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July 2026

Q2 2026 Impact and Sustainability Update to Investors

Dear investors and analysts,

In this Q2 update, we feature an interview with Steffen Lang, President of Operations, on how sustainability, innovation and operational excellence are shaping the future of pharmaceutical operations. We also share reflections from London Climate Action Week and our internal annual Risk Intelligence Forum, where discussions focused on the growing links between climate, healthcare, risk and resilience.

In addition, we include a save-the-date for a dedicated AI-focused session as part of Meet Novartis Management planned for Q4.

As always, we also include top questions from shareholders during Q2 and our responses.

We thank you for your continued engagement.

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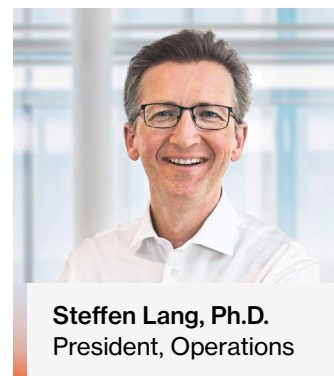
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A conversation with Steffen Lang, Ph.D.

Investors increasingly ask how sustainability is **shaping the future of pharmaceutical operations**. In this interview, Steffen shares his perspective on integrating sustainability into operational strategy, the lessons learned from driving transformation across a global manufacturing and supply network, and how innovation, digital technologies, and AI can help accelerate progress.



Steffen Lang, Ph.D.
President, Operations

1. What does sustainability mean to you as President of Operations?

- Sustainability is fundamentally about long-term resilience. While environmental performance is an important part of the discussion, sustainability is much broader than that. It is about ensuring Novartis can continue to reliably deliver medicines that create value for patients and society.
- As Operations leaders, we think about the entire system: from our manufacturing sites and supply chains to the resources we depend on. Climate change, water availability, and resource constraints all influence how we operate and how we prepare for the future. That is why our net-zero ambition is not simply an environmental commitment; it is a business transformation agenda that drives how we design products, source materials, manufacture medicines, and work with suppliers across our value chain.
- What excites me most is that sustainability is increasingly becoming a **driver of innovation**. It challenges us to rethink processes and make smarter decisions. Across our manufacturing network, investments in advanced technologies and next-generation manufacturing are helping us reduce resource consumption and waste, and strengthen both sustainability and operational performance.

2. How do you translate your sustainability ambition into action across a global operations organization?

- Sustainability is not treated as a separate objective: it is embedded within operational excellence. Our priority areas include improving **energy efficiency**, reducing emissions, managing **water** responsibly, minimizing **waste**, and **partnering** with suppliers to strengthen sustainability performance across our value chain.
- Many of the initiatives that reduce environmental impact also improve efficiency, strengthen resilience, and **lower costs**. Examples:
 - Solvent recovery initiatives have reduced waste and emissions while lowering raw material consumption and improving operational efficiency, generating both environmental and operational benefits.
 - At our Slovenia manufacturing site, implementation of active energy management system¹ and efficiency investments has delivered ~15% reduction in energy consumption.
- What is particularly encouraging is the **level of ownership** across the organization. Some of our most impactful ideas come directly from teams closest to the work. Through our **Environmental Sustainability workshops**, site teams identified opportunities to optimize material inflows and outflows, leading to initiatives that reduced waste and improved resource utilization.
- Strong **governance** underpins our approach. Environmental sustainability **KPIs** are embedded within the Operations performance framework, with accountability extending from the Operations Leadership Team to site leaders. Progress is reviewed regularly through our business governance processes, ensuring sustainability is managed with the same rigor as safety, quality, and operational performance.

¹ Continuous monitoring and control of energy consumption.

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3. What have been your biggest learnings from advancing sustainability across a global manufacturing and supply network?

