

Implementing a Living Wage Globally – The Novartis Approach

“Corporate Citizenship implies many things that add up to responsible behavior of a company within society. In the end, doing the right thing also makes business sense.” – Daniel Vasella, Chairman and CEO of Novartis

Introduction

Fears that economic globalization might spur a social “race to the bottom” have revived a debate begun more than a century ago by Pope Leo XIII. In the Encyclical Letter *Rerum Novarum*, published in 1891, Pope Leo wrote that duties of an employer included not to look upon (employees) as bondsmen, but to respect in every man his dignity, and to enable him to earn an honorable livelihood, defined as necessary for the satisfaction of his needs. Among such needs, he added, a father should provide food and all necessities for these whom he has begotten and the family’s children should be provided with all that is needed to enable them to keep themselves decently from want and misery, amid the uncertainties of this mortal life.

As in 19th Century Europe, many developing countries today face high rates of unemployment. And prevailing federal or state minimum wage levels aren’t always adequate to fulfill the basic needs of a worker, and his or her family. Novartis – as a key undertaking of its Corporate Citizenship policy – is determined to make sure that salaries paid to all employees worldwide are on the safe side of a living wage.

While the company’s commitment to a living wage was never in question, methodological challenges raised by implementation were by no means undemanding. Numerous different conceptual approaches and methodologies have been proposed to calculate a living wage – taking into account geographically specific data on household expenditure (e.g. food, housing, health care, education, transportation, child care) for varying family sizes and places of residence.

In a preliminary analysis after the commitment by Novartis in the year 2000 to the United Nations Global Compact, the Novartis Foundation for Sustainable Development (NFSD) asked South Asian nongovernmental organizations (NGOs) to define a “basic-needs basket” for a worker and family, and to quantify the basket in local currencies. Those initial calculations showed that even the lowest salaries paid by Novartis exceeded the basic-needs basket. A second analysis, however, prepared by an Indian Research Institute arrived at varying levels and multiple definitions of a living wage (e.g. poverty level, subsistence level-plus, and comfort level).

As so often in debates involving social issues, the vexing question “How much is enough?” remains a point of dispute in attempts to define, compute and implement a living wage. What are “normal” needs? What prices should be used as reference prices (small neighborhood stores, co-operative states, mobile vendors) in calculating the basic-needs basket? How are culturally required customs (e.g. religious celebrations) to be dealt with? What amount or percentage of the monthly salary should be allocated for savings – for investments (e.g. land) or the purchase of items beyond basic needs? What is the definition of a “luxury” item that should be excluded from

Implementing a Living Wage Globally – The Novartis Approach, December 2006 a “basic-needs basket”? Should calculations assume that family income is provided by a single, male earner while his spouse remains at home, looking after the children?

Along with such questions, other important issues must be considered. How should one weigh the benefits derived by individuals and developing nations from comparatively low wages that enable them to break into world markets and create industrial employment for millions of people outside of local handicraft industries or subsistence agriculture? How far - with the best of corporate intentions – can labor standards be stretched without creating a privileged labor aristocracy, while leaving the poor majority in a country no better off?

This case study describes how Novartis became one of the first international companies to develop and implement a voluntary commitment to pay a living wage to all its employees around the world. Initially, Novartis believed it could borrow existing models to implement the living wage commitment but it quickly became clear that no such universally accepted model was available. Novartis commissioned the non-profit business association Business for Social Responsibility (BSR) to establish a methodology to calculate living wage levels. Using those BSR calculations as a starting point, Novartis rolled out its living wage program, working in close consultation with local managements in countries with divergent economic systems and standards of living.

By early 2006, the company had aligned the pay of all 93, 000 employees with living wage levels. Novartis and BSR continue to work on further improvements to the methodology as well as on periodic adjustments of the initial living wage calculations for key factors, such as inflation.

Novartis believes that paying a living wage locally is an important benchmark of its commitment to the UN Global Compact – as well as evidence of the company’s determination to be a good corporate neighbor in communities where it operates. A key lesson learned in taking the living wage from idea to implementation is that active participation of local managements in the decision-making process is critical to success. Local management bears the ultimate responsibility for acceptance of a living wage as a core principle of a company’s operations and culture.

Fair Working Conditions

For Novartis, the living wage initiative is an essential dimension of the commitment to fair working conditions the company made as one of the earliest signatories of the UN Global Compact.

