce

Managing business integrity

**“We are convinced that high ethical standards
will help us sustain the success of our business.”**

**Thomas Wellauer, Head of Corporate Affairs,
Member of the Executive Committee, Novartis**



Our Integrity & Compliance Program supports our management to **establish** high standards of integrity and **promote** our values through leadership, objectives, incentives, as well as training. The program **enforces** these standards through decision-making, monitoring, reporting, complaints-handling and auditing. Management is assisted by full- or part-time Integrity & Compliance Officers in every country organization worldwide.



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“Leading companies see integrity not as an obstacle to competitiveness, but as a driver of differentiation.”

**Dan Ostergaard,
Head of Corporate Integrity & Compliance, Novartis**

Establishing integrity standards

High standards of integrity are fundamental in creating and fostering trust and encouraging values-based actions.

Our standards are derived from our mission and values and translated into operational documents such as our Code of Conduct and specific policies and guidelines. These are then engrained into management processes to ensure responsible decision-making in daily business.



Values-driven management processes

Promoting integrity standards

We promote a culture of integrity whereby ethical considerations are reflected in business objectives, good conduct is rewarded, and senior management leads by example.

Leadership

Novartis leaders foster a speak-up culture which encourages associates to address ethical aspects in the workplace and decision-making. Our leadership training programs help managers to balance ethical, economic and legal considerations to make responsible business decisions, and to lead by example.

Objectives & Incentives

Adherence to Novartis values and standards of integrity forms an explicit part of the employment terms and the annual performance appraisals of our associates. Annual objectives of senior management in country organizations include targets related to Integrity & Compliance. Moreover, Integrity & Compliance Officers have a specific job description, defining their responsibilities in managing business integrity.

OBJECTIVES	Exceeded Expectations	3.1 Superior Results, Unsatisfactory Behaviors	3.2 Superior Results, Good Behaviors	3.3 Superior Results and Behaviors
	Fully Met Expectations	2.1 Good Results, Unsatisfactory Behaviors	2.2 Good Results and Behaviors	2.3 Good Results, Superior Behaviors
	Partially Met Expectations	1.1 Unsatisfactory Results and Behaviors	1.2 Unsatisfactory Results, Good Behaviors	1.3 Unsatisfactory Results, Superior Behaviors
		Partially Met Expectations	Fully Met Expectations	Exceeded Expectations
		NOVARTIS VALUES/BEHAVIORS		

Integrity values are part of the performance assessment matrix

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Our business integrity training concept comprises both awareness and skills development



Training

Skills are needed to recognize and analyze integrity, legal and economic aspects of business activities in order to take responsible decisions. Integrity & Compliance officers worldwide provide advice and guidance to our associates, supported by our integrity Intranet.

All Novartis associates participate in training on our integrity standards and relevant laws. Training is mandatory for everyone in Novartis.

Training through e-learning is complemented by face-to-face sessions, tailored to the needs of specific target groups. In 2007, more than 202 000 e-learning courses were completed.

In order to ensure appropriate competence in managing our Integrity & Compliance Program worldwide, we organize training workshops, which focus on sharing experiences and ideas through case studies and group work.

This training is supplemented by an interactive, scenario-based online “flight simulation”, which strengthens the skills to manage our Integrity & Compliance Program.

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Enforcing integrity standards

To ensure that our standards of ethical business conduct are put into practice effectively, we have designed an integrated approach to decision-making, continuous monitoring and reporting procedures, a system for handling complaints as well as audits.

Decision-making

Integrity considerations form an integral part of decision-making – and the accountability of every Novartis associate. By including the Novartis values into our performance appraisal system, we strive to ensure that decisions taken throughout the whole value chain – from research and manufacturing to distribution, marketing and sales – conform to our standards of integrity.



Promote Enforce

We have processes in place to manage potential conflicts of interests which may arise, and to review grants and promotional activities to ensure that these are in line with Novartis standards and applicable laws.

Monitoring

Measuring the effective implementation of our integrity standards is important to sustain responsible business. Local management is required to perform self-assessments on the implementation status of the Integrity & Compliance Program. Furthermore, associate surveys regularly measure the ethical climate across the company. These monitoring activities are validated by internal audit and external assurance processes. The overall Integrity & Compliance Program is continuously benchmarked with those of other companies.

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Reporting

The Executive Committee and local management teams worldwide are regularly updated on program activities including status on training activities, as well as cases of misconduct. This information is compiled into an annual report submitted to the Audit and Compliance Committee of the Board of Directors. Along with key achievements and challenges, this report discusses the implementation and effectiveness of our Integrity & Compliance Program. We also communicate the status of our program in the Corporate Citizenship section of our annual report. Moreover, we issue an annual progress report on our commitment to the United Nations Global Compact, a Global Reporting Initiative report, as well as a Corporate Citizenship review.

Complaints-handling

Adherence to our standards of integrity is crucial for Novartis. To ensure that these standards are enforced, we support an open culture in which associates can speak up and challenge peers and supervisors.



The Business Practices Office (BPO) enables associates to report actual or suspected cases of misconduct. Integrity telephone lines are operating in 70 countries, providing associates with the possibility of reporting allegations in 51 languages in confidence, without fear of retaliation. All complaints are investigated responsibly and substantiated cases result in disciplinary action, including dismissal.


Auditing

Internal Audit evaluates the adequacy and effectiveness of our organization's governance mechanisms, risk management processes and system of internal controls. The audits represent an important health check for Novartis that identify opportunities for improvement in systems and processes, which are implemented by management.



“It’s crucial that all of us understand, that being part of a performance-driven culture doesn’t mean just making the numbers, but more importantly doing so the right way.”

**Jörg Reinhardt, Chief Operating Officer,
Member of the Executive Committee, Novartis**



Doing the right thing is a day-to-day challenge

Awareness	Understanding the ethical principles of Novartis, legal obligations and integrity issues
Leadership	Establishing a culture of integrity and leading by example
Internalization	Practicing integrity and ethical behavior in the workplace
Open culture	Fostering open communication, including the right to confidentiality, with no fear of retaliation
Consistency	Promoting and enforcing integrity and compliance through incentives and sanctions
Accountability	Adhering to Novartis values and standards and respecting the company's guiding principles in daily work

Structure to manage business integrity

Effective management structures are required to maintain, oversee and improve our Integrity & Compliance Program and related processes:

- The Executive Committee – responsible for establishing values and integrity standards, setting the appropriate tone from the top and providing strategic direction for the Integrity & Compliance Program.
- The global organization of Integrity & Compliance Officers – a network of full- or part-time officers supports management to establish, promote and enforce integrity standards.

“The skills, dedication, and integrity of our associates have enabled us to secure our place among the world’s most respected and successful pharmaceutical companies.”

Daniel Vasella, Chairman and CEO, Novartis

– The Business Practices Office (BPO) – manages complaints of actual or suspected cases of misconduct. The BPO provides a rich source of information to identify trends, derive lessons learned and propose process changes or new training courses.



Seeking more information

Internet

Our Citizenship@Novartis website offers further information and details on how we manage business integrity:

www.corporatecitizenship.novartis.com

Intranet

The Novartis Integrity Intranet site provides information, guidance, training courses and disclosure forms for conflicts of interests, as well as answers to frequently asked questions (FAQs). Our Intranet site for promotional practices supports the country organizations by providing training material, self-assessment and other tools relating specifically to ethical aspects in sales and marketing:

www.corporate.integrity.novartis.intra



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