- One of the biggest lessons is that transformation is achieved through **consistency** rather than a single breakthrough. While bold ambitions are important, meaningful progress comes from thousands of improvements made over time across sites, functions, and teams.
- Another important learning is that **people matter more** than processes. Technology, investments, and targets can enable change, but it is ultimately individuals who drive progress. The **most successful initiatives** are often those where teams see a clear connection between sustainability and their everyday work.
- I have also learned that **collaboration** is essential. Many sustainability challenges extend beyond the boundaries of any one company. Success requires partnerships with suppliers, industry peers, communities, and other stakeholders. For example, through initiatives such as the Pharma Manufacturing Forum, we collaborate with peers to advance common approaches to supplier engagement, climate action and other sustainability priorities.
- Another important lesson is being **transparent** about **short- and long-term trade-offs**. While some sustainability initiatives deliver immediate operational and financial benefits, others require upfront investment to build long-term resilience and environmental performance. Clear prioritization and decision-making help balance near-term returns with long-term value creation.
- Finally, sustainability requires **continuous learning**. Expectations continue to evolve, regulations continue to develop, and new technologies continue to emerge. The path to net-zero will **not be linear**, but progress comes from maintaining ambition, learning from experience, and continuously scaling solutions that work. The organizations that succeed will be those that remain curious, adaptable, and committed to improving every year.

4. How are innovation, digital technologies, and AI shaping the future of sustainable operations?

- I believe we are entering a new era where technology will significantly accelerate sustainability progress. Digital tools, advanced analytics, and AI are providing insights that were simply not available a few years ago.
- **Real-time data** allows us to optimize energy consumption, improve resource utilization, strengthen predictive maintenance, and identify opportunities to reduce waste. AI can help us make smarter decisions faster by recognizing patterns and opportunities across large and complex datasets. For instance, real-time monitoring and advanced analytics are helping sites identify inefficiencies in utilities and production processes, enabling energy optimization and improved operational performance.
 - At our Singapore manufacturing site, process intelligence enabled HVAC² optimization through sensors and real-time energy monitoring, delivering ~6% electricity savings.
- At the same time, innovation is transforming how we manufacture medicines. New production technologies, automation, and advanced process design are helping us improve efficiency while reducing environmental impacts.
- However, technology on its own is not enough. The greatest value comes when digital capabilities are combined with **human expertise, scientific knowledge, and strong leadership**. AI can help us understand where opportunities exist, but people remain essential in deciding how to turn those insights into meaningful action. Looking ahead, I see technology becoming an increasingly powerful enabler of both operational excellence and sustainability.
- It would be remiss not to acknowledge the environmental footprint associated with these technologies, particularly AI, through the energy required to operate data centers and digital infrastructure. As we increase our use of AI, we seek to work with technology partners that have credible climate commitments and science-based emissions reduction targets. We also encourage thoughtful use of AI, matching the right tools to the task while continuing to leverage the technology where it creates meaningful value.

2. Heating, Ventilation and Air Conditioning.

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In Q2, Novartis participated in London Climate Action Week and convened its annual Risk Intelligence Forum.

While the discussions focused on different subjects, several common themes emerged. Climate change, healthcare, geopolitics, technology and regulation are increasingly interconnected, creating new considerations for business resilience and long-term planning.

Reflections from London Climate Action Week

London Climate Action Week provided an opportunity to discuss the role pharmaceutical companies can play in addressing climate-related challenges. At Novartis, we approach climate through two complementary lenses:

Understanding and reducing value chain emissions

- Our first priority remains reducing greenhouse gas emissions across our value chain as we work toward our ambition of achieving **net-zero by 2040**. While the pharmaceutical sector is not among the most emissions-intensive industries, healthcare overall is estimated to account for **4–5% of global greenhouse gas emissions¹**, highlighting the important role healthcare companies can play in supporting the transition to a lower-carbon economy.
- A recurring theme across discussions was the challenge of addressing **Scope 3 emissions**. Significant portion of our Scope 3 emissions footprint is directly linked to launched products, highlighting the importance of understanding emissions across product value chains.
- One approach Novartis uses to assess value chains is through **life-cycle assessments (LCAs)**. LCAs help us understand the emissions footprint of our products across each stage of their lifecycle, identify emissions hotspots, uncover opportunities to reduce environmental impact, and support targeted engagement with suppliers.



- After completing LCAs for our key brands, the assessments showed that drug substance manufacturing is a major source of emissions, contributing >80% of lifecycle emissions for small molecules and >60% for biologics on average. For biologics, the distribution stage is the second-largest contributor, primarily due to the need for temperature-controlled transportation.
- Based on these insights, we are working with suppliers and internal teams across **five focus areas**: (a) material efficiency and circularity², (b) process efficiency to drive yield improvement, solvent substitution, etc, (c) transitioning from air to sea freight where feasible to reduce transportation-related emissions, (d) adoption of renewable energy, and (e) packaging optimization.