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Accordingly, the Novartis Policy on Corporate Citizenship pledges “to base human resources policies and practices on fairness, openness and mutual respect. We pay competitive and fair wages, which clearly exceed what is needed to cover basic living needs.” Novartis wants “to be recognized as an innovative, ethical and trustworthy company, fostering a culture where employees are expected to behave ethically, not just lawfully.” To that end, in addition to compliance with laws that govern operations in more than 140 countries, Novartis encourages employees to uphold the ideals and values defined in its Code of Conduct and Corporate Citizenship Policy, as well as the related policies and guidelines, that sometime extend beyond legal duties.

Corporate Citizenship at Novartis is based on three pillars:

The Policy on Corporate Citizenship was created following the commitment to principles of the UN Global Compact, and a subsequent internal review of how Novartis could fulfill the new responsibilities it had undertaken. The Global Compact asks companies to enact a set of core values in the areas of human rights, labor standards and the environment – as well as efforts to combat corruption. In the Policy on Corporate Citizenship, Novartis outlines its own contribution: “To do everything we can to operate in a manner that is sustainable – economically, socially and environmentally – in the best interest of long-term success for our enterprise”.

Management structure: the Audit and Compliance Committee of the Novartis Board of Directors charged with oversight of Corporate Citizenship. The Group Executive Committee (ECN) is responsible for implementation through an established steering committee which has overall responsibility for Corporate Citizenship Policy and guidelines. Operating Units within each Division establish appropriate structures, and allocate sufficient resources, to reasonably meet the requirements of the Corporate Citizenship Policy.

A new Business Practices office (BPO) was established in 2005 to facilitate reporting of internal misconduct. Employees are requested to report actual or suspected cases of misconduct to the BPO, which ensures that all complaints are properly investigated and enables management to take appropriate remedial actions.

Measurement of progress and impact includes public disclosure of progress on specific commitments, and overall performance in Corporate Citizenship, each year in the Novartis annual report to shareholders. The approach is based on continual improvement and public trust gained through transparency. Progress is measured – and compliance with Corporate Citizenship policy, guidelines and regulatory requirements is verified – through management reviews and target setting for key performance indicators, combined with internal and external audits.

In this yearly measurement of progress Novartis also reports on its performance in addressing key challenges of Corporate Citizenship – including the living wage commitment – and establishes new targets for the coming year. Corporate Citizenship disclosure also includes a report to the UN Global Compact office, as well as regular employee surveys and communication with external stakeholders.

Cutting Edge of Labor Relations

A living wage is distinct from minimum wages, the hourly amount defined by law which employers must pay workers. Minimum wages apply only to discrete geographies although an increasing number of developed nations have passed minimum wage laws over the past century. While most countries have minimum wage laws, their enforcement can often be a challenge in developing economies.

A living wage reflects the cost of a certain basket of goods that is considered to provide an adequate standard of living and generally is higher than the minimum wage in many locations. Minimum wages often rise slowly over time and sometimes correspond to increases in the cost of goods. A minimum wage, for example, may be the result of a political process or a union negotiation, and not directly based either on what that wage will be able to purchase, or whether purchases included in a basic-needs basket will provide for a family or ensure an adequate standard of living.

The concept of a living wage is referenced in a few international standards – most closely in the Universal Declaration of Human Rights (UDHR) Article 25.1 Interest in a living wage has steadily gained prominence, fueled by the general expansion of economic globalization. Nonetheless, a generally accepted methodology for calculating a living wage doesn't yet exist.

For Novartis, the living wage initiative is an opportunity to contribute to the improvement of labor standards, and to have a positive impact on the communities where the company operates. Such concerns have gained added urgency as Novartis and other leading pharmaceutical companies have stepped up activities in developing countries, where legal protections for workers usually aren't as advanced as in industrialized countries.

"No other companies are doing this locally. When talking to government officials, I can proudly say that we pay several times above the minimum

¹ [Article 25, Section 1] Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

wage and that we are not just a profit making business.” - Novartis Manager, Pakistan

Advocates of a living wage contend that minimum wages do little to assure basic needs – while adoption of living wage standards can contribute to stability and prosperity in communities – and attract more skilled, productive, and loyal employees. In the United States, for example, a number of state and local governments have adopted living wage ordinances to ensure that local government employees and contractors are paid more than the legal minimum. In a few cases, these policy measures extend beyond government contracts and employees, and apply to all local businesses. Still, living wage initiatives remain on the cutting edge of labor relations.

