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Edition no.24

Q4 2025 Impact and Sustainability Update to Investors

Dear investors and analysts,

Our Q4 update summarizes our 2025 progress and reflections on impact and sustainability, including our breakthrough innovation in malaria and industry-leading recognition from third-party ratings. We also cover select topics from our upcoming AGM.

As always, we also include top questions from shareholders during Q4 and our responses.

We thank you for your continued engagement.

For any questions and comments, please reach out to:

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Reflections on 2025

2025 was another strong year for Novartis. During the year, we advanced our strategy while delivering meaningful impact for patients around the world.

In an environment shaped by rapid scientific progress and evolving policy — including our recent pricing agreement with the US government — we continued to lead in our core therapeutic areas and technology platforms, advance our pipeline, and execute with discipline to deliver long-term value for patients and shareholders. In total, we reached more than 300 million patients across 118 countries, including 30 million through our dedicated access approaches[1].

We further evolved our social impact & sustainability strategy to strengthen alignment with the business and bring increased focus to our impact. We delivered strong performance against our 2025 targets, including meeting our sustainability-linked bond (SLB) commitments and exceeding our targets in water and waste reduction. We also achieved carbon neutrality in our own operations (Scope 1 and 2 from energy)[2].

In this Q4 update, we summarize select accomplishments and reflections in social impact and sustainability – building on the deeper discussion from our recent **Social Impact & Sustainability Investor Event** (full webcast recording ⟶ **here**, event slides ⟶ **here**). Highlights include:

1. Refined our social impact & sustainability strategy

In 2025, we refined our social impact & sustainability strategy to focus on where we can have the greatest impact, aligned to our business. Our four strategic pillars guide how we aim to create long-term value for patients, society and shareholders, supported by two foundational topics focused on maintaining high ethical standards and fostering a workplace where everyone can thrive.

Strategic pillars

Innovation and Access

Embedding Inclusive Access at every stage, narrowing equity gaps by intentionally reaching underserved populations.

Global Health

Finding breakthroughs for diseases neglected by science & bringing innovative medicines to communities in LMICs.

Corporate Philanthropy

Driving strategic investments that tackle root causes of health inequities through foundation programs and partnerships.

Environmental Sustainability

Taking action on climate and nature while advancing the sustainability of our products.

Foundational topics

Ethics, Risk & Compliance

Embedding ethical behaviour, regulatory compliance and respect for human rights across our business and value chain.

People & Culture

Cultivating a workplace where everyone belongs, contributes and thrives while preparing our talent for the future.

1. Includes patients reached with medicines through Novartis Global Health, as well as patients reached through support programs, emerging market brands and donations. 2. Following 75% absolute GHG reductions (2025 vs. 2016), we neutralized residual emissions with certificates that are linked to the respective emission sources and with carbon removal certificates. Biomethane certificates cover 70.8 ktCO2e related to onsite natural gas consumption at our sites in the US and EU. Sustainable Aviation Fuel certificates are used to neutralize 4.9 ktCO2e of jet fuel emissions. Carbon removal offsets have been purchased to address residual Scope 1 and 2 GHG emissions of 124.3 ktCO2e that cannot currently be mitigated through operational measures or fuel substitution.

2. Advanced our Global Health innovation pipeline

Novartis leverages its full capabilities in discovery, development, manufacturing, and delivery of medicines to advance its Global Health portfolio. Our US-based discovery team focuses on infectious diseases, sickle cell disease, and select neglected tropical diseases, supported by the Development organization with access to the company's core technologies. Since 2021, we have invested more than USD 500 million in malaria and neglected tropical disease R&D (double our commitment of USD 250 million from 2021 to 2025). Our Operations network produces millions of malaria treatments annually, and dedicated delivery teams in sub-Saharan Africa work with endemic countries to support treatment availability.

The Global Health pipeline now includes **eight new chemical entities** in clinical development, supported by more than 8 ongoing trials **across 20 low- and middle-income countries** (LMICs).

LMICs: Low- and middle-income countries. 3. Flavivirus, henipavirus. Currently developed with support from: a. Medicines for Malaria Venture, b. Drugs for Neglected Diseases Initiative, c. Wellcome, d. Gates Foundation, e. EDCTP, f. Coefficient Giving.

3. Launched the first malaria medicine for newborn babies and young infants

In July 2025, Swissmedic approved Coartem® Baby, the first clinically proven malaria treatment specifically designed for newborns and infants between 2-5 kg. This milestone paves the way for registration in eight African countries through the Marketing Authorization for Global Health Products (MAGHP) procedure.

In October, Ghana became the first malaria-endemic country to introduce Coartem® Baby. This milestone reinforces our **three-decade commitment** to the fight against malaria. Following the launch, we have seen strong interest from healthcare providers in Ghana, supporting the need for a tailored malaria treatment for young infants.

The new treatment was developed in partnership with Medicines for Malaria Venture (MMV), reflecting close scientific collaboration and shared purpose.

Novartis CEO Vas Narasimhan and Medical Superintendent Dr Mame Yaa Nyarko in conversation at the Princess Marie Louise Children's Hospital Ghana.

