



Corporate Responsibility Guideline

Novartis Global Guideline

Group guidance on governance, roles and responsibilities, and management of corporate responsibility across Novartis

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1. Purpose of this document

The document defines governance, roles and responsibilities, and relevant management processes for corporate responsibility (CR) at Novartis. It gives guidance for internal and external stakeholders on how CR is managed at Novartis.

This document was established as an outcome of the Corporate Responsibility governance review, which was approved by the Executive Committee of Novartis (ECN) on May 12, 2014. It was reviewed and updated in June 2017 to reflect changes in the CR Governance and approved by the CR Board.

2. Corporate responsibility commitment

We aim to improve global health. Through our business, we make an important contribution to society: we discover and develop innovative healthcare products, targeting unmet medical needs. It is the Novartis strategy to use science-based innovation to deliver better patient outcomes. We aim to lead in growing areas of healthcare. Our CR strategy aims to help more people secure the healthcare they need, regardless of where they live. To expand access to healthcare in lower income segments, we pursue a variety of approaches – including social business models and zero-profit initiatives, patient assistance programs, as well as philanthropy. We work to control and eliminate diseases, and pioneer new business and healthcare delivery models. We apply our expertise in research to finding new treatments and adaptive solutions for underserved patients.

We recognize that we need to be responsible in our business operations. We care for our associates, and work to provide them with a safe and healthy workplace, a living wage and opportunities to enhance their careers – regardless of their gender, race or background. We respect human rights in all of our global operations. We encounter ethical questions as part of our research and development work, and welcome informed debate on these issues. We want to positively contribute to the communities where we work. We strive for environmental sustainability and minimize our energy use, emissions and the impact of our products on the environment. We work with business partners who share our CR standards, as defined in our Responsible Procurement practices.

Across Novartis, we aim for high levels of transparency; we report annual targets and long-term objectives across our business, including corporate responsibility.

3. Corporate responsibility governance

CR is endorsed and ingrained at the highest level in our company.

The *Governance, Nomination and Corporate Responsibilities Committee (GNCRC)* of the Board of Directors of Novartis AG specifically oversees the Company's strategy and governance on CR topics that may affect the Company's business and reputation.

The CEO and the members of the Executive Committee of Novartis include CR objectives in their Balanced Scorecard, which is used to determine their compensation.

A full-time Global Head of Corporate Responsibility integrates CR activities across the company, in collaboration with the business and relevant functions in all Novartis divisions and

organizational units. Related functions include Health, Safety and Environment and Business Continuity Management; Development; Integrity & Compliance; Legal; Public Affairs; Communications; Investor Relations; Procurement and the Novartis Foundation. Collaboration with the business includes the development and implementation of access to medicines strategies and activities.

The *Novartis Corporate Responsibility Board* coordinates activities across the company through representation from all relevant functions and divisions.

The *Novartis Access to Medicine Committee* governs the topic of access to Novartis medicines and treatments.

The Novartis Divisions and Organizational Units decide on the most appropriate governance to drive the implementation of the CR Strategy.

4. Overall responsibilities

The Novartis Board of Directors and Executive Committee of Novartis are ultimately responsible for implementing CR commitments and this guideline through appropriate processes and targets.

All Novartis Group company associates are responsible for adhering to Novartis commitments on responsible business conduct and for fostering the implementation of CR commitments and this guideline within their sphere of influence.

4.1. Governance, Nomination and Corporate Responsibilities Committee (GNCRC) of the Board of Directors of Novartis AG

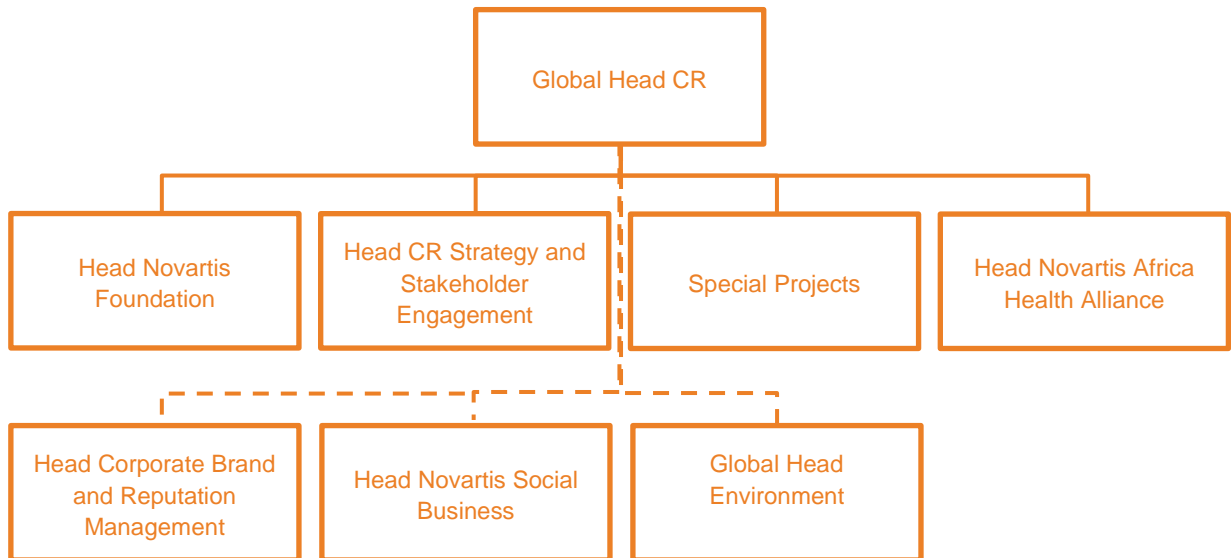
The primary responsibilities related to CR of the GNCRC include:

