

Novartis AG



Creating value through responsible business

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Welcome



Jürgen Brokatzky-Geiger
Global Head Corporate Responsibility



Shannon Klinger
Chief Ethics & Compliance Officer and
Head Litigation

Agenda

1. Novartis corporate responsibility highlights
2. Integrity & compliance achievements and future focus
3. Questions

We focus our corporate responsibility work in two areas



Expanding access to healthcare

Reaching more patients

Control and eliminate diseases

Pioneer new business approaches and healthcare delivery models

Find new treatments



Doing business responsibly

Striving for ethical and sustainable business practices

Care for our associates

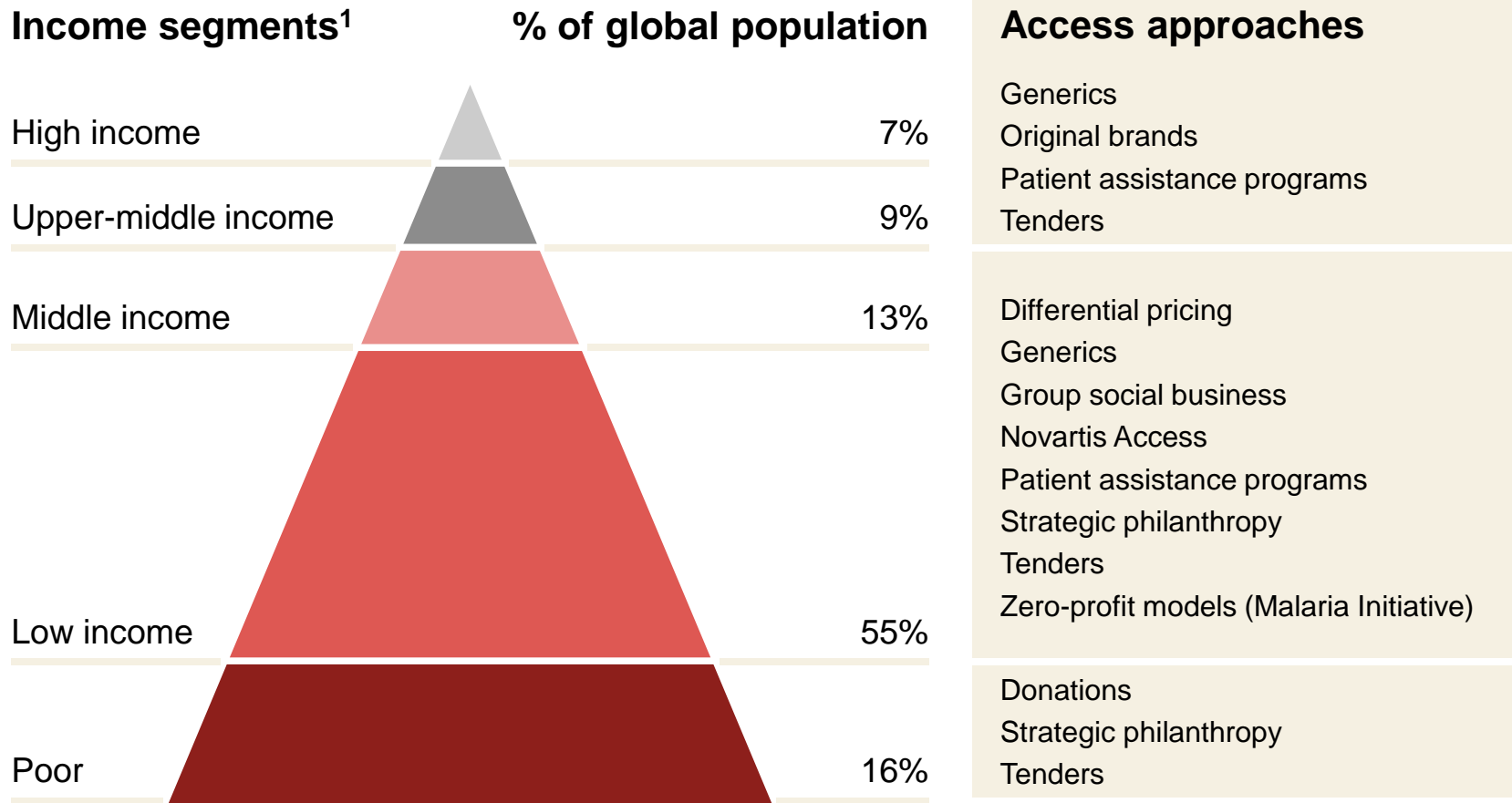
Promote ethics and strengthen governance