4. Announced positive Phase III readout of next-generation malaria treatment KLU156

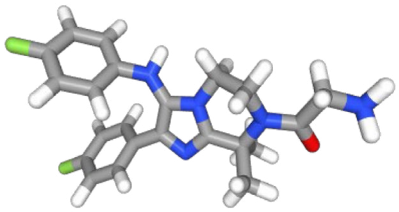
In November 2025, we announced positive Phase III readout of next-generation malaria treatment KLU156, which is the **first major innovation** in the treatment of the deadliest form of malaria in 25 years.[4]

While Artemisinin-based combination therapies remain the mainstay of treatment for P. falciparum malaria, growing signs of partial resistance threaten continued drug efficacy. This, combined with the anticipated geographic spread of malaria due to climate change[5], underscores the need to develop new treatments such as KLU156.

Novel class of antimalarial in KLU156

Combination of **ganaplacid**e (new MoA discovered after analyzing 2.3m molecules), and **lumefantrine** (a new once-daily formulation of an existing treatment)

Ganaplacide disrupts the parasite's internal protein transport systems (essential for its survival inside red blood cells)



Phase III KALUMA study

1,668 adults and children across 34 sites in 12 African countries

Given as a sachet of granules once a day for three days

Primary endpoint: 97.4% PCR-corrected cure rate using an estimand framework, vs. 94.0% with SoC (equates to cure rates of **99.2%** for KLU156 and 96.4% for SoC based on conventional per-protocol analysis)

Potential to kill drug-resistant parasites and block transmission:

- Effective in killing parasites with mutations associated with partial resistance
- Potent activity against gametocytes (sexual stage of the parasite's lifecycle responsible for onward transmission)

Safety profile similar to standard of care and AEs generally consistent with underlying disease

Next step: Planned submissions in H1 2026

4. Developed with Medicines for Malaria Venture (MMV). 5. Blackburn D. et al. —Outbreak of locally acquired malaria —Florida & Texas, May–July 2023. MMWR, 2023. Eight autochthonous P. vivax cases; includes case investigations and mosquito surveillance. ZammarchiL. et al. —Cryptic severe P. falciparum malaria without recent travel. Case report, 2018. Tuscany case; explores possible local transmission routes. Arends J.E. et al. —Two P. falciparum cases in the Netherlands without recent travel. Case report, 2013. Discusses airport malaria and non-travel transmission possibilities.

5. Prepared to launch our Inclusive Health Accelerators in 2026

Historically, our access and inclusion efforts focused predominantly on LMICs. However, data shows significant access gaps in HICs, where underserved populations are not consistently benefiting from advances in innovative medicines. For example, based on our analysis[6]:

- Black men are nearly twice as likely as white men to develop prostate cancer, yet ~10% less likely to receive a PSMA[7] scan, an imaging test that detects prostate cancer more accurately and helps guide treatment.
- In breast cancer, Black women have comparable screening rates, but ~10% higher mortality.
- In cardiovascular disease, Black patients have a ~25% higher prevalence of elevated Lp(a).

To address this, we developed **Inclusive Health Accelerators (IHAs), a structured, data-driven approach** that identifies underserved patient groups in priority countries and tackles barriers along the patient journey. We designed our first IHAs for the US market, with a focus on prostate cancer, cardiovascular disease and breast cancer. We plan to launch them in H1 2026 using a phased approach.

Definition

IHAs are **strategic initiatives** built around high-priority therapeutic areas, designed to identify at-risk populations and address key barriers to care along the patient journey.

Combining social impact and business focus: Data-driven approach to create integrated programs that expand patient reach and improve outcomes, while driving sustainable business growth.

We have designed IHAs for the US market, with plans to expand to other priority geographies in the future

Expected to launch in H1 2026

Our IHAs include interventions centered on:

- Awareness and empowerment through community-based education.
- Provider readiness initiatives to enable guideline-based, culturally competent care.
- Navigation and access support to help patients move through the health system.
- Impact measurement to track outcomes and scale effective models.

6. Socioeconomic factors remain the guiding principles in how we analyze the needs of patient populations by therapeutic area. Disparities for at-risk populations rarely come from a single factor. They're almost always driven by a mix of socioeconomic conditions, geography, insurance coverage, and the structural capacity of the health system. 7. Prostate-specific membrane antigen.

6. Delivered against our climate transition plan (net-zero by 2040)

Through the delivery of our climate transition plan, we aim to reduce emissions in line with our validated Science Based Targets initiative (SBTi) trajectory.

Our climate targets

2025	Achieve carbon neutrality in our own operations (goal met[8])
2030	Reduce absolute scope 1 and 2 GHG emissions by 90% (-45% in 2025); reduce absolute scope 3 GHG emissions 42% (-17% in 2025)[9]
2040	Maintain a minimum of 90% absolute scope 1 and 2 emissions reductions from 2030 through 2040; reduce absolute scope 3 greenhouse gas emissions by 90%[10]

Our approach follows the mitigation hierarchy, with a primary focus on avoiding, reducing, and transitioning existing energy sources to renewable alternatives. Achieving carbon neutrality in our own operations (Scope 1 and 2) is an interim milestone on our broader reduction journey toward net-zero by 2040.