- a. Oversee the Company's strategy and governance on corporate responsibility
- b. Oversee key issues related to corporate responsibility that may affect the Company's business and reputation
- c. Oversee the Company's participation in the UN Global Compact
- d. Review and discuss emerging trends with regard to corporate responsibility
- e. Advise the Board and provide counsel to management on corporate responsibility

For more information, see the complete Charter of the Governance, Nomination and Corporate Responsibilities Committee, effective January 1, 2014.

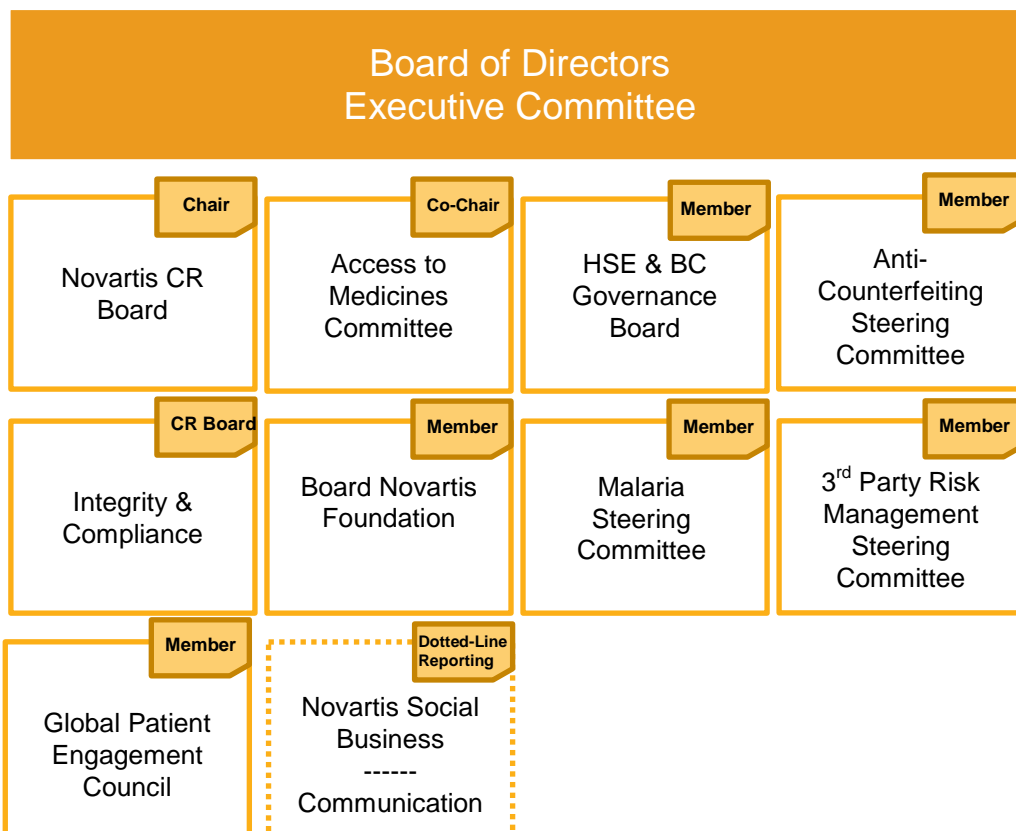
4.2. Management

Novartis CR efforts are led by a full time executive Global Head of Corporate Responsibility. The role is fully dedicated to driving company-wide CR efforts, and coordinating and leading our many ongoing activities, reporting to the CEO of Novartis. The Corporate Responsibility Leadership Team includes the following roles:



As part of this overarching role, the Global Head of Corporate Responsibility chairs or represents CR on several internal boards and committees such as:

- Chair of the Novartis Corporate Responsibility Board
- Co-chair of the Novartis Access to Medicine Committee as delegated by the CEO
- Member of the HSE & BC Governance Board
- Member of the Anti-Counterfeiting Steering Committee
- Member of the 3rd Party Risk Management Steering Committee
- Member of the Board of the Novartis Foundation
- Member of the Malaria Steering Committee
- Member of the Global Patient Engagement Council



4.3. Corporate Responsibility Board

The Corporate Responsibility Board directs, guides and coordinates CR activities across the Company, with the mandate to advance Novartis CR in two areas of strategic focus: expanding access to healthcare and doing business responsibly.

