Dear investors and analysts

In our Q3 ESG Update, we highlight the strategy, focus and priorities of the new Novartis as we continue our transformation into a pure-play Innovative Medicines company. As with each newsletter, the feedback and questions we received during this quarter are reflected in the Q&A on pages 6-8.

Thank you again for your interest in Novartis.

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New Novartis: Our strategy and focus

Our strategy

At our recent Meet Novartis Management (MNM) event, we provided an update of our strategy to deliver high-value medicines that alleviate society’s greatest disease burdens through technology leadership in R&D and novel access approaches.

Our focus

5 core Therapeutic Areas
- Cardiovascular, Immunology, Neuroscience, Solid Tumors, Hematology

2 + 3 technology platforms
- Chemistry, Biotherapeutics, xRNA, Radioligand, Gene & Cell Therapy

4 priority geographies
- US, China, Germany, Japan

Our priorities

Accelerate growth
Deliver high-value medicines (including launch excellence)

Deliver returns
Embed operational excellence

Strengthen foundations
Unleash the power of our people

Scale data science and technology
Build trust with society

1. Other TAs opportunistically
Intention to spin off Sandoz to maximize shareholder value

On August 25, we announced our intention to separate the Sandoz business to create a standalone company by a way of a 100% spin-off, to drive value for our shareholders.

In simplifying the business over the past two decades, we have learned that innovation is a key driver of the success of our access strategy. The separation from Sandoz marks the last step towards our goal of becoming a pure-play Innovative Medicines company.

The separation will allow us to continue to deliver on our access programs and ESG ambitions. The overall benefits to the business and to our shareholders of the spin-off are set out below:

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**Clear investment thesis as an Innovative Medicines business**

- Exclusive focus and investment in Innovative Medicines
- Strong position in 5 core TAs, leadership in technology platforms
- Enhanced execution of the pipeline and commercialization
- Improved financial profile and return on capital
- Organizational and operational simplification
- Capital allocation based on its business needs

**Clear investment thesis as a Generics and Biosimilars business**

- #1 European Generics company¹ and a global leader in Biosimilars
- More effective business strategy for the Gx market
- Greater freedom to operate
- Capital allocation based on its business needs
- Culture fit for the Gx industry, with focus on faster/leaner decision-making and more efficient use of cost base

Limited synergies between Innovative Medicines and Generics; at opposite ends of the biopharma value chain with significant differences in business dynamics

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¹. Based on IQVIA MAT 03/2022, gross sales for combined Generics and Biosimilars market.
Sandoz spin-off does not change our ESG strategy

Our existing access targets are already focused on Innovative Medicines (including our Sustainability-Linked Bond targets), with a limited role of generics. Although it may be necessary to restate the baseline metrics of some targets to reflect the new organizational structure, we do not expect the spin-off to have a significant impact on the achievement of these targets. Our level of ambition to improve access for patients remains unchanged. Sandoz will also continue access to affordable healthcare.

**Novartis** will continue to focus on applying our Access Principles to our innovative medicines portfolio. All current ESG targets will be maintained.

### Material ESG factors

<table>
<thead>
<tr>
<th>1 Patient health &amp; safety</th>
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<tbody>
<tr>
<td>2 Access to healthcare</td>
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<tr>
<td>3 Innovation</td>
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<tr>
<td>4 Ethical business practices</td>
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</tbody>
</table>

### Access

- **100%** of launches with access strategy
- **Sustainability-Linked Bond** targets on track (LMICs):
  - **3x** patient reach\(^1\) with strategic innovative therapies
  - **1.5x** patient reach\(^1\) through flagship programs

### Innovation

- Innovative therapies reaching more LMIC patients faster
- R&D for neglected tropical diseases
- Clinical trial diversity

### Other priority areas

- **Net zero carbon emissions by 2040**
- **High ethical standards**
- **Leading position in third-party ESG ratings**

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**Sandoz** will continue access to affordable healthcare.