Strive for environmental sustainability

Corporate Responsibility: Key progress 2015 to 2016

1. Expanded **Stakeholder Engagement Activities**
2. Launched **Novartis Access** focused on 15 on- and off-patent medicines addressing non-communicable diseases
3. Implemented new **Environment Vision & Strategy**
4. Conducted a **Procurement Materiality Assessment** to identify improvement opportunities
5. Updated our **Corporate Responsibility Materiality Assessment** during 2015
6. Published the **Corporate Responsibility Performance Report**

Novartis access strategy: reaching more patients



¹PEW Research Center with data from World Bank PovcalNet (data 2011)

Access initiatives KPIs

Patient Assistance	Patients reached (thousands)			People reached (thousands) ¹
	2015	2014	2013	2015
Novartis Patient Assistance Foundation Inc. (US)	43	61	85	
Oncology/Hematology LMIC patient assistance ²	81	75	66	
Alcon medical missions	394	439	549	
Alcon US patient assistance	8	9	12	
Malaria/Coartem [®]	64,098	70,028	102,274	
Leprosy (World Health Organization)	305	308	244	
Pediatric pneumonia/amoxicillin dispersible tablets		500		
Fascioliasis/Egaten [®]	14	233	153	
Total	64,943	71,653	103,383	
Health systems strengthening				
Novartis Foundation ³				4,456
Novartis research capacity-building programs				1
Social business: Healthy Family in India, Kenya, Vietnam and Indonesia ⁴	981	788	239	7,621
Total	981	788	239	12,078
Grand Total	65,924	72,441	103,622	12,078

¹ via training and service delivery; ² includes Glivec[®], Tasigna[®] and Exjade[®] in Low and Middle Income Countries.; ³ includes potential catchment of population in certain districts of Tanzania; ⁴ people reached through health awareness activities

Expanded partnership with MMV on next-generation antimalarial

- Antimalarials with new mechanisms of action are urgently needed to tackle emerging parasite resistance to current therapies
- KAF156 belongs to a novel class of antimalarials that act against both the blood and liver stages of the parasite's lifecycle
- Novartis will lead the development of antimalarial compound KAF156 with scientific and financial support from Medicines for Malaria Venture (MMV) in collaboration with the Bill & Melinda Gates Foundation



Winning against infectious diseases yet chronic diseases are on the rise

Noncommunicable diseases disproportionately affect lower income countries

28 Million deaths every year in LMICs

nearly 75% of global NCD deaths

82% of NCD deaths are caused by



Cardiovascular Diseases



Cancers



Respiratory Diseases



Diabetes

80% of the global disease burden will be due to NCDs by 2020

Sources: WHO Fact Sheet noncommunicable diseases, January 2015, WHO World Malaria Report 2016
Noncommunicable diseases prematurely take 16 million lives annually, WHO urges more action, January 2015

Innovating our business model in lower income countries to fight NCDs

Novartis Access

A portfolio of medicines for governments, NGOs and institutional customers at **USD 1 per treatment per month**

Drive
availability and affordability
of high-quality medicines

15 on- and off-patent medicines
targeting the main NCDs

Work to ensure
standard of care

Collaboration with governments and
NGOs in an effort to ensure patients
are properly diagnosed and treated