1. Health Care Without Harm & Arup. (2019). Health care's climate footprint: How the health sector contributes to the global climate crisis and opportunities for action. Health Care Without Harm. <https://global.noharm.org/media/4361/download?inline=1>. 2. Including increased solvent recovery and reuse.

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Growing connection between climate, health and resilience

- Another recurring theme throughout the week was the growing connection between climate, health and resilience. The World Health Organization estimates that climate change could contribute to ~250k additional deaths annually between 2030 and 2050³. Our own analysis is also helping us better understand disease areas where climate-related factors may contribute to increasing disease burden over time. Many of the disease areas identified align with our existing scientific strengths and pipeline, positioning us well to address evolving patient needs.
 - We also report on climate-related financial risks and opportunities⁴, including analysis of the potential financial impact of climate change on health across our portfolio⁵.

Scientific literature (meta) review to assess the projected future impact of climate change on disease prevalence

	Confidence ⁶	Prevalence ⁷
Cardiovascular	●	●
Renal	●	●
Malaria	●	●
Diarrheal	●	●
Non-small cell lung cancer	●	●
Dengue	●	●
Immunology ⁸	●	●
Chagas	●	●
Leishmaniasis	●	●

● High ● Medium ● Low

- Specifically, this reinforces the importance of continuing to invest in **Global Health R&D**, which includes programs focused on a single-dose cure for malaria, as well as compounds in Phase II clinical development for dengue, visceral leishmaniasis and Chagas disease.
 - Whilst investment in global health R&D has declined across the sector in recent years, Novartis has continued to prioritize this area, committing more than USD 500m to malaria and neglected tropical disease R&D since 2021 and a further **USD 250m** over the 2026–2030 period. These sustained commitments have helped build one of the industry’s largest global health pipelines and support our broader focus on addressing significant unmet medical needs through innovation.
- The discussions also highlighted that addressing the health impacts of climate change requires more than innovation alone. Many of the communities expected to be most affected by climate-related health challenges already face constraints in healthcare infrastructure and access to care. Through our health system strengthening efforts, including community health approaches in parts of Sub-Saharan Africa and other underserved settings, we seek to support stronger and more resilient healthcare systems that are better prepared to meet evolving patient needs.
 - We recognize that building climate-resilient health systems requires collaboration across governments, healthcare providers, civil society, development partners and the private sector. We believe pharmaceutical companies can contribute through innovation, partnerships and health system strengthening efforts, while broader progress depends on coordinated action across the healthcare ecosystem.

3. World Health Organization. (2014). Quantitative risk assessment of the effects of climate change on selected causes of death, 2030s and 2050s. World Health Organization. <https://www.who.int/publications/i/item/9789241507691>. 4. In line with the recommendations of Task Force on Climate-related Financial Disclosures. 5. Using country-specific forecasts of climate-related disease burden in relevant therapeutic areas, we model potential revenue effects under low-, medium- and high-emission scenarios for diseases with established links to climate factors, such as ischemic heart disease, lung cancer, chronic kidney disease and asthma. 6. Confidence - Based on scientific agreement (High - 100% studies reporting same finding, Medium - >50%) and evidence (High - 5+ studies, Medium <5 studies). 7. Disease Prevalence - Based on 2025 IHME Global Prevalence Data: Low 0-500 per 100,000, Medium 500 - 2,500 per 100,000, High 2,500+ per 100,000. 8. E.g. Inflammatory.

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Top three takeaways from the 2026 Risk Intelligence Forum

Bringing together senior leaders and external experts, the Risk Intelligence Forum explored how organizations can strengthen resilience and decision making in a period of increasing uncertainty. Three themes emerged from the discussions.