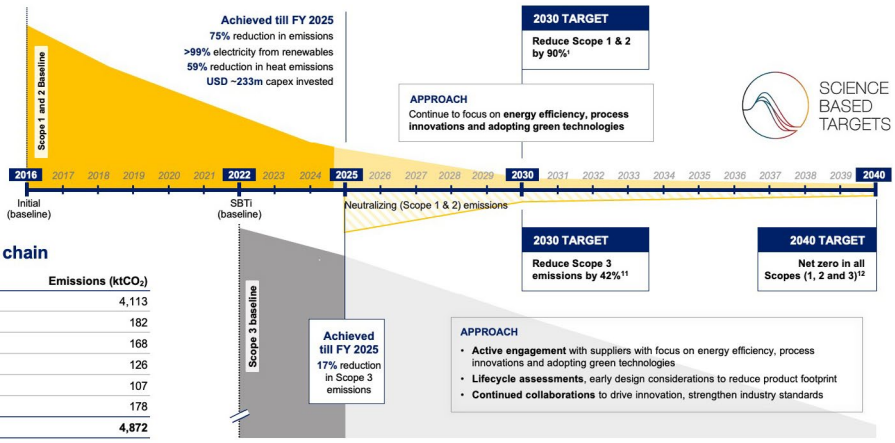
Our net-zero transition plan sets out a phased pathway from our 2022 emissions baseline to 2030 and 2040 targets, with defined milestones for Scope 1, 2 and 3 reductions:

2016 emissions from own operations

Scope 1	Emissions ($ktCO_2$)
Onsite generation	260
Fleet	97
Scope 2	
Purchased electricity	330
Purchased steam & hot water	111
Base emissions (2016)	**798**

2022 emissions from value chain

Scope 3	Emissions ($ktCO_2$)
Purchased goods and services	4,113
Capital goods	182
Fuel and energy related activities	168
Upstream transportation & distribution	126
Employee commute	107
Others	178
Base emissions (2022)	**4,872**



8. Following 75% absolute GHG reductions (2025 vs. 2016), we neutralized residual emissions with certificates that are linked to the respective emission sources and with carbon removal certificates. Biomethane certificates cover 70.8 ktCO2e related to onsite natural gas consumption at our sites in the US and EU. Sustainable Aviation Fuel certificates are used to neutralize 4.9 ktCO2e of jet fuel emissions. Carbon removal offsets have been purchased to address residual Scope 1 and 2 GHG emissions of 124.3 ktCO2e that cannot currently be mitigated through operational measures or fuel substitution. 9. 2022 base year. 10. 2022 base year. 11. 2030 targets vs. 2022 baseline (for SBTi targets). 12. Minimum 90% reduction across Scope 1, 2, and 3 emissions and neutralize residual emissions with carbon removal solutions in alignment with emerging regulations.

7. Progressed our new nature pillar

With stakeholder expectations rising and regulatory requirements evolving, nature has become a core area of focus in our sustainability strategy. In response, we have established a dedicated nature pillar, which includes our existing 2030 targets on water and waste.

2030 nature targets		Progress till date	Next steps
Water Quantity	Implement water use reduction plans for own and supplier sites based in water stressed basins[13]	**Completed prioritization** • Own: **11** sites (6 basins) • Suppliers: **76** sites (20 basins)	**Define 2030 basin specific reduction targets** in line with SBTN standards
Water Quality	No water quality impacts from manufacturing effluents incl. sites, labs and API suppliers[14]	**Sites and high-risk suppliers:** Ongoing assessments (part of 2025 targets) **R&D labs/API suppliers:** Expanded scope for 2030	**Assess risks at labs and API suppliers,** engage in capability building and tracking progress
Waste Disposal	Reduce amount of waste sent for disposal by 30%[15]	**Waste disposal reduced by 18%**	**Continue to improve material efficiency,** focus on recycling/reuse, apply sustainable product design

We have also expanded this pillar to include two additional focus areas—biodiversity and sustainable sourcing—which we are currently piloting. In 2025, we continued to make progress across all areas of the nature pillar as we contribute toward a nature-positive footprint.

New areas		Progress till date	Next steps
Biodiversity	Implement biodiversity management plans for sites located in or near protected areas[16]	**Relative low impact:** 11 sites prioritized for implementing biodiversity management plans; pilot for 3 site locations completed	**Expand impact assessments** to all priority sites and develop 2030 targets
Sustainable sourcing	Implement sustainable sourcing program[17]	**Initiated pilot with paper (cellulose)**	**Define 2030 commodity level** sustainable sourcing targets

SBTN – Science Based Targets Nature. API – Active Pharmaceutical Ingredient. TNFD – Taskforce for Nature Related Financial Disclosures.
13. Basin-specific targets will be established for material sites in own operations and upstream suppliers based on SBTN guidance. 14. All own sites and labs; API suppliers should meet our water quality standard of PEC/PNEC<1. 15. We already reduced waste by ~63% by 2022 vs. 2016 and we further aim to reduce our waste by 50% by 2030 vs. 2022 (>80% reduction vs. 2016). 16. Prioritized locations based on material impacts as per the TNFD framework. 17. Prioritized commodities based on TNFD framework and materiality in our operations.