Long term, the objective is to become **commercially sustainable**

Implementing Novartis Access on the ground

- Capacity-building activities
 - Screening, diagnosis, referral mechanisms, dosing and patient compliance
- Distribution chain integrity
 - Products delivered through designated channels
 - Re-fills available in rural areas for chronic diseases
 - No excessive markups towards patients
- Measurement and evaluation
 - Awareness, treatment availability and price
 - At facility and household level

Novartis Access: First treatments have reached rural facilities in Kenya

Adapting learnings as the program expands



Next steps: working against Novartis Access 2016 targets

Roll out the program

- Introduce Novartis Access in 5 additional countries
- File 400 submissions to prepare launch in 20 countries
- Put in place mechanisms to ensure final patient price in Kenya < USD 1.50 per treatment per month

Measure impact

- Agree on methodology for measurement with Boston University (BU) and conduct baseline study in Kenya

Fine tune the portfolio

- Expand portfolio to cover all Divisions and assess extension into new areas based on external feedback
- Include at least one additional on-patent pharmaceutical treatment to the portfolio

Capacity building through partnerships

- Test and validate a replicable surveillance system for supply chain integrity in Kenya with Management Sciences for Health (MSH)
- Raise NCD awareness and build capacity in Kenya in collaboration with Red Cross and Kenya Conference of Catholic Bishops (KCCB).
- Explore partnerships on innovative financing models & supply chain integrity

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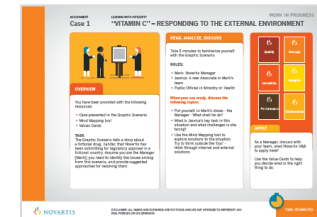
Strive for environmental sustainability

Meeting society's expectations in a way we can be proud of

- We aspire to be a **trusted leader** in changing the practice of medicine
- **Trust** of patients and society is central to our **long-term success** and we must meet their increasing expectations in a way that we can be proud of
- Shareholders expect us to **innovate** and **operate** in ways that reward their investment
- To realize our vision, we have taken the following actions in **close collaboration** with the business and our Legal, Finance, Internal Audit and Business Practices Office teams:
 1. Further enhanced our core **compliance processes**
 2. Strengthened our **Integrity & Compliance (I&C) Function**
 3. Evolved the way we work to increase **access** to medical education and **transparency**
 4. Built the **foundation** to further strengthen our **culture of integrity**
 5. Aligned our **focus** going forward

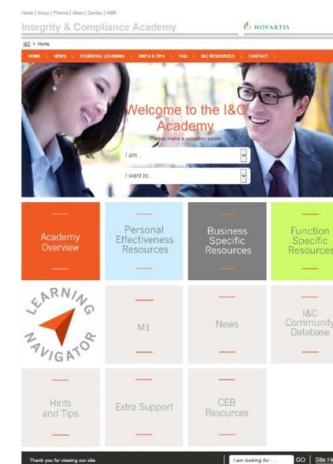
1. Enhanced our core compliance processes

- **Anti-Bribery Policy** upgraded and launched
- **Universal system** launched to handle actual, potential and perceived conflicts of interest transparently
- CEO chaired a **Global Integrity & Compliance Webcast** to reinforce our commitment to further embedding business practices across the organization and leaders' accountability
- Developed **integrity case studies** for managers to use in discussion with their team, inspired by real-life scenarios
- Designed an **integrated control framework** including compliance risk assessment, continuous monitoring and regular reporting
- Included I&C questions in **business reviews** conducted by global / regional management
- **Every finding only once** initiative started to share findings from audits with leaders globally



2. Strengthened the I&C Function

- Chief Ethics & Compliance Officer also heads our Litigation function resulting in a **strong partnership** between **Legal** (Litigation) and **Integrity & Compliance**
 - Litigation shares learnings from failures or perceived wrongdoing so that I&C take action
- We have now approx. **375 FTE** dedicated to I&C at local, regional and global level
- **Enhanced skills** and competencies of our I&C professionals with the I&C Training Academy
- **Strengthened monitoring**
 - Hired regional monitors to perform in-country testing and desk reviews to strengthen existing monitoring efforts
 - Global divisional teams perform country compliance visits to review processes in the area of I&C



3. Evolved the way we work to increase doctors' access to education...

Increasing access to **evidence-based information** about our products and services to help doctors deliver the **best possible care** for patients.

