

## --- Draft remarks – the spoken word prevails ---

Prepared remarks for Vas, Narasimhan, Novartis CEO  
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### Reimagining our trust with society

It's a pleasure to join you at one of the premier gatherings of sustainability experts.

We are at a critical time in society where we need to re-establish the public's trust in capitalism and business enterprises – particularly in the world of medicines. At Novartis, we want to be a leader on this journey.

There's a lot of talk these days about the need for businesses to have a clear social purpose. In the healthcare industry we are blessed with a purpose that is at the core of what we do. At Novartis our purpose is to reimagine medicine to improve and extend people's lives. We use science and technology in a quest to find treatments that change the practice of medicine, cure cancer, or tame debilitating disease. It doesn't get much more inspiring or vital than that.

Sometimes we forget just what an amazing impact modern medicine has had on humanity. For most of human history people had short lives punctuated by illness and disease. As recently as 200 years ago the average life expectancy worldwide was about 30 years.

By around 1900, however, something amazing began to happen: we started to bend the curve of life. With advancing science, better understanding of disease, and development of modern medicines, life expectancy began a dramatic climb. In the US in 1900, for instance, people lived about 49 years, on average. By 2015 that had jumped to nearly 80.


The treatments developed by companies like Novartis have been an important contributor to increasing longevity. Our impact on human health is why society expects so much of us – and rightfully so. We know we must stay in sync with the interests of society to earn people's trust. And we're working hard on several fronts to do so.

We aim to hold ourselves to the highest ethical standards... help tackle global health challenges... do our part in being a good citizen...and be part of the solution on drug pricing and access to medicine. These are personal priorities for me since I became CEO earlier this year, and for our whole organization.

We won't always get it right. And I'm sure you'll tell us when we don't. Which is as it should be. Let me briefly share some of the steps we're taking.

#### **Holding ourselves to the highest standards**

This is an area where we have sometimes stumbled and that we are moving to reinforce. Leaders are the key to building a culture of integrity through what they say and how they act. I've made it a



priority to set the tone at the top. In meetings with employees I make it clear that I never want anyone to compromise our values in order to meet business targets.

We've also changed bonus incentives to reinforce ethical behavior. Our salespeople, for instance, will only receive a bonus if they meet expectations for integrity and other company-wide values that we use to evaluate a portion of each employee's performance.

We also reviewed our spending on lobbying activities and decided to reduce contributions to trade associations and external lobbyists, starting in 2019.

### **Tackling global health challenges**

We have a long history helping address major public health issues. We have for several decades been a significant contributor to the fight against leprosy and malaria. I'll touch on progress against these diseases in a minute, but I want to note that this year we renewed our commitment to trying to eliminate them.

We pledged 100 million dollars to research and develop next-generation antimalarial drugs over the next five years. And we helped found the Global Partnership for Zero Leprosy to help efforts to eliminate this biblical disease once and for all.

We're also evaluating other areas where our expertise may help make a difference. For instance, we're working with the World Heart Federation and others to define a road map to eliminate Chagas disease, which if not properly treated can eventually lead to heart failure. About 8 million people worldwide are infected and it is one of the biggest health challenges in Latin America. We are also bringing new solutions to Sickle Cell disease in West Africa – another first for our industry.


### **Being a responsible citizen**

Because the environment and human health are closely linked, we have long been committed to efforts promoting a healthy planet.

For instance, over the past 15 years, during which our sales doubled, we managed to reduce our greenhouse gas emissions. We recently adopted an ambitious environmental sustainability strategy, aiming for carbon neutrality, plastic neutrality and water sustainability. As a first step, by 2025 we aim to use only renewable energy in our own operations and to cut our waste and water consumption in half.

We've also had a longstanding commitment to diversity because we view it is a key enabler of innovation, which is a core capability for us. While we've made progress on diversity, we know we need to do more. In September we were the only pharmaceutical company to pledge support for the Equal Pay International Coalition and we plan to take steps toward gender equality in the next five years, including more balanced management representation. We also announced our support for the UN business standards against discrimination of lesbian, gay, bi, trans and intersex people.

### **Being part of the solution on pricing and access**



We know this is an area where we need to do better – whether in developed markets or in low- and middle-income countries. Our innovations only matter if patients who need them actually receive them.

Pricing and access are closely linked. We firmly believe that value-based pricing is the only sustainable approach to enable access to innovations -- whether traditional medicines, or advanced gene therapies. We try to price our treatments based on the value they bring to patients and to society – in terms of improved health outcomes and overall sustainability for healthcare systems.

In the US, we've tried to take a very constructive approach. We've supported efforts to reform the US healthcare system. And if you look at the past several years, the net prices paid for our products over our entire portfolio have been flat to declining. We published those figures in our US transparency report.

We also helped drive establishment of an industry database providing free access to information about the worldwide patent status of more than 160 important medicines. It helps governments quickly determine which drugs might be available as generics in their country.

### **The access challenge**

Now let me turn to access more broadly. As a global medicines company, we must find ways to get our treatments to more people who need them. I'd like to take a few minutes to share how our approach has evolved over time. And I'd like to explore how business -- in collaboration with governments and other organizations -- can help accelerate progress.

The World Health Organization estimates that about 2 billion people worldwide lack access to the medicine and healthcare they need. This isn't just a developing world challenge. About 28% of Americans under age 65 have no health insurance, according to the Centers for Disease Control and Prevention. And nearly one in 10 forego care or medicine because of cost.


That's not acceptable. We need to do more to make today's incredible medical innovations available to more people.

### **The journey of reimagining access**

Our approach to expanding access evolved over the past two decades as we strove for greater scale and increased impact.