Resilience increasingly depends on challenging assumptions

- Regulatory developments, operational challenges and external events are moving faster, becoming more interconnected and often escalating across multiple dimensions simultaneously. As a result, organizations can no longer rely solely on managing risks once they emerge. Instead, resilience increasingly depends on identifying **early signals** and distinguishing **risks from noise**.
- Companies frequently build strategies around implicit assumptions about how the future will unfold, noting that ~80% of failed corporate strategies were linked to misleading assumptions about the future⁹.
- **Strategic foresight**¹⁰ can complement Enterprise Risk Management by helping organizations **challenge assumptions**, test alternative scenarios and better understand how external forces may affect their business. Several speakers noted that events which appear suddenly are often symptoms of longer term structural shifts that were not identified or challenged early enough.

Healthcare systems are under increasing pressure from demographic and economic changes

- A participant highlighted significant demographic changes already underway. Uneven population growth, increasing longevity, declining birth rates and continued urbanization are contributing to ageing societies, changing workforce dynamics and rising demand for healthcare services.
- Discussions highlighted growing pressure on healthcare financing amid ageing populations, rising costs and constrained public finances. Participants also noted that healthcare innovation and supply chains are increasingly being viewed through a national security and industrial policy lens.
- Organizations should not assume that today's conditions will quickly revert to historical norms. Rather, they should **continuously test assumptions**, monitor structural trends and build resilience across a range of plausible futures.

AI is reshaping competitiveness, governance and trust

- AI regulation is evolving rapidly and differently across jurisdictions, creating a complex landscape of requirements related to transparency, accountability, privacy, safety and sector specific obligations.
- Participants also noted that organizations are likely to be differentiated by their ability to move from isolated pilots to enterprise wide adoption. The greatest competitive pressure may come not from AI itself, but from the **speed** at which competitors, partners and new entrants industrialize AI enabled capabilities.
- **Trust** was noted as a critical differentiator.
 - As AI becomes embedded in R&D and operational workflows, organizations will increasingly need to demonstrate that systems are safe, explainable, responsible and compliant.
 - High quality **data** may become an increasingly important source of competitive advantage, while growing reliance on external AI platforms reinforces the importance of managing intellectual property, data protection and third party risks.
 - As AI evolves toward more autonomous and agentic systems, maintaining human accountability and effective oversight becomes increasingly critical, requiring governance models capable of supervising **AI-driven actions** rather than solely AI-generated outputs.
- Looking ahead, participants discussed the potential implications of emerging technologies such as quantum computing, which may create significant opportunities for scientific advancement while also introducing new cybersecurity and data protection challenges.

9. Campbell, A., Whitehead, J., & Finkelstein, S. (2009). Why Good Leaders Make Bad Decisions. Harvard Business Review, 87(2), 60–66. 10. The systematic challenge of core business assumptions through the exploration of long-term risks, emerging signals, and high-impact, unlikely but plausible future scenarios.

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Meet Novartis Management – AI Session



AI has been one of the most frequently discussed topics in our investor engagements this year, including conversations with sustainability and stewardship-focused investors.

In response to this strong interest, we are planning a dedicated AI-focused panel as part of our **Meet Novartis Management** event on **19 November 2026**.

The session will feature senior R&D leaders and explore how Novartis is leveraging **AI across research and development**.

Further details and a formal invitation will follow.

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Top 10 social impact and sustainability-related questions from shareholders and our responses

Thank you for your continued engagement in Q2. During this quarter, we received inquiries on access to medicines, global health, our approach to climate and water stewardship, AI governance, and the evolution of our sustainability disclosures.

Access to medicines

01

With the recent agreement to provide certain MFN pricing to the US market, what impact do you expect the agreement to have on access ex-US, including in LMICs¹?

- In December 2025, Novartis announced that it had reached an agreement with the US government and voluntarily agreed to take actions aimed at meeting the US Administration's drug pricing priorities. As a result of that agreement, Novartis has:
 - Entered into an agreement to participate in the GENEROUS Model aimed at further improving access to medicines in the US Medicaid program; and
 - Established direct-to-patient platform accessible through TrumpRx for Mayzent® (siponimod), Rydapt® (midostaurin) and Tabrecta® (capmatinib).
- The agreement's pricing provisions for future medicines specifically apply to a defined group of high-income countries (G7 excluding the US, plus Switzerland and Denmark). We will aim to launch our medicines across these countries at comparable prices according to the value they deliver to patients, healthcare systems and society. Novartis remains committed to investing in markets that value innovation and implement policies that support broad and fast access to medicines.
- For LMICs, we remain committed to our access strategies, including adopting innovative access models, focusing research and development based on society's unmet healthcare needs, and supporting approaches to strengthen healthcare systems.