<table>
<thead>
<tr>
<th>Broad global patient reach of ~500m patients</th>
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<tr>
<td>Focus on underserved populations for both developing and developed markets, particularly for biosimilars</td>
</tr>
<tr>
<td>AMR program: Support leading position in Gx antibiotics</td>
</tr>
</tbody>
</table>

1. Results in improved population health and substantial social impact. LMICs, 2025

AMR – Antimicrobial resistance
# ESG ratings and reporting

| Agency       | Rating | Score: Current | Score: Previous | Industry perspective
<table>
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<tr>
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<tbody>
<tr>
<td>ACCESS TO MEDICINE in Africa</td>
<td>1 Score</td>
<td>▲ 4.18</td>
<td>3.2</td>
<td>2 / 20</td>
</tr>
<tr>
<td>CDP</td>
<td>2 Climate score</td>
<td>▼ B</td>
<td>A-</td>
<td>Management band B/B-¹⁰⁰</td>
</tr>
<tr>
<td></td>
<td>Water score</td>
<td>▼ A-</td>
<td>A</td>
<td>Leadership band A/A-¹⁰⁰</td>
</tr>
<tr>
<td>ISS ESG</td>
<td>3 ESG score</td>
<td>▼ B</td>
<td>B</td>
<td>2 / 491</td>
</tr>
<tr>
<td>MSCI</td>
<td>ESG score²</td>
<td>AA</td>
<td>A</td>
<td>Best rated peers: AAA (3 PharmaCos) AA (10 PharmaCos)</td>
</tr>
<tr>
<td></td>
<td>MSCI Global Compact³</td>
<td>▲ Pass</td>
<td>Watchlist</td>
<td></td>
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<tr>
<td></td>
<td>Controversy⁴,⁵</td>
<td>▲ 3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>S&amp;P Global</td>
<td>2⁴ ESG score</td>
<td>▲ 84</td>
<td>73</td>
<td>5 / 91 in Pharmaceuticals (97th percentile)</td>
</tr>
<tr>
<td>SUSTAINABILITY</td>
<td>3 Risk score</td>
<td>16.9⁶</td>
<td>16.9</td>
<td>1 / 456 in Pharmaceutical subindustry group⁷</td>
</tr>
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Novartis remains Sustainalytics’ top-ranked pharmaceuticals company
Novartis ranked first in the global pharmaceuticals [sub]industry category and among peers with a similar market cap in Sustainalytics’ ratings, and remains ‘Low Risk’ with a score of 16.9.

**Reuters Responsible Business Awards**
Novartis was the winner of the Transparency and Reporting category of the Reuters Responsible Business Awards. Our focus on impact valuation and measurement, and clear, holistic reporting was recognized by Reuters who noted that our Integrated Reporting set an “encouraging standard for future reporting practices for all business, markets and policy makers” on how sustainable measures can be integrated into financial analysis.

**ESG Investing Magazine Sustainability Reporting Awards**
Our commitment to external disclosure was recognized by ESG Investing Magazine, who awarded us the Best Sustainability Reporting: Healthcare award for the second year running.

## Upcoming events

**Early November | Governance Roadshow**
We will hold our annual roadshows, comprised of a series of investor meetings to gather shareholder feedback and in preparation for our AGM. Our objective is to facilitate an open discussion between shareholders, the Board, and the senior management team, to foster engagement around emerging issues and welcome all feedback.

**29 November | Shared Value Initiative Speaker Series**
As part of the SVI 2002 Speaker Series, our CEO, Vas Narasimhan, will participate in a virtual fireside chat moderated by Alyson Shontell, Editor-in-Chief of Fortune. Alyson and Vas will discuss strategy, innovation, impact, equity and leadership.

**Novartis: Leadership and a Reimagined Approach to Equity - Shared Value Initiative**

**30 November | Investor Update on Access & Sustainability**
We will host a virtual event, to provide investors with an overview of our ESG strategy and ambitions. Ronald Cohen, author of the book “Impact investing” will join us. For registration and more details, please follow this link.

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Top 10 questions from our investors

1. What is the impact of Sandoz separation on your programs (Access, Anti-Microbial Resistance)?

   - We believe that the planned separation of Sandoz will deliver benefits – with a clear investment thesis for Novartis focusing on being an Innovative Medicines Business and Sandoz standalone potentially to become the #1 European Gx company and global leader in biosimilars.
   - We expect improvements in driving access for patients for both companies:
     - The Novartis Access Principles will continue to focus on innovative therapies and impact. We will continue to progress on our commitment that 100% of launches will have an access strategy, and Sustainability Linked-Bond patient access targets across LMICs will remain unchanged.
     - Sandoz will continue to focus their access strategy on affordable healthcare and support its leading position in supplying high-quality Gx antibiotics to help tackle AMR.
     - Overall, we don’t expect our ESG focus areas and commitments to change. Material ESG factors (patient health & safety, access, innovation, ethical business practices) will remain unchanged for both the New Novartis and Sandoz.

2. Can you talk about the new organizational structure: What impact are you seeing on employee motivation/culture/engagement scores/innovation?