8. Achieved our 2025 targets and sustainability-linked bond commitments

	2025 public targets/aspirations (selected)	2024	2025
Access	Patients reached with strategic innovative therapies in LMICs +200% vs. 2019 - 1.6m target	1.8m	2.2m Δ
Global Health	Patients reached with Novartis flagship programs in LMICs +50% vs. 2019 - 22.6m target	26.3m	25.9m Δ
	USD 250 million investment to advance R&D for neglected tropical diseases and malaria (2021-25)	USD 360m[21]	USD 502m[21]
Climate	Carbon neutral in own operations (Scope 1 and 2 from energy)[18]	-71% absolute reduction vs. 2016	Carbon neutral[20], -75% absolute reduction vs. 2016
	Environmental criteria in all supplier contracts[19]	76%	97% Δ
Water	Water consumption in our operations -50% vs. 2016[18]	-57%	-59%
	No water quality impacts from manufacturing effluents	97% own sites 100% high-risk suppliers[23]	97% own sites[22] Δ 100% high-risk suppliers[23] Δ
Waste	Eliminate PVC in secondary and tertiary packaging[20]	100%	100%
	Waste sent for disposal -50% vs. 2016[18]	-72%	-70%

On December 31, 2025, we reached the 2025 Patient Access Targets under the sustainability-linked bond issued in 2020:

- 2.2m patients reached with our strategic innovative therapies in LMICs, representing +295% since 2019 (SLB target of +200% in 2025 vs. 2019)
- 25.9m patients reached with our global health flagship programs in LMICs, representing +72% since 2019 (SLB target of +50% in 2025 vs. 2019)

As a result, no interest rate adjustment will be applied, and the bond will continue to pay 0.000% interest until its Maturity Date on September 23, 2028.

We plan to announce a **new set of 2030 social impact & sustainability targets** in 2026. These targets will demonstrate our ongoing commitment to access within our core business. In addition, the new targets will reinforce our longstanding commitments to Global Health, and we will continue to uphold our existing targets related to environmental sustainability.

Δ 2025 data is covered by external limited assurance. The independent assurance report is available in the Report on Nonfinancial Matters 2025 (p. 43) for the climate and water quality metrics and in the Update on Public Commitments 2025 (p. 6) for the Sustainability-Linked Bond metrics.
18. Environmental data for the current year is based on actuals from January to September, with estimates for October to December, unless indicated otherwise. 19. Suppliers with contracts that include environmental sustainability criteria covered 97% of Scope 3 GHG emissions at the end of the reporting period, representing an increase of 21 ppts compared with the prior year. Suppliers not yet covered are part of a smaller and more fragmented supplier base, for which full contractual implementation is more challenging. We have addressed this with an update to our procurement process that requires these suppliers, who account for 3% of our scope 3 GHG emissions, to confirm acceptance of the Third Party Code. 20. Residual emissions neutralized through purchase of 124.3ktCO2e of carbon removal credits, 70.8 ktCO2e of biomethane certificates, and 4.9 ktCO2e of sustainable aviation fuel certificates. 21. Cumulative investment from 2021. 22. As in the prior year, 97% of Novartis manufacturing sites and all high-risk suppliers were able to demonstrate that they meet water quality standards, i.e., all three levels of our water quality maturity ladder. Internally, we consider our water quality targets for 2025 to be met. For one Novartis manufacturing site located on a campus owned and operated by another company, we have limited influence over investment decisions for campus infrastructure. It is currently not feasible for us to upgrade the wastewater treatment infrastructure. 23. High risk suppliers comprise of long-term partners or providers of key technology or antibiotics.

9. Adjusted our disclosure strategy to meet regulatory requirements

For the 2025 reporting cycle, we adjusted our disclosure approach by introducing a more targeted ⟶ **Report on Nonfinancial Matters**, which replaces our Novartis in Society Integrated Report. It is designed to ensure a clear focus and consistency across our disclosures. This change consolidates previously separate disclosures[24] under a single structure that aligns with regulatory requirements, while maintaining our commitments to social impact and sustainability. We published a new materiality assessment under Art. 964 of the Swiss Code of Obligations with a double materiality perspective, replacing our previous assessment from 2021.

To further improve accessibility and comparability, we consolidated all ESG-related metrics into a separate, centrally published ⟶ **ESG Data Summary**. We remain fully committed to our social impact & sustainability strategy and will continue to provide relevant updates through additional channels, including our ⟶ **Update on Public Commitments (UPC)** and the ⟶ **ESG Index**, covering long-standing areas such as inclusion & access, and global health. We continue to be well-positioned to meet current and future nonfinancial disclosure requirements:

Selected regulation	Applicability	Key requirements	Implications in 2025/2026
Swiss nonfinancial reporting regulation (Art. 964)	Since FY2023	Reporting on material nonfinancial matters and child labor due diligence; Say on nonfinancial reporting at AGM; TCFD reporting (FY2024)	Focused Report on Nonfinancial Matters (replaced Novartis in Society Integrated Report)
EU Omnibus (covering CSRD, EU Taxonomy, CS3D)	FY2027 for CSRD/ Taxonomy	Reporting based on double materiality assessment, disclosure of sustainable revenue, CapEx and OpEx	On track: Continued strengthening of reporting and due diligence systems and processes
	FY2028 for CS3D	Human rights and environmental due diligence	
EU Pay Transparency Directive[25]	FY2027	Expanded scope of pay transparency, pay equity analysis, gender pay gap, covering total pay[26]	On track: Committed to make EU Pay Directive our global minimum standard
California Climate Disclosures	FY2025	Submission of climate-related risks/opportunities (TCFD or ISSB); Reporting of Scope 1 and 2 GHG emissions	On track: Addressed by existing reporting
International Sustainability Standards Board	FY2025+	Financially material sustainability (e.g. Mexico) or climate risks and opportunities (e.g. Australia; UK; Singapore)	On track: Ongoing monitoring and adoption of local reporting requirements

