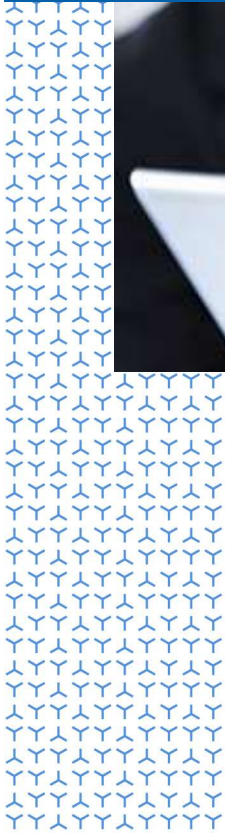


Ethics, Risk & Compliance

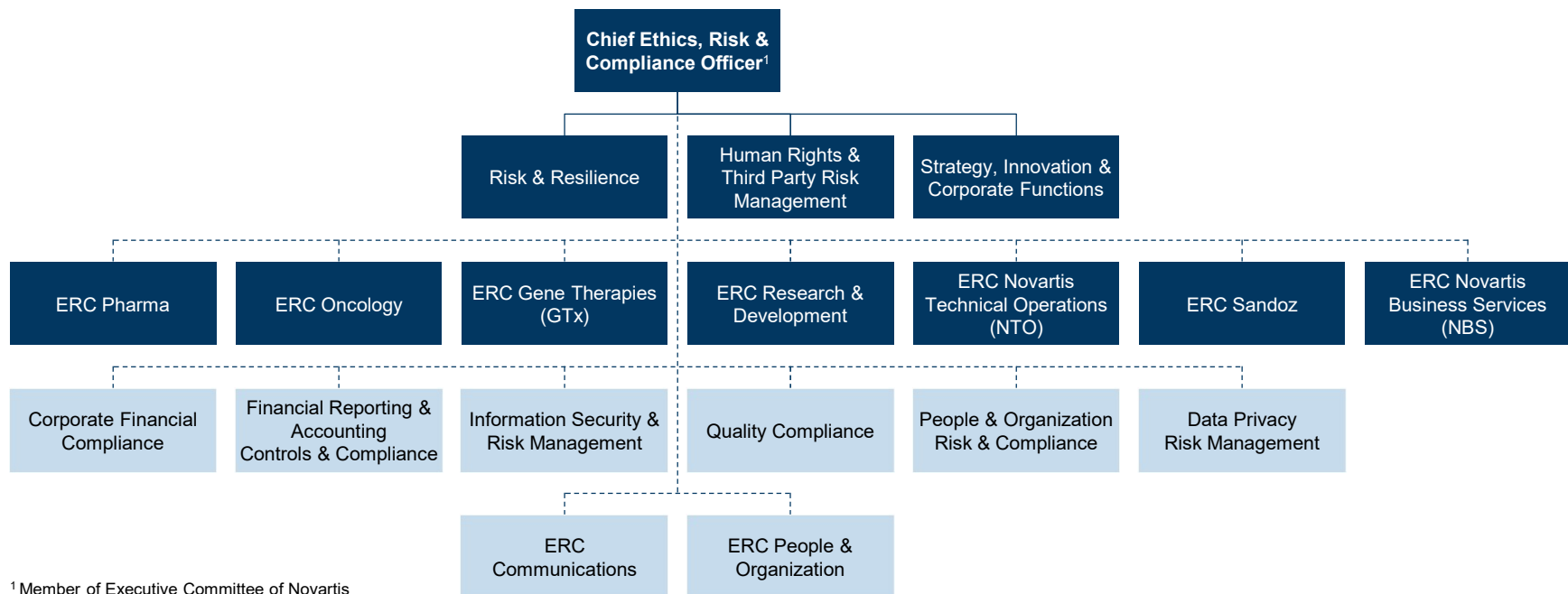


# Novartis Enterprise Risk Management

January 2021

# Novartis Enterprise Risk Management

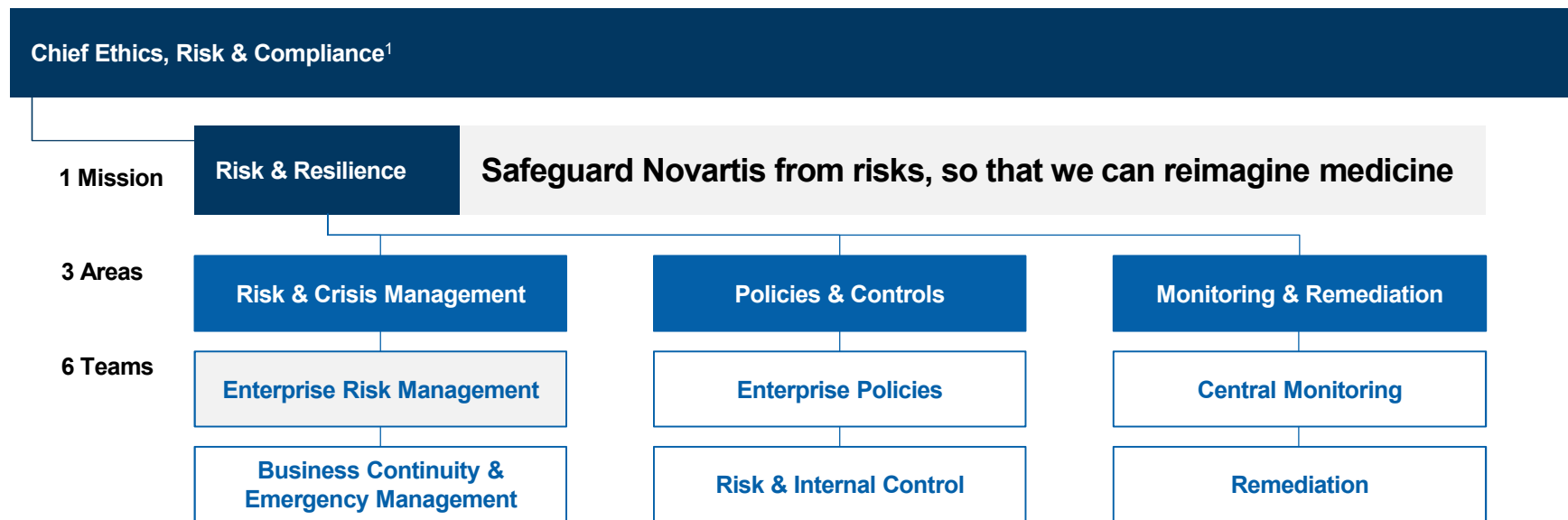