02

Can you comment on the areas for improvement identified in the latest Access to Medicines Index (ATMI)?

- The 2024 ATMI highlighted four areas where Novartis could further strengthen its approach:
 - **Broaden the geographic reach of access plans:** Novartis has continued to increase the number of access plans, with plans in place for all priority R&D projects². We also continue to strengthen both the quality and geographic reach of access planning for late-stage projects. For example, the access plan for EYU688 in dengue now covers five countries (up from three)³.
 - **Expand technology transfer initiatives to additional countries:** Novartis reports two new technology transfer initiatives aimed at establishing manufacturing capacity in LMICs, complementing three existing initiatives focused on treatments for diabetes, epilepsy and cardiovascular disease.
 - **Expand access to innovative medicines:** We recently launched dedicated LMIC access strategies for Kisqali® and Leqvio®⁴. More broadly, we have committed to implementing a global access strategy for all new medicines launched⁵ and increasing the number of patients reached with strategic innovative medicines⁶ in LMICs by at least 150% by 2030.

1. LMICs – Low- and middle-income countries. 2. As defined by Access to Medicine Foundation (diseases, conditions and pathogens that the global health community considers most critical to address in LMICs). https://accessmedicinefoundation.org/medialibrary/231010_2024_index_methodology_final-1696932306.pdf. 3. Where clinical trials are being conducted and where registration would be pursued if the candidate is shown to be safe and effective. 4. Supported through our Emerging Markets Strategy and partnership with The Max Foundation. 5. Excluding cell and gene therapies, and radioligand therapies (RLT). 6. Brands include: Cosentyx, Ilaris, Kisqali, Kesimpta, Leqvio, Zolgensma, Plqray, Scemblix, Xolair, Pluvicto, Fabhalta and expected new launches in 2026-2030.

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	– Report on the progress of the Sub-Saharan Africa (SSA) Unit: Novartis has evolved its approach in SSA through an inclusive business model that gives equal consideration to both impact through innovation and financial sustainability, while refocusing its portfolio and operating model⁷. • The next edition of the index is expected in Q4 2026. Novartis has been in the leadership group for 12 years (ranked #1 in 2024, #4 in 2022). We view our consistent position within the leadership group as an independent validation of our longstanding commitment to improving access to innovative medicines.
03 How do you measure progress toward your target of establishing 40 healthcare system readiness roadmaps by 2030?	• Last quarter, we announced new Innovation and Access targets, including a commitment to establish at least 40 healthcare system readiness roadmaps by 2030. In line with our Access Principles, access to innovative medicines depends not only on their availability, but also on the readiness of healthcare systems to diagnose, treat and support patients. While healthcare system strengthening requires the collective efforts of governments, healthcare providers and other stakeholders, the sector can play a constructive role in helping identify and address barriers that may affect patient access to innovation. • The target is measured across both countries and disease areas. Roadmaps are being developed primarily across our top 10 priority markets⁸ and currently cover Sjögren's disease, chronic myeloid leukemia, myelofibrosis, Huntington's disease, and rare renal diseases, including C3G and IgAN. • To be counted toward the target, a roadmap must meet three criteria: (1) completion of a standardized country roadmap template, (2) formal leadership approval, and (3) integration into existing launch governance processes, including both local and global launch plans. • The objective of these roadmaps is to identify and address system-level barriers that may affect patient access ahead of launch, helping healthcare systems prepare for innovative medicines and supporting faster and more equitable access for patients. For example, a healthcare system readiness roadmap for CML in China has been approved which aims to deploy initiatives such as physician training in primary hospitals and disseminating real-world safety data.
04 Can you give an update on how the global funding situation has impacted your global health programs?	• The global funding landscape is evolving, but our commitment to improving health outcomes in underserved communities remains unchanged. • To date, we have not seen a material impact on our core Global Health programs. We believe this reflects the evolution of our approach: from traditional donation models toward public-private partnerships and inclusive business models designed to deliver sustainable social impact. • We continue to work closely with governments, public-sector organizations and civil society partners. These partnerships help strengthen local healthcare systems, support country ownership and increase the long-term sustainability of our programs.