AGM - Annual General Meeting. CSRD - Corporate Sustainability Reporting Directive. CS3D - Corporate Sustainability Due Diligence Directive. TCFD - Task Force on Climate-related Financial Disclosures. 24. E.g., Separate Child Labor Report (and Modern Slavery Act Statement). 25. In response to the changing policy and legal landscape, US-based affiliates of Novartis do not participate in the gender representation in management aspect of our EPIC pledge, but the US will continue to participate in all other facets of EPIC, including pay transparency, eliminating the use of salary history, conducting annual Equal Employment Opportunity pay analysis (referred to as Pay Equity analysis in Rest of World), and continued review of all our HR practices to ensure nondiscrimination and elimination of potential bias, all with the goal of ensuring all our employees are given equal pay for equal work, consistent with applicable law. Our gender representation in management aspirational goals, along with all other aspects of our EPIC pledge, remain in place in full for the Rest of World for Novartis. Novartis makes employment decisions based on merit and relevant job-related factors, including the skills, qualifications and experience of the individual, without regard to sex/gender, race, ethnicity. 26. Total pay considers at minimum base salary. STI, LTI.

10. Maintained leadership in independent ESG ratings

- **ATMI:** Novartis ranked #1 in 2024 (vs. 4 in 2022) and has been in the leadership group for 12 years. The next edition of the index will be released in November 2026.
- **MSCI ESG:** Novartis achieved an AAA rating with MSCI (its highest possible rating) in 2025 and maintained its inclusion in the MSCI World ESG Leaders Index).
- **Sustainalytics:** Novartis maintained its low ESG risk rating while significantly improving its score to 10.9 (vs. 15.6 in 2024), continuing the positive trend for 5+ years. Novartis remains a leader in the industry.
- **ISS ESG:** Novartis retained its B rating (Prime status and 'Very high transparency level') and continues to be a leader among its global healthcare peers.
- **CDP:** Novartis has achieved Double A List status in CDP 2025 (its highest possible rating) for the fourth consecutive year, with A scores in both Climate Change and Water Security.

	Updated	Rating/rank (current)	Rating/rank (previous)	Status
Access to Medicine Index (ATMI)	Nov 2024	▲ #1	#4	Among top 4 since 2014
MSCI ESG	Jul 2025	▲ AAA	AA	ESG Leaders group
Sustainalytics	Sep 2025	▲ 10.9 (low risk)	15.6 (low risk)	ESG Leaders group
ISS ESG	Jul 2025	▶ B	B	ESG Leaders group; Prime status
CDP Climate Change	Dec 2025	▶ A	A	Double A List status since 2022
CDP Water Security	Dec 2025	▶ A	A	

Rating/ranking scales: MSCI ESG: CCI to AAA: ISS ESG: D- to A+; Sustainalytics: Negligible to Severe risk: CDP: D- to A; ATM: Out of the 20 largest research-based pharmaceutical companies as selected by the Access to Medicine Foundation.

Select topics at forthcoming AGM

Dividend proposal

The Novartis Board of Directors proposes a dividend payment of CHF 3.70 per share for 2025, up 5.7% from CHF 3.50 per share in the prior year, representing the 29th consecutive dividend increase since the creation of Novartis in December 1996. Shareholders will vote on this proposal at the Annual General Meeting on March 6, 2026.

Reduction of share capital

The Novartis Board of Directors proposes to cancel 77 602 358 shares (36 725 440 shares repurchased under the authorization of March 7, 2023, and 40 876 918 shares repurchased under the authorization of March 7, 2025) and to reduce the share capital accordingly by CHF 38 025 155.42, from CHF 1 035 086 714.83 to CHF 997 061 559.41.

Elections of the Board Chair and members of the Board of Directors

Mr. Daniel Hochstrasser will not stand for re-election to the Board of Directors. The Board and Executive Committee of Novartis thank him for his years of dedicated service as a member of the Board.

The Board of Directors proposes the re-election of all other current members of the Board, including the Board Chair.

In addition, the Board proposes the **election of Dr. Charles Swanton** to the Board of Directors. Dr. Swanton is a British clinician, scientist and medical oncologist with experience in board governance, large-scale program leadership, and translational R&D. He serves as Deputy Clinical Director at the Francis Crick Institute and is the Royal Society Napier Professor in Cancer, with a track record of building and leading international research programs, advising industry, and co-founding a formerly listed biotechnology company.

Advisory vote on the nonfinancial report

The Board of Directors proposes the endorsement of the Report on Nonfinancial Matters for the 2025 financial year in an advisory vote.

KPMG AG, Basel, has provided an independent practitioner's limited assurance report on selected sustainability information specified in the report on nonfinancial matters. The KPMG report can be found on page 43 of the Report on Nonfinancial Matters.

In 2025, shareholders endorsed the non-financial report in an advisory vote with 96.4% support. We are grateful for this strong level of support and the positive feedback we have received on last year's integrated report.

Advisory vote on the 2025 Compensation Report

The Compensation Committee (CC) continues to review global pay practices to ensure our approach is competitive, while remaining aligned with stakeholder expectations. As part of this ongoing review, the CC agreed to make the following changes to the Executive Committee compensation, effective January 1, 2026:

- We will refine the global healthcare peer group by removing Biogen and adding Takeda, to ensure we have a more relevant and geographically balanced peer group for compensation benchmarking and future relative long-term performance plan (LTPP) TSR assessments.
- We will adopt a formulaic, percentile-based TSR payout curve from the 2026-2028 LTTP cycle, simplifying the current approach and aligning it with peer and broader European practice.
- We will align the Executive Committee Annual Incentive with the rest of the organization and will move to the same simplified, multiplicative system, enhancing performance alignment and enabling clearer differentiation based on financial and strategic outcomes while maintaining existing metrics, strategic objectives and the 200% cap.