From Global Compact to Living Wage

The living wage initiative implemented by Novartis emerged from one of five guidelines issued by the Group Executive Committee establishing the set of core values envisioned by the Global Compact and its principal architect, UN Secretary General Kofi Annan. Specifically, Corporate Citizenship Guideline Two on Fair Working Conditions, approved by the ECN in 2002, defined Group policy covering human-resources aspects of employment. The commitment by Novartis went well beyond the Global Compact's basic call to uphold freedom of association and the rights of collective bargaining.

Tracing the 10 principles of the Global Compact to their roots in the Universal Declaration of Human Rights, other related UN documents, ILO conventions, OECD guidelines and other international conventions – Novartis made a holistic assessment of the intersection of its business opportunities and the expectations of the international community of stakeholders. That assessment included a detailed examination of stakeholder expectations of a global pharmaceutical company at a time of intense media focus on critical issues, ranging from access to medicines and marketing practices to transparency on clinical trials, product safety, and the industry's lush profitability.

Acknowledging that successful international companies would likely be held increasingly accountable by critical stakeholders for the governance of society, Novartis debated if it was prepared to address these expectations. The company identified areas where it had made – and would continue to make – a positive contribution through the success of its business, and benefits that society derives from its products. Through that process, Novartis was also able to formulate answers to vexing questions such as how it could implement the commitment to the Global Compact, expand its role in society, and be recognized as a good corporate citizen.

Novartis recognized that the values of Corporate Citizenship had to begin with the success of its core business. Corporate Citizenship emanates from the benefits the company offers patients and healthcare professionals, associates, shareholders and neighbors through discovering, developing, manufacturing and marketing innovative medicines that addressed unmet medical needs. Through its uniquely broad, medicine-based portfolio, Novartis provides diverse models that enhance affordability, and thus access to treatment. In short, Novartis provides the right treatment at the right time and the right price.

The Novartis Foundation for Sustainable Development was already active in the field of Human Rights – under the leadership of Professor Klaus Leisinger, whose contributions would later be acknowledged through his appointment as a special advisor on the Global Compact to UN Secretary General Annan. The Novartis Foundation – being active in corporate philanthropy and working as a Think Tank on corporate responsibility issues of pharmaceutical companies – supported early work on a living wage before ownership of the issue was transferred to the Group Human Resources function.

Novartis pressed ahead with the living wage initiative relatively quickly, relying on a small team of experts. With no blueprint available, however, implementation proved to be more challenging and time-consuming than expected.

While the Corporate Citizenship guideline on fair working conditions reflected language of the third principle of the Global Compact addressing collective bargaining and

freedom of association, Novartis chose to base its living wage initiative within a broader framework of wage standards. The company pledged that in each 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.” (Source of this quote to be identified)

Focus on Greatest Need

An array of factors contributed to the successful implementation of the living wage initiative. The reputation of the pharmaceutical industry is sometimes negatively affected by perceptions that the industry doesn’t make social contributions commensurate with its size, global scope and financial success. In particular, pharmaceutical companies are often criticized for their failure to focus activities on areas of greatest patient need – for example, research into the “neglected” diseases such as HIV/AIDS, malaria and tuberculosis that take a daunting toll in the developing world.

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Novartis, however, already had made major contributions to improving access to effective treatments against malaria, leprosy and tuberculosis – in addition to the not-for-profit research against “neglected diseases” conducted at the Novartis Institute for Tropical Diseases (NITD) in Singapore.

In a similar fashion, the living wage initiative targets employees earning the lowest wages. The initiative augments weak or non-existent legislation to ensure fair wages in many countries where Novartis might consider launching operations – addressing a potential risk of globalization. Novartis also believes that the commitment to pay a living wage aligns values and behaviors of present and prospective employees with those fostered by the company. Novartis already was paying competitive wages above the living wage levels for the vast majority of employees and the review by management determined that transforming actual practice to a formal commitment was financially feasible.