   - We are implementing a new, more agile and simpler operating model that will reshape the way we operate and enable us to accelerate our growth and productivity, and improve the quality of our pipeline.
   - We recognize that these changes have created considerable uncertainty for many of our employees, as reflected in the decrease in the employee engagement scores in H2 2022, an anticipated outcome following the announcement.
   - As we navigate the changes to implement this new structure as soon as possible, we want to ensure that we are taking the most appropriate steps in a compassionate way for our people.
   - The new organizational model will not only enable us to reduce our costs but create a simpler, agile organization, capable of effectively delivering on our plans to drive growth and returns, particularly by unlocking the benefits of innovation in driving overall performance.

3. How are you addressing the cost of living crisis to fairly balance the needs of your stakeholders while mitigating business risks associated with economic challenges?

   - We acknowledge the current economic challenges (e.g. inflation), and we try to balance the needs of different stakeholders.
   - We aim to be as fair as possible across our stakeholders:
     - **Employees**: In markets experiencing extreme hyperinflation, we have already made a number of interventions with the support of each of the local work councils. We also recognize that inflation continues to be increasing in many other markets and we are regularly monitoring these developments. As we approach our year-end compensation cycle, we will consider several factors in line with our principle of fairness (including market rates, affordability, long-term sustainability for the company, criticality of talent, our EPIC1 and Living Wage commitments) when determining any appropriate compensation adjustments.
     - **Suppliers**: Constantly monitoring our supply markets to ensure supply and price stability, then leverage contractual provisions and supplier collaboration to mitigate effects.
     - **Customers**: We are monitoring price increases closely (e.g. In the US, we will continue to cap our price increases based on our commitments. In Europe, we acknowledge that healthcare containment measures are increasing).
     - **Mitigating business risks**: We expect increased inflationary pressures to be mitigated by productivity measures including the recently announced new organizational model.

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1. Equal Pay International Coalition
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<th>Question</th>
<th>Response</th>
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| 4. Scope 3 challenge: How are you managing/mitigating the risks of the tail-end/smaller suppliers? | • We follow a risk-based approach. We have too many suppliers and our efforts are focused on consolidating our supplier base. In the interim, we are focusing on the larger strategic suppliers who are responsible for more than 95% of our carbon footprint.  
• Key supplier contracts will include sustainability criteria.  
• We continue to leverage our industry partnerships to support suppliers e.g. Novartis is a founding member of ENERGIZE program that aims to support suppliers in adoption of renewable electricity. |
## Question 8
Can you explain the importance of the company’s access to medicine/healthcare initiatives in the overall business strategy of the company?

- Improving access to medicines is where the healthcare industry can drive the largest impact on society. It is one of the greatest unmet health needs worldwide, with nearly 2 billion people lacking access to medicines according to the World Health Organization. Access also featured in the Novartis materiality assessment in 2021, with internal and external stakeholders ranking it alongside innovation, ethical business practices, and patient health & safety as the key priorities for Novartis.

- Access is a global issue, and central to the Novartis strategy globally. We are firmly committed to ensuring our innovative medicines reach everyone who needs them, regardless of where they live or their economic status. In 2017, we established the Access Principles to guide how we integrate access strategies in how we research, develop and deliver all our new medicines, globally. And in 2020, we issued a sustainability-linked bond that is explicitly tied to how we’re increasing access to our therapies. Most recently, Novartis reinforced its access commitment to investors during the 2022 Meet the Management event.

- Novartis will continue to integrate access to medicines in our overall business operations, with our goal to incorporate global access strategies in 100% of our launches.

## Question 9
Can you provide color on the governance on the ESG strategy, including decision-making process and oversight?

- ESG has become embedded across all levels of our organization, supported by a clear governance structure at the leadership level.

- The Board of Directors, particularly through the Governance, Sustainability and Nomination Committee, is responsible for the oversight of the Group’s ESG strategy, and to provide guidance on how ESG is incorporated into Novartis long-term strategy and risk management.

- The Trust and Reputation Committee, a sub-committee of the Executive Committee of Novartis, is responsible for the overall ESG steer and decision-making, and is supported by the Sustainability & ESG Office, ESG Council and the ESG Topic Leads, in particular for the delivery and implementation of the various ESG initiatives.

## Question 10
Biodiversity – we would like to understand how you are progressing on identifying transition risks associated with biodiversity and the impact of climate change, and how you are assessing this in your supply chain.

- Biodiversity loss has been recognized as a risk and accordingly has been included in our enterprise risk management program.

- Our current approach to reducing our impact on biodiversity is applied through addressing our targets on carbon reduction, water quality and elimination of plastic.

- Additional strategic levers will be evaluated in the future.