Risk management is an essential part of our Ethics, Risk & Compliance organization (ERC)



<sup>1</sup> Member of Executive Committee of Novartis

# Novartis Enterprise Risk Management

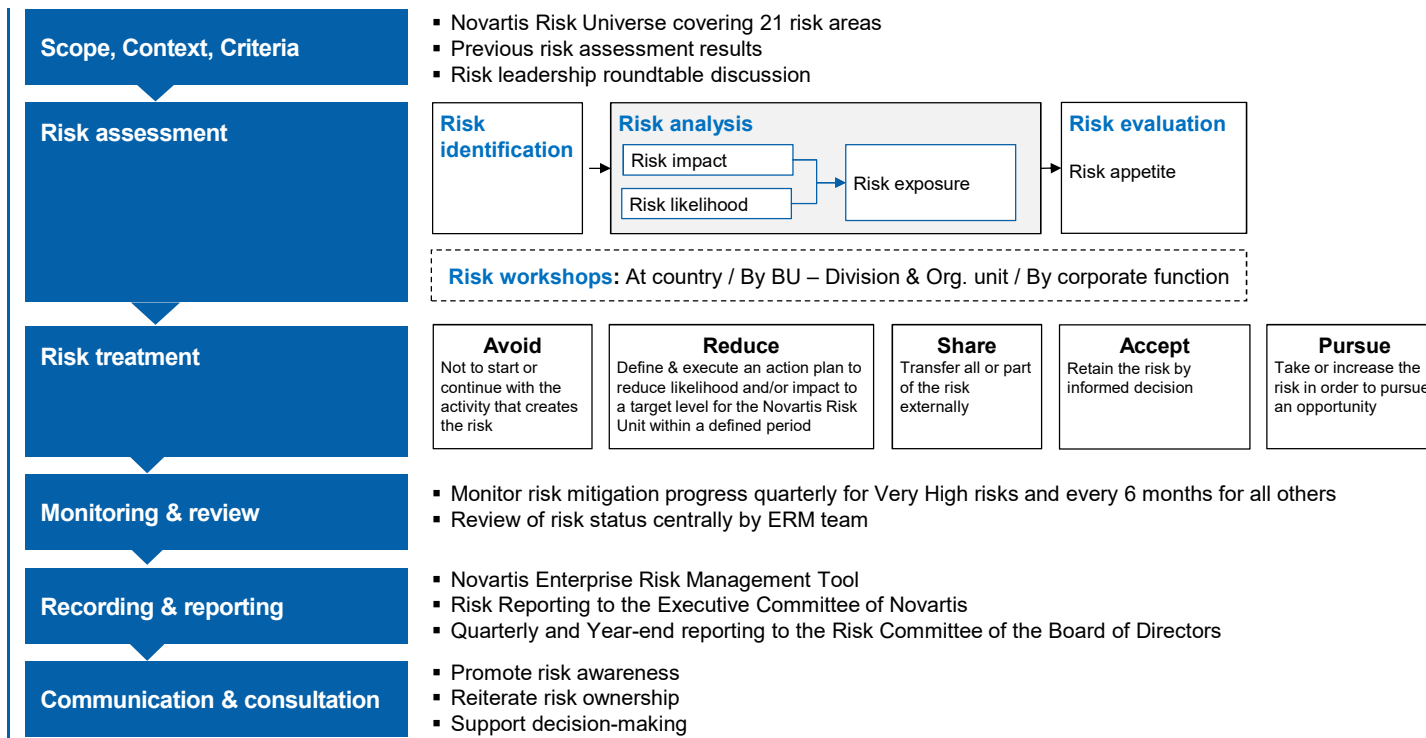
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# Novartis Enterprise Risk Management