7. Our direct presence has been streamlined to priority markets, while additional countries are served through a distributor-led model. 8. Excluding US.

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Climate and nature

05

Are you confident to reach your Scope 3 emissions reduction targets?

- By 2025, Novartis reduced Scope 3 emissions by 17% vs. 2022 baseline⁹, which leaves a remaining reduction of 25% for Scope 3 to reach our 2030 targets. Based on our climate transition plan, we believe we are well on track.
- Scope 3 emissions account for ~95% of our total greenhouse gas emissions, with purchased goods and services representing ~80% of that footprint¹⁰. As a result, supplier engagement remains the cornerstone of our decarbonization strategy.
 - Product-related emissions: We use **life-cycle assessments** to identify emissions hotspots and work with suppliers on targeted interventions.
 - Service-related emissions: We continue to promote sustainable business practices across our supplier base, following the mitigation hierarchy with a primary focus on avoiding and reducing emissions, while supporting the transition to renewable energy sources.
- Importantly, we actively participate in industry collaborations to help build supplier capability, accelerate the adoption of best practices, and support decarbonization across the broader healthcare value chain¹¹.
- Environmental sustainability requirements are also embedded in supplier contracts. In 2025, 97% of supplier emissions were covered by contracts that included environmental sustainability criteria. Our approach continues to receive external recognition. Novartis has achieved an A score in the CDP Supplier Engagement Assessment for three consecutive years.

06

What water reduction initiatives have you implemented for facilities located in high water-stress basins?

- Implementing water-use reduction plans at both our and supplier sites located in water-stressed basins by 2030 is one of our commitments under our Nature pillar. Our approach is aligned with emerging standards and methodologies, including those established by the SBTN¹².
- We focus on reducing water demand through operational efficiency, water recycling and reuse, and watershed stewardship initiatives. For example:
 - At our manufacturing site in Austria, wastewater from vial washing is recycled and reused as boiler feedwater, saving approximately 60,000 m³ of water annually (equivalent to 24 Olympic-sized swimming pools).
 - At our manufacturing site in Egypt, we implemented filtration and reverse osmosis systems that enable cooling tower water¹³ to be treated and reused, resulting in annual water savings of ~10,000 m³ (equivalent to four Olympic-sized swimming pools).
 - In Hyderabad, India, we have implemented watershed programs that replenished >50% of our total water demand in that region in FY 2025.
- Beyond our own operations, we continue to engage suppliers located in water-stressed regions to identify and implement water-reduction opportunities, helping strengthen water resilience across our value chain.

9. Environmental data disclosed in the 2025 ESG publications (Report on Nonfinancial Matters, ESG Data Summary, and Update on Public Commitments) is based on actual performance data from January to September, with estimates for October to December, unless indicated otherwise. The ESG Data Summary will be updated in August with actual Environmental data for the full year 2025, following the criteria set out in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. 10. Based on 2025 disclosed data. 11. Examples: ENERGIZE (a program founded by Novartis and 8 other peers during COP26, aims to increase access to renewable energy for suppliers); Sustainable Market Initiative's joint supplier letter (https://a.storyblok.com/f/109506/x/c6189f0f83/smi_supplierletter.pdf), joint supplier decarbonization targets (https://a.storyblok.com/f/109506/x/c6189f0f83/smi_supplierletter.pdf). 12. Science Based Targets Network. 13. Cooling towers can account for 20–30% of a manufacturing site's total water demand.

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What water quality initiatives have you implemented specifically regarding active pharmaceutical ingredients (API) effluent?

- Reaching no water quality impacts from manufacturing effluents (applies to our own manufacturing sites, our own R&D labs and all API suppliers) by 2030 is one of our commitments under our Nature pillar. In 2025 and 2024, 97% of our manufacturing sites (vs. 94% in 2023 and 2022) and 100% of suppliers in scope (vs. 88% in 2023 and 26% in 2022) met this standard.
- Sites (both internal and selected suppliers) are expected to progress through a three-level water quality maturity framework covering compliance, effluent assessment and risk management, with the objective of achieving Predicted Environmental Concentrations (PECs) below Predicted No Effect Concentrations (PNECs).
- Internal sites conduct annual self-assessments, periodic HSE¹⁴ audits and routine effluent risk assessments. Novartis applies a risk-based approach to managing API discharges across its own sites and selected suppliers, aligned with PSCI¹⁵ guidance.
- Specifically for our suppliers:
 - We continually seek opportunities to simplify our supply chain. As part of this effort, we consolidate our supplier base over time, which has resulted in the exit of several higher-risk suppliers.
 - We engage suppliers through technical assessments, workshops and supplier reviews to support alignment with our water quality expectations. All API suppliers are expected to align with the water quality framework and are subject to ongoing engagement and assessment.