As part of its annual process, the CC reviewed Board and Committee fees to ensure fees reflect the required time commitment, responsibilities and expertise, in line with our Board compensation philosophy. The review considered fees at comparable Swiss Market Index companies with final decisions approved by the Board of Directors. The review concluded that:

- Board Chair and Board retainer fees will remain unchanged and
- Targeted increases will be made to Committee chair fees (CHF 20k each) and Committee member fees (CHF 10k each), effective as of the 2026 AGM. The last material adjustment to Board fees was made in 2018. The total compensation amount for the period between the 2026 and 2027 AGMs remains broadly in line with the prior term.

For more details, the invitation to the AGM can be found → here.

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

Thank you for your ongoing engagement in Q4. This quarter, we received inquiries regarding the implications of the changing policy landscape on our access initiatives, environmental sustainability efforts, and risk management systems. Additionally, governance topics such as Board composition, skills, and refreshment were also areas of focus.

Access to innovative medicines

01

Novartis recently announced an agreement to lower drug prices in the US. What impact do you expect the agreement to have on pricing and access ex-US, including in LMICs?

- 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, including:
  - Launching future medicines with comparable prices across high-income countries;
  - Building direct-to-patient platforms, accessible through TrumpRx, for Mayzent® (siponimod), Rydapt® (midostaurin) and Tabrecta® (capmatinib);
  - Applying to participate in the GENEROUS Model aimed at further improving access to medicines in the US Medicaid program; and
  - Supporting efforts to address the global imbalance in investment in pharmaceutical innovation.
- 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

What is the business case for Novartis Global Health?

- The main motivation of our Global Health programs is to create sustainable impact by addressing unmet medical needs across diseases, geographies, and population groups. We focus on three pillars:
  - End-to-end disease management in areas where investment in R&D has historically been limited, including malaria, Chagas disease, sickle cell disease, and leprosy. Novartis has one of the most advanced global health pipelines, with eight new chemical entities in clinical development, reflecting our long term commitment to tackling some of the world's most persistent health challenges.
  - Our Sub Saharan Africa unit, a dedicated regional organization designed to maximize societal and health impact by expanding access to a portfolio of innovative medicines tailored to the region's epidemiological needs.
  - Our Community Health programs, which operate as inclusive business models that address access gaps among lower income populations, concentrating on health system strengthening. Originating in Vietnam, this model has demonstrated strong proof of concept, and we plan to scale it to 10 countries by 2029.

- Our work in Global Health is designed to be financially self sustaining, reducing dependency on ongoing investment and avoiding trade off decisions between commercial and social priorities. In several countries, components of the program are accretive to the business, demonstrating that advancing societal impact and generating financial value can go hand-in-hand.

Governance

03

What have the new Board Chair's areas of focus been during his first year and has he brought any changes?

- Our new Chair, Giovanni Caforio, transitioned seamlessly into the role and has demonstrated strong, inclusive leadership, ensuring that Board discussions are well-informed, allowing all voices to be heard and creating alignment before proceeding to the next topics.
- Giovanni spent time across the organization visiting R&D sites, meeting with commercial and functional teams, and engaging with leaders across the business, including Asia, deepening understanding of the company's global reach. He has also conducted deep-dive reviews of each function, which have been invaluable in understanding both the company's strengths and the opportunities ahead.
- One of the changes Giovanni introduced is a new approach to Board-level strategic oversight: rather than holding a single annual strategy meeting, we now dedicate time at each Board meeting to explore a specific strategic theme - including R&D, commercial strategy, social impact and sustainability, or talent and succession planning. This allows for more focused, in-depth discussions and greater continuity in strategic dialogue.

04

Does the Novartis Board skills matrix include AI? How does the Board oversee AI risks and opportunities?

- The Novartis Board skills matrix includes data and digital skills, with four members (33%) having this expertise. Understanding data and digital is critical and fundamental when considering the risks and opportunities presented by AI. For instance, AI risks are exacerbated if we lack proper data management controls, protections and accuracy.
- We continue to assess the necessity to add specific AI skills to our Board. In the meantime, we ensure that the Board maintains adequate access to external AI expertise. AI opportunities and risks are also discussed at the Board level at different times throughout the year. In 2025:
  - The Audit & Compliance Committee received a presentation focused on AI risk governance and the risk classification of AI applications
  - The Governance, Sustainability, and Nomination Committee (GSNC) discussed AI in the context of human capital management, with the dual aims of (1) understanding the potential of AI to disrupt and evolve jobs and (2) establishing AI capabilities and upskilling programs
  - The Risk Committee looked at strategic risks, discussing the risk of "AI-powered Research, Development, Commercial continuum"
  - The Science and Technology Committee reviewed AI use cases on new target identification, AI-augmented chemistry, discovery of biologics, and translation from preclinical to clinical application, involving internal experts in each area
- For 2026 onwards, data/digital and AI will be a standing topic at the Board level.

05

How does the Board ensure proactive succession planning? How are you planning to address the skills gaps from outgoing directors?