- Using **virtual meetings** and **web-based customer interaction platforms** so more doctors can access evidence-based data and product information
- **American Society of Clinical Oncology (ASCO):** In June 2016, using our new virtual conference platform (Vivinda TV), we provided on-demand delivery of content from ASCO to more than 4600 virtual delegates in 103 countries (five times more than in the past)
- **European School for Advanced Studies in Ophthalmology:** through Vivinda TV, almost 1800 virtual delegates from 75 different countries accessed the meeting content online (compared to the 500 to 600 ophthalmologists in person attendance)

...and transparency to further build trust

Greater transparency builds **trust** between the public, medical community and healthcare industry.

- In June 2016, Novartis Pharma AG and its affiliates in all EFPIA¹ countries publicly disclosed payments and other transfers of value² made to Health Care Professionals (HCPs) and Health Care Organizations (HCOs) in 2015.
- Disclosure reports available on our portal: [Healthcare Professionals Payment Transparency](#)
- We also comply with transparency codes and regulations in the US, Japan & Australia

Going beyond

- We will extend this disclosure to include all product segments in EFPIA countries where we have activities by 2017 (even those parts of our business that are not covered by the [EFPIA Code](#))

¹ European Federation of Pharmaceutical Industries and Associations

² Transfers of value include sponsorship to individuals to attend meetings, speaker fees, consultancy and advisory boards and also cover activities such as research and educational grants to healthcare organizations

4. Built the foundation to further strengthen our culture of integrity

Strong tone at the top

- Connected purpose and strategy to **Values & Behaviors** and culture
- Novartis Board of Directors (BoD), CEO and Executive Committee of Novartis demonstrate **leadership** and **commitment**
- Novartis BoD exercises **oversight** over the **implementation** and **effectiveness** of the Novartis compliance program

Robust foundation

- Launched revised **Code of Conduct** in 2012
- **Embedded** revised Values & Behaviors (V&Bs) incl. integrity in 2015
- Over 200 “**culture workshops**” delivered in 2015

Evolving approach to performance management

- **Reward** associates based on how their performance aligns with V&Bs
- Adjusted **compensation** and **incentives** for our sales teams
- Adherence to our V&Bs is **equally weighted** to achieving business objectives

Encouraging speak up

- Support associates to have the courage to **speak up**
- **Business Practices Office** offers employees and externals a **trusted channel** to report misconduct **without fear of retaliation**

5. Our focus going forward

Leaders and managers

- Further strengthen leaders' accountability at all levels of the organization for compliance
- Drive the right tone in middle management, maintain dialogue and communications and role-model Values & Behaviors
- Make sure leaders are equipped to ask the right questions of their teams to identify issues early

Integrity & Compliance

- Become true strategic business partners and evolve from enforcer to problem-solver
- Support leaders in having the right perspective in a constantly changing environment so that our focus remains ever-present on the patient

Novartis AG



Questions

CR Materiality Refresher 2015: top issues remain unchanged

Access to healthcare

1. Lower income patients
2. Product pricing
3. Partnering
4. Intellectual property

Employees

5. Recruitment and retention of employees
6. Diversity and inclusion
7. Health and safety

Environmental protection

8. Pollution, waste & effluents
9. Energy and climate change

Governance and ethical business practices

10. Integrity and compliance management
11. Responsible clinical trials
12. Bribery and corruption
13. Responsible marketing/advertising
14. Board structure and independence
15. Responsible lobbying and political contributions
16. Risk & crisis management