Governance and risk management

08

The Report on Non-Financial Matters differs from the previous Novartis Integrated Report. How should investors think about this change, and does it affect your approach to transparent reporting?

- No, it does not change our approach. We remain committed to transparent reporting and engagement on sustainability-related topics.
- As reporting requirements continue to evolve, we have sought to balance the needs of different stakeholders, including regulators, investors and ESG data providers. The **Report on Non-Financial Matters** serves as our primary statutory disclosure and will support our future reporting obligations, including anticipated CSRD¹⁶ reporting requirements.
- At the same time, we continue to provide a range of complementary voluntary disclosures, including our ESG Index, ESG Data Summary and Update on Public Commitments. Together, these publications provide additional information on topics that are particularly relevant to investors, including social impact, access to medicines and environmental sustainability.
- The introduction of the Report on Non-Financial Matters reflects our effort to navigate a rapidly evolving regulatory landscape while complementing this mandatory reporting with voluntary sustainability disclosures.

09

Can you give us an update on AI governance?

- Novartis has been building its Responsible AI capabilities for several years.
 - In 2021, we published our Commitment to the Ethical and Responsible Use of AI¹⁷, centered on core principles relating to human accountability, bias mitigation, and transparency/explainability. Since then, we have continued to strengthen our governance framework as AI adoption has accelerated across the company.
 - In 2024, we established an AI Risk & Compliance Management Framework supported by a dedicated team, launched the Ethical Use of Data and Technology Policy, and the AI Handbook. AI use cases are assessed using a risk-based approach aligned with emerging regulatory requirements, including principles reflected in the EU AI Act, and are subject to controls proportionate to their risk profile.

14. Health, Safety, Environment. 15. Pharmaceutical Supply Chain Initiative. 16. Corporate Sustainability Reporting Directive. 17. In 2024 we also published an updated commitment to the Ethical and Responsible use of AI, centered on the principles: Respect humanity, Be transparent and collect fairly, Use responsibly and Protect data and technology.

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Can you elaborate your approach on impact measurement? What are the challenges?

- During 2025 and 2026, we further enhanced our governance framework through a gap assessment against the EU AI Act and other emerging regulations.
 - We view AI governance as an enterprise responsibility rather than solely a technology or compliance issue. AI-related risks are integrated into broader risk management processes and assessed alongside considerations such as data privacy, cybersecurity, transparency, bias and appropriate human oversight. Human judgment remains central to decision-making, with AI intended to support (not replace) individual accountability.
 - As AI becomes increasingly embedded across research, development and operations, we continue to invest in employee training and AI literacy to help associates understand both the opportunities and risks associated with these technologies.
-
- **Our approach:** Impact measurement is an area where we continue to evolve our thinking.
 - Patient reach remains an important metric and provides a useful indication of the scale of our efforts. The infrastructure, capabilities, and accountability mechanisms on measuring patient reach are now embedded in how Novartis operates, which is why patient reach remains a component of our new public social impact targets.
 - At the same time, we are exploring how to better measure the health outcomes associated with our medicines and programs. Our objective is to move beyond assessing how many patients we reach and better understand the impact of those interventions. For example, this includes exploring measures such as cardiovascular events averted and years of life gained in oncology.
 - We are taking a measured, stepwise approach as we continue to gain experience and refine the framework before considering longer-term targets.
 - **Challenges:** As with any new measurement, methodology, standardization and comparability remains a challenge. Measuring health impact is considerably complex. Outcomes are influenced by many factors beyond medicines alone, including healthcare systems, access, diagnosis, patient adherence and broader social determinants of health. Ensuring that impact measures are scientifically robust, comparable and credible therefore requires careful use of clinical evidence and assumptions.