- The Novartis Board has a robust process for succession planning and board refreshment, which includes a term limit of 12 years. Since 2019, we have appointed a new member to the board in all but two years.
- One aspect of our succession planning is our commitment to diversity. For us, diversity encompasses more than just gender and ethnicity; it also includes training, skillsets and experiences, including those from different industries and geographic regions. Having these diverse perspectives is essential; it encourages meaningful conversations and helps the Board make the best possible decisions.
- The Board succession process is led by the Chair, with support from the GSNC. This topic is a regular agenda item at GSNC meetings, where the Board continuously reflects on the evolving environment of the company and identifies the skills needed for future success. When selecting new Board members, the Chair and the GSNC first define the desired profile, focusing on necessary skills that may arise due to changes in the environment or skills that may be lost as current Board members choose to resign.
- In 2025, we successfully recruited two new Board members: Giovanni Caforio, who serves as our Chair, and Beth McNally, a cardiologist and geneticist. In 2026, the Board proposes the election of Dr. Charles Swanton, an oncologist, to the Board of Directors. We believe that our proactive succession planning approach has contributed to the successful functioning of the Board.

06

With respect to executive compensation, how does Novartis ensure a strong link between pay and performance?

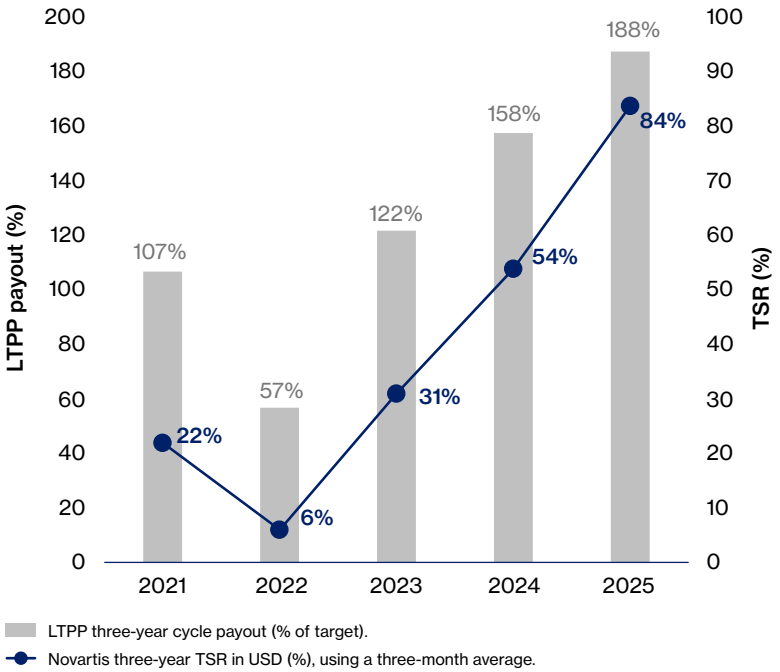
- Novartis applies a pay-for-performance philosophy across its executive compensation framework. A significant portion of total compensation is variable and tied to the delivery of financial and strategic objectives. The Compensation Committee oversees this framework to ensure outcomes remain aligned with long-term value creation.
- The Board applies a rigorous target-setting process to ensure targets are suitably robust, challenging and aligned with the strategic priorities of the Company, reinforcing our commitment to pay-for-performance:
  - Annual incentive targets reflect the annual plan, market expectations and strategic priorities, and are calibrated to be achievable only with strong performance.
  - LTPP targets are based on 3-year strategic plans, industry benchmarks and investor expectations, with innovation metrics linked to clear regulatory and pipeline milestones.
  - The Board reviews annual and multi-year business plans before approving final performance targets in January. At the end of each cycle, it reviews results versus the targets to confirm that payouts appropriately reflect performance.
- LTPP outcomes demonstrate high variability, consistent with our commitment to pay-for-performance. Since the current CEO's appointment, payouts have ranged from 57% (2022) to 188% (2024), and we observe a clear correlation between TSR and realized compensation.

- For example, the primary driver of the CEO's total realized compensation in 2025 is the LTPP, delivered in shares. The 2023–2025 LTPP cycle exceeded the performance targets set three years earlier. This was supported by strong share price performance over the period.

CEO payouts have been variable, performance-dependent

	Metrics	2020[1]	2021	2022	2023	2024	2025
STI Annual	Net Sales	100%	100%	100%	185%	160%	180%
	Operating Income						
	Free cash flow						
	Share of peers[2]						
LTPP 3-year	Sales CAGR	126%	107%	57%	122%	158%	188%
	Core OpInc CAGR						
	Innovation						
	rTSR						

LTPP payout correlated to TSR



1. For this cycle, two LTI plans existed (with different metrics): LTPP (25% NCVA, 25% Innovation), LTRPP (100% rTSR). Payout represent the average CEO weighted payout. 2. Share of peers was removed from STI metrics effective 2023.

Risk management

07

Amid today's backdrop of macroeconomic uncertainty, how does the leadership team discuss and manage risks?