We began with philanthropy. Novartis has supported the fight against leprosy for more than 30 years by donating the multidrug therapy that cures this ancient disease. The treatment has reached more than 16 million patients since 1981 and helped reduce the global burden of the disease by 95%.

But as we looked at big challenges like the fight against malaria we realized philanthropy wasn't sustainable on a larger scale. So we tried a not-for-profit approach. In 2001 we agreed with the World Health Organization to provide antimalarial drugs without profit to the public sector in malaria-endemic countries. At the time malaria killed more than 800,000 people a year, many of them children under 5 years old.



Since 2001 we have provided more than 850 million malaria treatments at no profit, including more than 350 million especially formulated for children. Thanks to the combined efforts of many organizations on both prevention and treatment, the number of malaria deaths worldwide has been more than halved since 2000.

While these efforts help address important public health issues, the approaches have limitations: They only help people with specific diseases and can only be sustained as long as donors are willing to pay.

So for the last decade we focused on creating what we call social businesses. Their aim is to expand access to a broader range of medicine and care while also earning a small profit that can make them self-sustaining and able to grow.

First came Healthy Families, launched more than a decade ago in India. The program combines health education and health screenings in rural communities with a sales and distribution network for medicines. The program has expanded to Kenya and Vietnam and has reached 40 million people with health education and 3 million patients with diagnosis and treatment.

In 2015 we launched Novartis Access, a program aimed at improving access to medicine and treatment for chronic diseases in lower-income countries. It provides a portfolio of patented and generic drugs at a cost of one dollar per treatment per month to governments and other public-sector organizations.

We also work with partners to help strengthen healthcare systems through training or other activities. So far the program has delivered 2.6 million monthly treatments to people in five countries. We have agreements to enter Pakistan and Nigeria in 2019 and aim to expand the program to about 30 countries in the next few years.

Importantly, we have an agreement with Boston University to assess the program's impact, addressing a past weaknesses of industry access initiatives – they could seldom prove their benefit to society.


### **A new blueprint**

Clearly, no single organization can solve the access challenge. But we've begun a fundamental shift in the way we operate that we think has the potential to significantly enhance our contribution.

This year we adopted Access Principles that aim to embed a new way of working: We're moving from an ad-hoc project approach to a systematic one. From now on, every new innovative medicine we launch must have an access plan.

With the principles we're committing to:

- systematically assess our research and development portfolio against the unmet health needs of underserved populations
- further improve the affordability of our medicines
- systematically assess our efforts to strengthen local healthcare systems



This is the beginning of a journey. We don't pretend to have all the answers. We will experiment and learn as we go. We will measure our progress and be transparent about our successes and challenges.

Starting this year, progress on expanding access will be a key measure of success for our leaders and employees. It is included in my objectives as well as all of my colleagues on the company's Executive Committee. It will be part of a scorecard used to measure our performance at the end of the year.

Thankfully, our organization can build on past experience. In addition to our social businesses, we have developed programs to help individual patients get critical medicines they can't afford. A good example is a program begun in 2002 to facilitate access to a breakthrough medicine for a rare type of leukemia. We partnered with the Max Foundation, which now runs the program. Since inception it has helped support about 75,000 patients in more than 75 countries.

We have also begun rapidly developing more affordable local versions of our latest innovative medicines for emerging markets to help get these treatments to lower-income patients more quickly. For instance, two years after our heart failure treatment Entresto launched in the US, a local version is already available in India and Africa.

In the past it took up to 15 years for new patented medicines to reach emerging markets, but we are reducing the time lag to a few months. So far we have launched 128 local brands of innovative medicines.

### **Multifaceted challenge**

The access challenge has so many interconnected aspects, we can only hope to forge effective new solutions through collaboration among governments and organizations with diverse skills and roles.


In poor countries, healthcare systems often need fundamental improvements before they can address patients' needs. Sometimes infrastructure and healthcare workers are simply lacking. Distribution systems for medicines are often unreliable and doctors may lack the specialized knowledge to diagnose and treat complex illnesses like cancer or diabetes.

For instance, in Ethiopia, a country of 105 million people, there are an estimated 3-10 million diabetics. Yet there are only seven endocrinologists in Ethiopia trained to treat the disease and its complications, which can include heart disease, poor circulation, amputations and blindness. Helen Yifter is one of them. She treats patients at a hospital in the capital, Addis Ababa. Some of them travel hundreds of miles to get treatment, often when their disease has already caused serious damage.

### **An access ecosystem**

People like Helen Yifter are inspiring and we need more like her. But we must find radically new approaches to addressing the access challenge in order to have an impact on a scale that truly makes a difference for society.

We need to build an ecosystem of companies, NGOs and governments whose diverse capabilities can help to develop truly innovative approaches.



We're already working with several such partners. For example One Family Health in Rwanda. In collaboration with the government, they are building a network of 500 rural health outposts run by nurse entrepreneurs whose community businesses provide basic care.

We should also more aggressively embrace the potential of new digital technologies. For instance, an NGO called Zipline is using drones to transport fresh blood in Rwanda and drop it by parachute to rural hospitals. In Ghana, meanwhile, the government is rolling out a nationwide telemedicine program to connect centrally located doctors and specialists with front-line healthcare workers in remote outposts.

Such examples give me hope that by working more closely together we can help bend the curve of life for many more people.

### **Conclusion**

We've made a priority of doing things that aim to contribute more to society -- by maintaining high ethical standards, helping find new pricing and access solutions, tackling big healthcare problems, and being a responsible citizen. We hope to build trust -- with our partners, with doctors and patients, and with society more broadly.

You'll judge us by our actions, rather than our words, which is fair enough.

Thank you and I look forward to a lively discussion.