Patient focus

17. Health outcome contribution
18. Democratic changes in society
19. Security of product supply

Product quality

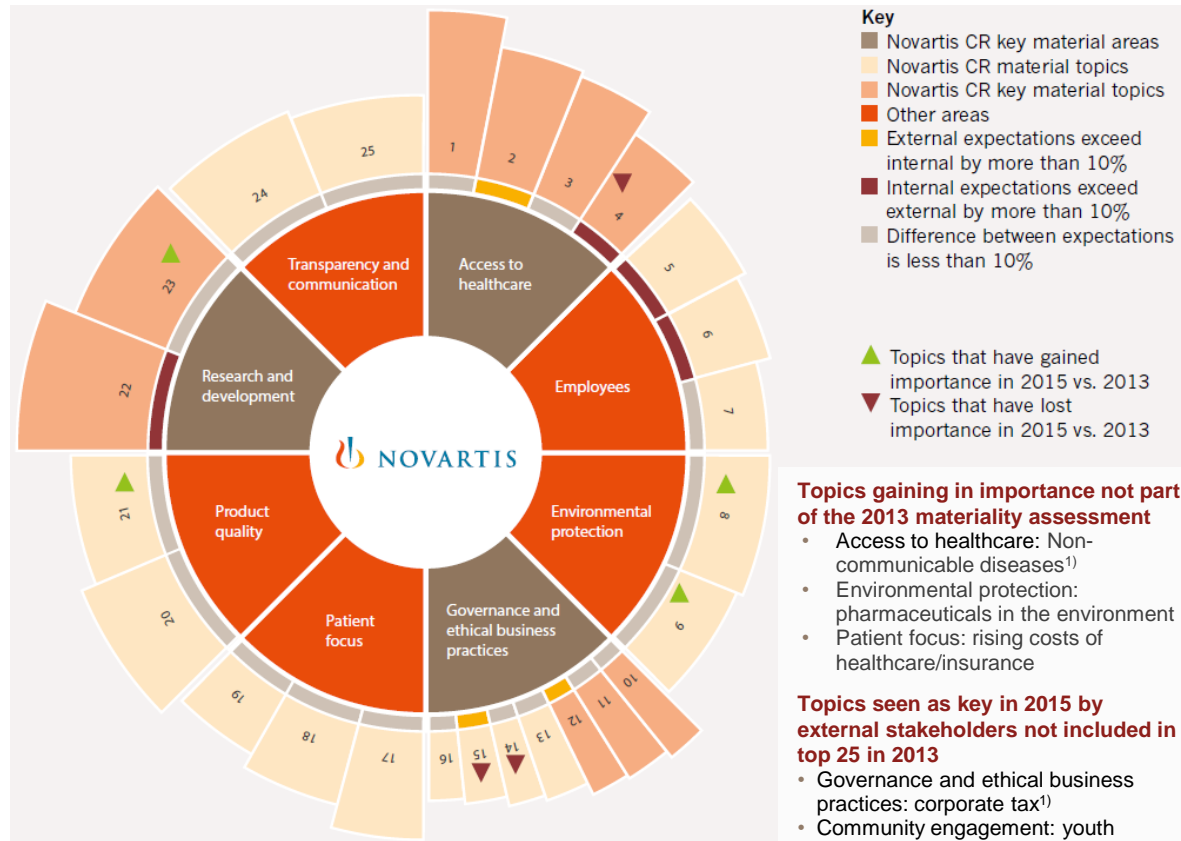
20. Quality of drugs
21. Counterfeit medicines

Research and development

22. Innovation and R&D pipeline
23. R&D neglected diseases

Transparency and communication

24. Stakeholder engagement & dialogue
25. Disclosure and labelling



Note: Wedge height indicates importance

Topics gaining in importance not part of the 2013 materiality assessment

- Access to healthcare: Non-communicable diseases¹⁾
- Environmental protection: pharmaceuticals in the environment
- Patient focus: rising costs of healthcare/insurance

Topics seen as key in 2015 by external stakeholders not included in top 25 in 2013

- Governance and ethical business practices: corporate tax¹⁾
- Community engagement: youth unemployment¹⁾
- Transparency/better communication: non-financial disclosure¹⁾

¹⁾ Topics additionally included in 2015 materiality review