“This most definitely has a positive impact on the workforce. Novartis is committed to the attraction, development and retention of top talent as demonstrated by our employee compensation and benefit programs, training and development opportunities and our pursuit of innovative products. Supplementing the employee commitment with our Corporate Citizen activities makes Novartis an employer of choice.” – Novartis HR Director, United States

Interestingly, access-to-medicine programs at Novartis had pioneered principles that were borrowed to support the living wage initiative. The Glivec International Patient Assistance Program (GIPAP) has provided access to Glivec, a breakthrough therapy against a common form of leukemia and other cancers, free of charge to more than 19, 000 patients in 83 countries who otherwise would not have access to treatment for their life-threatening diseases. Although the GIPAP program is administered on behalf of Novartis by third parties – the Max Foundation and Axios International, a drug distribution organization – the financial criteria used to assess patients’ eligibility for GIPAP are based on a cost-of-living per country, calculations later adopted in design of the living wage concept.

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Methodology: Difficult Choices

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In addition to an overview of what it would mean to pay a living wage to its associates, Novartis also needed an operational approach to implement the commitment in over 60 countries where it had a sufficient number of employees to make the calculations relevant. No established model was available for businesses looking to assess their own operations in terms of the definition of a living wage Novartis planned to apply: minimum pay sufficient to enable employees and their families to meet their basic material needs.

Any methodology for calculating a living wage had to accommodate variations between a spate of local factors, as well as regional economic differences within countries.

The Novartis guideline on fair working conditions had focused on a uniform principle to be applied to all employees worldwide – so Human Resources (HR) was the obvious global line function to take responsibility for implementation of the living wage commitment. Novartis joined forces with Business for Social Responsibility (BSR) to review current best practices or leading edge lessons from other industries, and to develop a methodology for determining living wage levels.

“Novartis is one of a small number of companies to commit to paying a living wage to all of its employees around the world, and BSR has partnered with Novartis in the design of its living wage program. While acknowledging that there are different approaches to calculating a living wage, BSR believes that the methodology used by Novartis has sound empirical and theoretical support.” – Business for Social Responsibility.

The Human Resources function at Novartis decided on a hybrid approach to managing implementation of a living wage. HR would propose a minimum living wage for each country, based on the agreed upon methodology of calculation. Management in each country would be consulted about the calculation and given an opportunity to propose an alternative living wage level based on local conditions. Ultimately, the vast majority of countries accepted the initial calculation as its living wage standard. In a few countries, Novartis affiliates proposed a living wage level higher than the initial calculation based on their own market basket research

When BSR and Novartis canvassed representatives in business, academia and government, they found general agreement that so-called “market basket studies” for each country offered the most accurate method to calculate a living wage. The market-basket model entails a detailed survey of the cost of items that a typical family would need, including housing, food, education, healthcare, etc.. But given the need for data in so many countries, Novartis decided that conducting separate market basket analyses in 60 countries would involve unnecessary cost and logistical complexity. A market basket study in a developing country can cost more than USD 5 000. Compounding the problem, institutions with the necessary skills to conduct such studies simply weren’t available everywhere.

Moreover, defining a “basic-needs basket” always involves difficult choices and the Novartis initiative was no exception. Novartis, for example, offers a number of benefits to employees – from discounted process in company canteens to selected medical services and transport subsidies – that are relevant to calculations of a living wage.

Challenged to develop a robust methodology that could address such complications – and be applied in a wide variety of countries – BSR divided the Novartis organization into two categories: OECD² countries and developing countries. Availability of data was a differentiating factor; reliable economic data needed to calculate living wages generally exists in OECD countries but is lacking in most other countries.

To calculate a living wage in the OECD countries, BSR used the cost equivalent of a market basket³ of food in the United States for an individual male between 25 and 50 years old. (That data is updated every six months by the U.S. Department of Agriculture) Then, using conversion rates based on the purchasing power parity (PPP)⁴ – and a series of

² Twenty countries originally signed the Convention on the Organization for Economic Co-operation and Development (**OECD**) on 14 December 1960. Since then a further ten countries have become members of the Organization. The Member countries of the Organization and the dates on which they deposited their instruments of ratification can be found at www.oecd.org.

³ The term **market basket** refers to a specific type of basket, or a fixed list of items used specifically to track the progress of inflation in an economy or specific market. The list used for such an analysis would contain a number of the most commonly bought food and household items. The variations in the prices of the items on the list from month to month give an indication of the overall development of price trends. The market basket includes items depending on the country's survey.

⁴ A purchasing power parity exchange rate is intended to equalize the purchasing power of different currencies. These special exchange rates are often used to compare the standards of living

country-specific multipliers based on food consumption patterns and other economic research data – that initial figure was extended to estimate total family expenditures across all OECD countries. This figure was then divided by 1.5 – on the assumption that each family would have more than one wage earner.

