

Sourcing and Procurement

At Novartis, our purpose is to reimagine medicine to improve and extend people's lives.

We, the Novartis procurement team, are committed to delivering to this purpose by consistently creating business impact through productivity, leveraging innovation at scale, and spearheading Novartis environmental sustainability ambitions.

Our team of skilled procurement professionals across the globe collaborates in a “one team” spirit to identify the needs of Novartis and find the best ways to meet those needs by working closely with our business teams and building relationships with you based on trust, mutual benefits, and innovation while ensuring compliance to the highest values of business and ethical standards.

We see our suppliers as key enablers of our purpose, walking together along the value chain. Our Third-Party Code clearly defines the standards and requirements we expect from you and adherence to the same is one of the key criteria used in supplier selection and evaluation process.

We are working closely with you focusing on those with the largest contribution to our carbon footprint in execution of the expectations we have laid in the Novartis Environmental Sustainability Criteria for Suppliers. This will enable us together to turn our sustainability commitments into action.

In addition, we expect our suppliers to suggest, recommend and bring innovative solutions to address Novartis needs through open dialogues and engagement driving mutual performance efficiencies and improving productivity.

Our Procurement Platform - Ariba

SAP® Ariba® Novartis Procurement invests in the latest technology and adopts continuous improvement practices to implement compliant and efficient processes. Our procurement platform is powered by SAP® Ariba® Network, enabling eSourcing and contracting processes to be executed in a seamless manner keeping us all connected throughout the end-to-end process.

eSourcing

eSourcing is an all-inclusive integrated sourcing solution which encourages a transparent approach towards procurement process. We adopt it for procurement of both goods & services across Novartis spend categories such as Fleet, Travel, Meetings, Congress & Events, Contingent Labor, etc.

The Novartis eSourcing platform powered by SAP® Ariba® provides a transparent opportunity to you to:

- learn and understand our precise needs and explore opportunities to work with us.
- compete in a transparent procurement process by participating in Requests for Information (RFIs), Requests for Proposals (RFPs) and eAuctions.
- learn outcomes and use feedback to continuously evolve your innovative solutions.

We expect you to embrace the eSourcing process and utilize several mutual benefits offered by our eSourcing platform.

Benefits of eSourcing

eSourcing helps both Novartis & its suppliers. Some of the key benefits involve:

- Clearly defined requirements
- Structured response submission formats
- Time saving and quick evaluation process
- Global accessibility of enquiries
- Build trust and rapport through transparency

eSourcing Process

- SAP® Ariba® Sourcing Project – All eSourcing initiatives are started with a project wherein procurement team collaborates & stores all relevant documents to carry out sourcing events in a logical manner.
- SAP® Ariba® Sourcing Events – Creation of Sourcing events (RFI, RFP & eAuctions) for collaboration with suppliers and get valued responses.
- Scoring, supplier selection & outcome documentation – Evaluation and supplier selection based on inputs received in sourcing events, documentation of supplier award decisions and productivity realizations.

eSourcing Abbreviations

- RFI – Request for Information (Collection of preliminary information from our supplier for next step shortlisting)
- RFP – Request for Proposal (Collection of the techno-commercial proposal and cost quotation for evaluation & shortlisting of supplier)

eAuctions

An eAuction is a negotiation process of buying and selling goods or services carried out via our online eSourcing platform. Suppliers get sufficient opportunities to improve their offers based on real-time feedback. eAuctions offer many mutual benefits, the key ones being:

- Most transparent mode of negotiation
- Only shortlisted suppliers are invited for eAuction
- Saves time mutually
- Real-time feedback available to share understanding on “how” suppliers performed.
- Builds mutual trust and rapport

There are 3 major types of eAuctions used in Novartis:

1. English Reverse Auction – Suppliers are required to place bids during this dynamic auction format for needed products or services. Suppliers win at the end of the auction event by staying the lowest / maintaining the highest rank until the time ends.
2. Japanese Auction – Suppliers are required to lock their best price for the required product or services when it is displayed.
3. Dutch Auction – It's a single click eAuction wherein the eAuction starts with a specific price for the required product or services, which keeps increasing with time until the first supplier locks the best price when it is displayed.

Our trained procurement professionals work collaboratively to help you in understanding the concept and rules of engagement prior to conducting the eAuction and expect suppliers to familiarize themselves with the tool and process addressing all uncertainties before participating in an eAuction and take full responsibility for their

conduct and offers made in the eAuction. Post-eAuction closure price negotiation is not accepted and disregard to rules of engagement can lead to trust erosion and actions not limited to termination of relationship.

Smart Contracting Model

At Novartis, we leverage the experience of thousands of contract activities, over many years of sourcing practice, to engage with business and suppliers in the most streamlined and effective way. Our agreements are shaped based on numerous interactions with our suppliers and aligned with market principles, and practices, thus eliminating the need for extensive negotiations. Combined with the SAP® Ariba® Contract Management Tool, the whole contracting experience is just made easy.

Digital Signatures

We encourage innovative practices such as digital signatures (wherever permitted) avoiding usage of paper & ink contributing to our sustainability goals and saving precious time in the contract execution process.

Purchase Order only or Formal Written Contract?

Operating within the Pharma space requires significant diligence and Novartis takes its responsibility towards Compliance very seriously in all its supplier engagements. With that said, it is important to look for simplifications where possible. With this in mind, Novartis has employed a split model of Contracting based on the risk and/or value of the supplier engagement. Often, a simple Purchase Order with a reference to our General Terms & Conditions would be sufficient for our collaboration with you.

However, should you be providing certain services that are classified as higher risk and/or value, you will likely be asked to enter into a Formal Written contract (e.g. a Master Services Agreement). We will look to you, to help us reduce complexity and avoid non-critical redlining, to enable a quick, rewarding and balanced Contracting process.

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