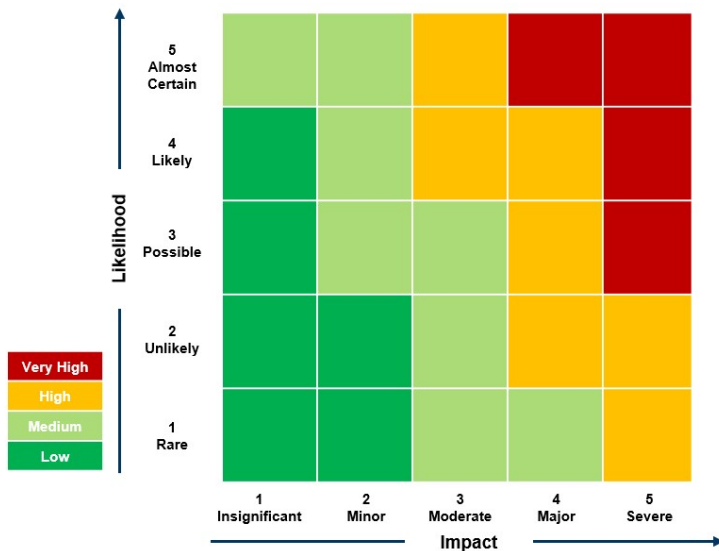
Our process to manage risks at Novartis



# Novartis Enterprise Risk Management

Our evaluation method is a 5x5 matrix in combination with the Novartis Risk Compass that helps us to prioritize our risks and set the focus

## 5x5 Risk Matrix



## Novartis Risk Compass

**Strategic Risks**  
Risks that are most consequential to Novartis ability to execute its strategy or achieve its business objectives

**Emerging Risks**  
Identified risks that require close monitoring, which may evolve to a significant Operational or Strategic Risk



**Operational Risks**  
Risks resulting from inadequate or failed internal processes and/or systems, employee errors or from external events

**Awareness Topics**  
Trending topics that are not accounted by Novartis risk management yet, but have the potential to become a new risk

# Novartis Risk Compass

Our top risks in 2020

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## Strategic Risks

- 1. Key products and commercial priorities**  
Failure to deliver key commercial priorities and successfully launch new products
- 2. Pricing, reimbursement and access**  
Pricing and reimbursement pressure, including access to healthcare
- 3. Research and development**  
Failure or delay in the research and development of new products or new indications for existing products

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## Emerging Risks

- 1. Geopolitical and socio-economic threats**  
Negative impact of geo- and socio-political threats and economic instability
- 2. New ways of working**  
Impact on productivity and well-being of associates of constant remote working due to the current pandemic crisis and in planned future setup
- 3. Global ERP implementation**  
Inability to implement and properly operate our new global ERP system



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## Operational Risks

- 1. Cybersecurity and IT systems**  
Cybersecurity breaches and catastrophic loss of IT systems
- 2. Third party management**  
Failure to maintain adequate governance and oversight over third-party relationships, and failure of third parties to meet their contractual, regulatory or other obligations
- 3. Manufacturing and product quality**  
Inability to ensure proper controls in product development and product manufacturing and failure to comply with applicable regulations and standards

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## Awareness Topics

- 1. Climate change**  
Climate change and associated increased risk of major natural disasters
- 2. Changes in disease patterns, antimicrobial resistance and pandemics**  
Antimicrobial resistance is an increasing threat to public health as well as possible future pandemics
- 3. Deterioration of Human Rights protection**  
Human Rights of workers, their dependents and community members may be impacted due to the economic-related effects of COVID-19

Comment: For details regarding the Novartis Risk Compass see page 5