Finally, the calculation was checked against a country's minimum wage and average wage, as well as calculations of a living wage, where available. BSR found that living wage levels normally fall between the minimum wage and average wage in OECD countries.

For developing countries, a different methodology was developed. To supplement data on individual cost of food and total family expenditures that were either non-existent, or less reliable than statistics available in OECD countries, BSR used a market basket study done in Mexico by a U.S. researcher. The resulting peso amount was then converted into local currencies of relevant developing countries using the same purchasing-power-parity conversion method as in the OECD countries. The living wage calculations obtained for developing countries also fell between the minimum and average wage.

Some countries, such as India, commissioned local studies to review the Novartis/BSR methodology and calculations of a living wage. A study on behalf of Novartis India documented significant variations in living wage between cities. For example, the living wage in Mumbai is 70% above that in Bangalore and 61% higher than Kolkatta. The gap primarily reflects higher housing costs in Mumbai than the other Indian cities included in the study.

Similar regional adjustments to the initial living wage calculation also were proposed by Novartis affiliates in Canada and the U.S. For the United States, the methodology resulted in a living wage of roughly USD 23,000 a year, but in some parts of the country that figure was deemed too high based on market basked studies done regionally, so regional adjustments were considered. The living wage applied in Iowa, for example, is about USD 19,000 a year.

Other countries cited obligations to abide by prevailing collective bargaining agreements as a reason against adopting the calculated living wage level and there was some concern among affiliates that Novartis would limit the amount of multiple wage tiers within a single country, and calculate living wages independent of job category, title, or operational unit. Yet the consultation process was designed to foster dialogue and improve understanding of issues faced by Novartis affiliates at the national and local level.

"The local geographies of some of our businesses sometimes do not coincide with the data collected by BSR and therefore we need to rely on estimated data. Also, data that is not real-time can get a little stale; therefore, we sometimes rely on estimates and cost-of-living increases. Canada and Puerto Rico also provided challenges in dealing with currency fluctuations and different state and local tax policies." – Novartis HR Director, United States

In all, fifteen countries proposed a higher wage than the living wage calculation during the round of consultations held during 2005. Bangladesh, by contrast, proposed a lower wage, arguing that the local affiliate had more accurate local data than BSR. Six countries proposed adjustments based on geographical differences, such as urban vs. rural or cities vs. provinces. Some of those adjustments were above the proposed figure and others below. In every case, local managements were able to furnish a critical reality check for the decision-making process, helping to buttress support for the implementation plan.

Following conclusion of the 2005 round of consultations with affiliates, a review by Novartis HR found that 93 employees – out of a total workforce of more than 90 000 people – were being paid less than the living wage level in their country of employment. Wages of those employees were raised – bringing the entire global workforce in line with living wage levels.

of two or more countries. The adjustments are meant to give a better picture than comparing gross domestic products (GDP) using market exchange rates. Without a PPP exchange rate the GDP may not accurately measure differences in income and consumption.

Yet living wages levels still need to be updated periodically. To that end, Novartis and BSR are working on procedures to update the 2005 calculations, including adjustments for key factors such as inflation. For countries with a negative inflation, Novartis recommends that wages be kept at their current levels and not reduced.

In its 2005 annual report, Novartis set new living wage targets for 2006 and pledged to continue to close the living wage gaps, including addressing the possibility of extending the living wage commitment to suppliers operating on Novartis sites.

Challenges and Next Steps

First mover

By being the first company in its industry to set a living wage for its employees worldwide, Novartis accepted that starting with a practical approach and continuously refining methodology would be the best way to progress forward. Rollout of the living wage project required greater investments than expected. The consultation process was also more time-consuming than expected – though at the same time it provided valuable feedback from employees and management. Often, local management embraced the living wage initiative as a clear reaffirmation by Novartis of its commitment to company values.

Internal awareness

Given that a living wage has no common definition or basis in law, active participation of both local and global functions was a precondition for effective implementation and the ultimate success of the initiative. Much of that support was generated by the extensive round of consultations held during 2005 – including a guarantee that a living wage wouldn't be implemented without agreement of the local affiliate.

Lack of benchmarks and methodology challenges

Another challenge for the company is a lack of available benchmarks. It isn't yet possible to offer a definitive answer to the question: "Are the Novartis numbers in line with what others have found?" As a next step, the company is eager to see if its calculations can be further refined. To encourage other companies to add to the collective learning about implementation, Novartis is considering publishing its data, along with an account of its experiences to date.