The charter of the CR Board is to make decisions and recommendations on global CR matters and those with cross-divisional/cross-functional implications, as well as report on priorities and progress. Specific accountabilities include:

- Approve and/or recommend to the Executive Committee of Novartis (ECN) on overall CR strategy, CR targets, CR policies, external CR positions, CR materiality assessment, CR communication and reporting approach, CR stakeholder engagement plan and major ESG index submissions
- Convene CR dialogue sessions with external stakeholders on most material CR topics for Novartis, and develops reports for internal and external use
- Ensure information sharing of CR activities of other bodies: Health, Safety and Environment (HSE) Steering Committee, Access to Medicine Committee

Members of the Corporate Responsibility Board include Global Head of Corporate Responsibility (Chair) and representatives from all business divisions. Furthermore, all functions that are strategically relevant for CR are represented, e.g. Head of Corporate Strategy, Head of Corporate Brand and Reputation Management, Head Novartis Social Business, Head Global Product & Portfolio Strategy Pharma, Head of Public Affairs Policy, Head of Health Safety & Environment and Business Continuity, Head Integrity & Compliance Corporate Functions, Head of Novartis Foundation, NIBR Global Head Health, Head of Investor Relations, Head of CR Strategy and Stakeholder Engagement, Head of Human Resources Excellence and Legal representative for Corporate Responsibility and the Secretary of the CR Board.

The CR Board meets four times per year.

4.4. Access to Medicine Committee

As our most material CR issue, and one of our strategic focus areas, access to healthcare is governed by a dedicated Access to Medicine Committee. The charter of the Access to Medicine Committee is to establish guiding principles, and continually assess opportunities to expand access to medicine and treatments to more patients, especially in underserved communities.

Specific accountabilities of the Access to Medicine Committee include:

- Develop and implement company-wide policies and positions on: access to medicines and treatments, tiered pricing, criteria for establishment of patient assistance programs, etc.
- Support new and existing access to medicine initiatives in the Novartis divisions in line with the CR strategy
- Establish broad commitments and targets related to access to medicines and treatments
- Share best practices, identify synergies, and review newly proposed Novartis access initiatives in light of external trends

Members of the Access to Medicine Committee include Group CEO (Chair), Global Head of Corporate Responsibility (Co-chair as delegated by the CEO) and representatives from all business divisions and relevant functions, e.g., Sandoz Head of Central & Eastern Europe, Middle East and Africa, Sandoz Head Global Commercial Operations, Oncology Head Emerging Growth Markets, Global Head Intellectual Property, Global Head Development Franchise Established Medicines, Alcon Head of Latin America & Caribbean, Pharmaceuticals Head Global Patient Access, NIBR Global Head Health, Head of Novartis Social Business, Head of Novartis Foundation and the Secretary of the Access to Medicine Committee.

The Access to Medicine Committee meets three times per year.

5. Division management

Division management is responsible for establishing and driving processes and targets needed to implement our CR strategy and to support the implementation of approved decisions. This also includes the appropriate allocation of resources dedicated to relevant divisional CR initiatives. Management of business divisions is also responsible for nominating appropriate representatives on the committees described in this guideline.

6. Reporting and measurement

Business divisions and relevant functions develop annual and mid-term CR targets to support the Novartis CR strategy and its CR targets as defined by Novartis management (see 4. Overall Responsibilities), and published on the Company website (www.novartis.com). Target owners are responsible to report on progress at least once annually to the CR Board; the CR Board can propose corrective actions if needed. A balanced scorecard highlighting priority CR objectives will be assembled quarterly and shared with the ECN. Key CR objectives are also included in the ECN Balanced Scorecard, with progress reported on a monthly basis.

Novartis reports on CR metrics in the Novartis Annual Report and on our Company website (www.novartis.com). The Company also publishes a Corporate Responsibility Performance Report annually, referencing Global Reporting Initiative guidelines. This report fulfills our commitment to issue an annual UN Global Compact Communication on Progress. In addition to the CR Performance Report, we also publish specific sustainability reports relating to the Carbon Disclosure Project (CDP), CDP Water Disclosure, and Conflict Minerals.