- Risk management has always been vital in our industry, but it has gained even more prominence amid today's macroeconomic and geopolitical uncertainty.
- Novartis employs an → **enterprise risk management (ERM)** process, an integrated approach embedded in our business operations.
  - Our ERM framework is governed by a dedicated team, while business leaders across the organization participate in risk workshops to analyze risks and develop mitigation plans. This approach enhances transparency and provides management and the Board with a clearer understanding of our risk exposure and it may evolve.
  - We integrate intelligence from external risk communities and internal experts. A dedicated Risk Intelligence Forum brings together senior leaders and academic experts to align on our top risks and develop an outside-in view.
  - Insights feed into a single, aligned methodology that ensures consistency in how we identify, assess and manage risks. Each risk is evaluated using a four-point exposure scale based on likelihood and potential impact, and we define a clear risk appetite and mitigation plans.
  - At the end of the annual process, we summarize key risks, our risk appetite, the mitigation actions, and owners, and share this with the Executive Committee for input.
  - This information is also provided to our Board of Directors. Throughout the year, we continue risk discussions and conduct deep dives as needed.
  - We also integrated risk discussions into our strategic planning process to support a more holistic view of how we manage our strategy alongside risks.
- We continue to improve our approach:
  - Historically, the ERM process focused on risks 12 to 24 months into the future. We now place greater emphasis on anticipating risks over the next 5 to 10 years. These longer-term risks are ranked and reviewed with the Executive Committee, and the Board selects topics for deeper discussion.
  - The Board has decided to dissolve the Risk Committee effective from the 2026 AGM, reflecting the maturity of the ERM framework and the strategic nature of the top risks identified. Topics previously overseen by the committee will be incorporated into regular strategic updates to the Board or addressed by other relevant committees. The Audit and Compliance Committee of the Board will continue to provide oversight by annually reviewing the effectiveness of the ERM program. This approach is aligned with governance practices commonly adopted by major Swiss multinationals outside the financial sector.

08

What is the Novartis approach to ensuring supply chain resilience?

- Ensuring uninterrupted access to our medicines remains a core operational priority for Novartis, and we continue to deliver consistently high service levels (nearing 100% across our portfolio).
  - Our resilience is underpinned by a broad and diversified manufacturing network of more than 30 own sites, complemented by strategic external partnerships. Ongoing investment in this network ensures we maintain efficient, flexible and state of the art production capabilities.
  - We also apply a disciplined inventory strategy, maintaining appropriate stock levels at the country level and across each stage of the manufacturing process.
  - Over 80% of our medicines are supported by dual supply chains, providing redundancy to mitigate potential geopolitical, logistics or transportation related disruptions.
- Earlier this year, Novartis committed to investing USD 23 billion to expand its R&D and manufacturing infrastructure in the US over the next five years. This strategic investment targets a market with significant growth potential, ensuring that all key products can be produced locally in the US over time. Since announcing this investment in April, the company:
  - Announced a new USD 1.1 billion biomedical research hub in California;
  - Broke ground on a new flagship manufacturing hub in North Carolina. The hub, which includes three new facilities, will enable end-to-end manufacturing capabilities to produce medicines across the company's technology platforms;
  - Opened a new radioligand therapy (RLT) manufacturing facility in California, enabling coast-to-coast manufacturing of RLTs;
  - Announced plans to build a new RLT manufacturing facility in Florida to optimize the delivery of RLT medicines to patients in the Southeast US; and
  - Advanced plans to build a new RLT manufacturing facility in Texas.

09

How does Novartis identify and manage human rights risks across its supply chain, particularly in high-risk geographies?

- Novartis employs a risk-based approach to manage human rights risks in our global supply chain. Our External Partner Risk Management (EPRM) system screens third-party suppliers before onboarding and continuously thereafter. Most suppliers flagged with "medium" or "high" human rights risk must complete a self-assessment questionnaire, depending on a range of risk factors. Our human rights team then works with these suppliers to create and monitor corrective action plans.
- Most of our human rights team is regionally based, enabling us to conduct country-level risk classifications, assessments, and due diligence. In high-risk areas, we follow a dedicated framework with extra safeguards for enhanced oversight.
- In addition, we periodically assess human rights risks and impacts in our value chain to refine priorities and enhance supplier capabilities. For instance, we launched a digital survey in 84 factories, reaching over 7,000 workers, to gather insights on key topics like contracts and grievance mechanisms, which have informed our engagements with suppliers.
- Novartis is well-positioned to meet the legal obligations in the EU's revised CSDDD[3], effective in 2029, through a structured enterprise-wide compliance program, prioritized workstreams, and systematic integration regulatory expectations.

3. Corporate Sustainability Due Diligence Directive.

Environmental sustainability

10

How do you engage with suppliers on Net Zero? What impacts have you observed among your suppliers due to the US Administration's retreat from green technology investments?

- Our approach to engaging suppliers on decarbonization is grounded in our long-term commitment to achieve SBTi-aligned emissions reductions across our value chain. This ambition remains unchanged, regardless of policy fluctuations in any single market. We are:
  - Onboarding suppliers in alignment with our targets by including Environmental Sustainability (ES) criteria in their supply contracts. As of year-end 2025, 97% of supplier emissions are covered by these criteria.
  - Last year, we also updated our procurement processes – such as sourcing evaluations (where ES accounts for 10% of the weighting) and RFP processes – to ensure these criteria are consistently applied to new suppliers and systematically integrated into our external partnerships.
  - Engaging with direct suppliers to collect product-specific carbon footprint data. To facilitate this, we are utilizing the Siemens data platform, SiGREEN, which helps us track the carbon footprint associated with our medicines.
  - Holding one-on-one meetings with priority suppliers to understand their decarbonization progress and share best practices.
  - Partnering with our peers to define common minimum sustainability standards for suppliers and assist them in building their capabilities[4].
- Our suppliers continue to value our engagement on decarbonization and reaffirm their commitment to emissions reduction efforts. They note, however, that any slowdown in green technology markets could affect the pace of progress. While closely monitoring these developments, our suppliers remain committed to advancing decarbonization across their operations.

4. Examples include: 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** and → **joint supplier decarbonization targets**.