In particular, Novartis announced that it is prepared to discuss and share its methodology and results around the living wage initiative, in the hope that other companies will follow suit and can further improve the process. That also would allow more effective external evaluation of the Novartis program – and help establish a living wage more firmly among major international companies.

Methodology also remains a challenge. Limited availability of data in developing countries is still a major obstacle to development of robust methods of calculating a living wage. More importantly, a living wage remains poorly defined and no international consensus about methods of calculation has emerged so far. And Novartis found immense differences in economic conditions between the countries and regions in which this program was to be implemented.

Discrepancies with local managers

The yearly review process sometimes yields data corresponding to a lower living wage compared to levels calculated in previous years. While this discrepancy normally is due to increased accuracy of the living wage calculations, Novartis does not expect country managers to reduce a living wage level if a higher level has already been agreed. The reverse – raising a living wage calculation – is acceptable, however.

Local Effects

Where a living wage is higher than the local minimum or average wages, the resulting intervention in salary levels may have disruptive social and economic effects on the local

communities and nationwide. Novartis may soon be challenged to justify the disruptive effects resulting from the living wage implementation.

“If you give someone totally illiterate 11,000, and if you give the same to someone who has a masters degree, for example, who would normally get between 5,000 – 8,000 rupees, there would be a feeling of unfairness based on issues. If we create these discrepancies we may have some difficulty with our more educated staff. If we price ourselves out of the market this may in turn affect business decisions such as outsourcing.” – Novartis Manager, Pakistan.

Looking Forward

Each year, any new data that would affect the living wage calculation will be considered. For developing countries this update will involve a two-step process; an adjustment to the wage calculation will be proposed every year based on inflation, better statistical data and the PPP conversion rate. Afterwards the data will be discussed and agreed with the local Novartis organizations.

With the expansion of the program, however, new challenges may arise. Is it feasible to expand the concept of a living wage to Third Party contractors and suppliers? Can the living wage initiative be applied to all third Party suppliers and what consequences might result from implementation? Would it be more reasonable to focus on certain categories of suppliers, e.g. those that deliver high-volumes to Novartis, have multi-year contracts; or provide services on-site? Is there a consensus definition for an on-site contractor and how do the commercial and legal relationships of on-site contractors and Novartis differ in various countries? How would a potential change in wages to employees working on Novartis sites affect Third Party employers and are there potential legal complications?

To address some of these questions, Novartis is currently studying this issue together with on-site suppliers in Switzerland.

Finding corporate partners to test the methodology.

The current living wage methodology developed by BSR and Novartis is not tailored specifically to the pharmaceutical industry, rather, the approach could be applied by other industries. BSR is exploring some potential applications. However, given that pharmaceutical companies typically own most of their operations, living wage initiatives are probably easier to implement in this industry. For companies that do not own their factories it could be more difficult to cascade the living wage initiative further down the supply chain.

Novartis believes that it can make a difference through paying a living wage locally. As a first mover, Novartis has employed a continual improvement approach to the living wage issue, as the company made was clear from the beginning. The program was not designed to be perfect from the outset, and in the absence of examples, the only way to move forward is to learn by doing.

About BSR

Business for Social Responsibility (BSR) is a global organization that helps companies achieve success in ways that respect ethical values, people, communities and the environment. BSR provides advisory services, tools, training, and information to make corporate social responsibility an integral part of business operations and strategies. A nonprofit organization, BSR promotes cross sector collaboration and contributes to global efforts to advance the field of corporate social responsibility. Find out more about us on our website www.bsr.org.

About Novartis

Novartis AG (NYSE: NVS) is a world leader in offering medicines to protect health, cure disease and improve well-being. Our goal is to discover, develop and successfully market innovative products to treat patients, ease suffering and enhance the quality of life. We are strengthening our medicine-

based portfolio, which is focused on strategic growth platforms in innovation-driven pharmaceuticals, high-quality and low-cost generics, human vaccines and leading self-medication OTC brands. Novartis is the only company with leadership positions in these areas. In 2006, the Group's businesses achieved net sales of USD 37.0 billion and net income of USD 7.2 billion. Approximately USD 5.4 billion was invested in R&D. Headquartered in Basel, Switzerland, Novartis Group companies employ approximately 101,000 associates and operate in over 140 countries around the world. For more information, please visit <http://www.novartis.com>.