



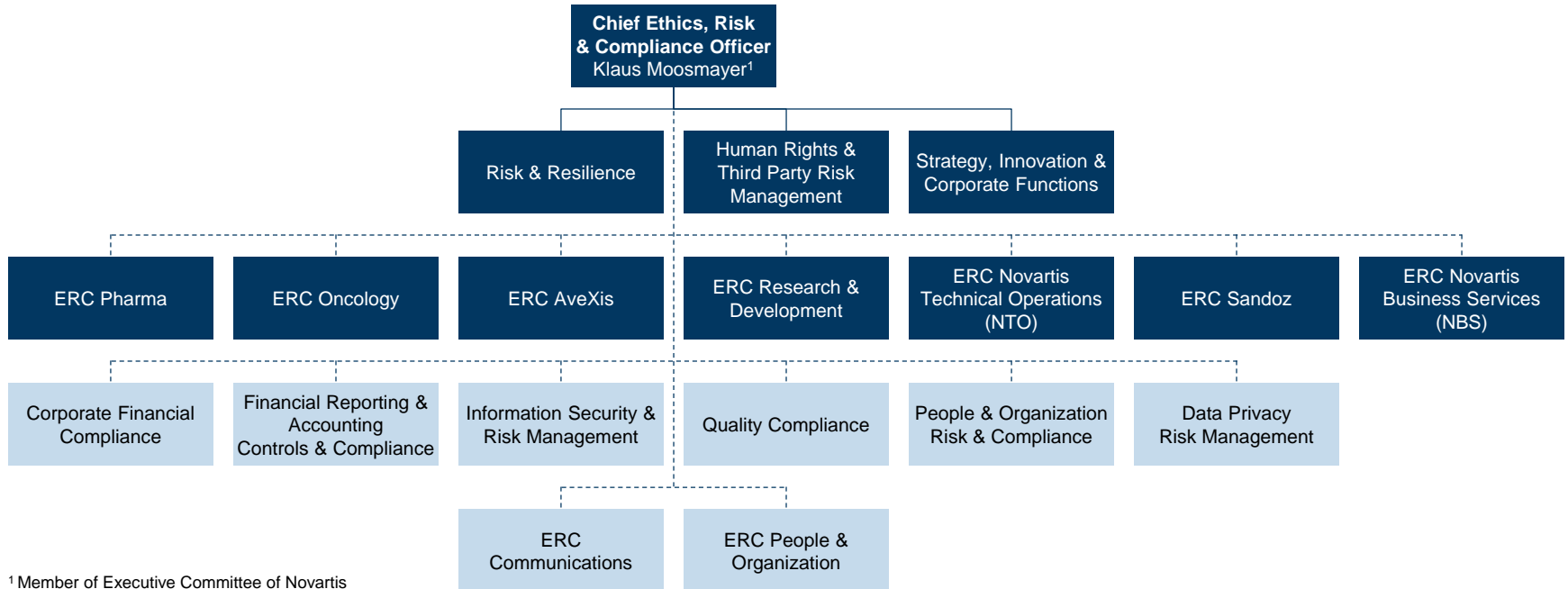
Ethics, Risk & Compliance

Novartis Enterprise Risk Management

June 2020

Novartis Enterprise Risk Management

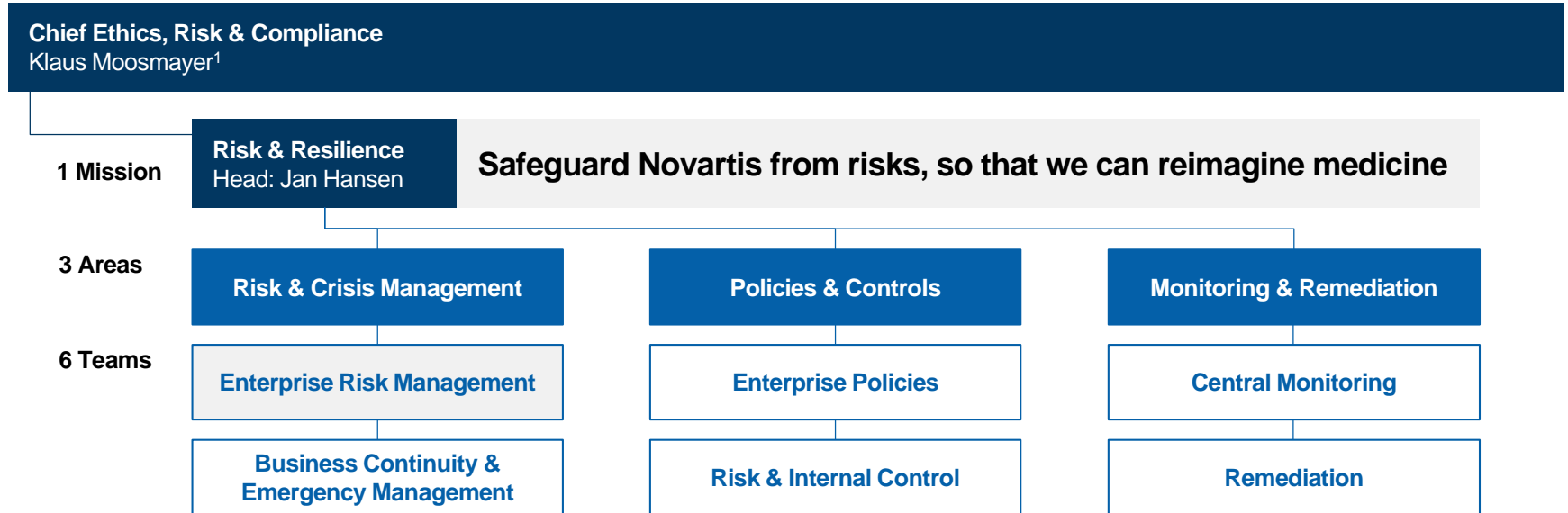
Risk management is an essential part of our Ethics, Risk & Compliance organization (ERC)



¹ Member of Executive Committee of Novartis

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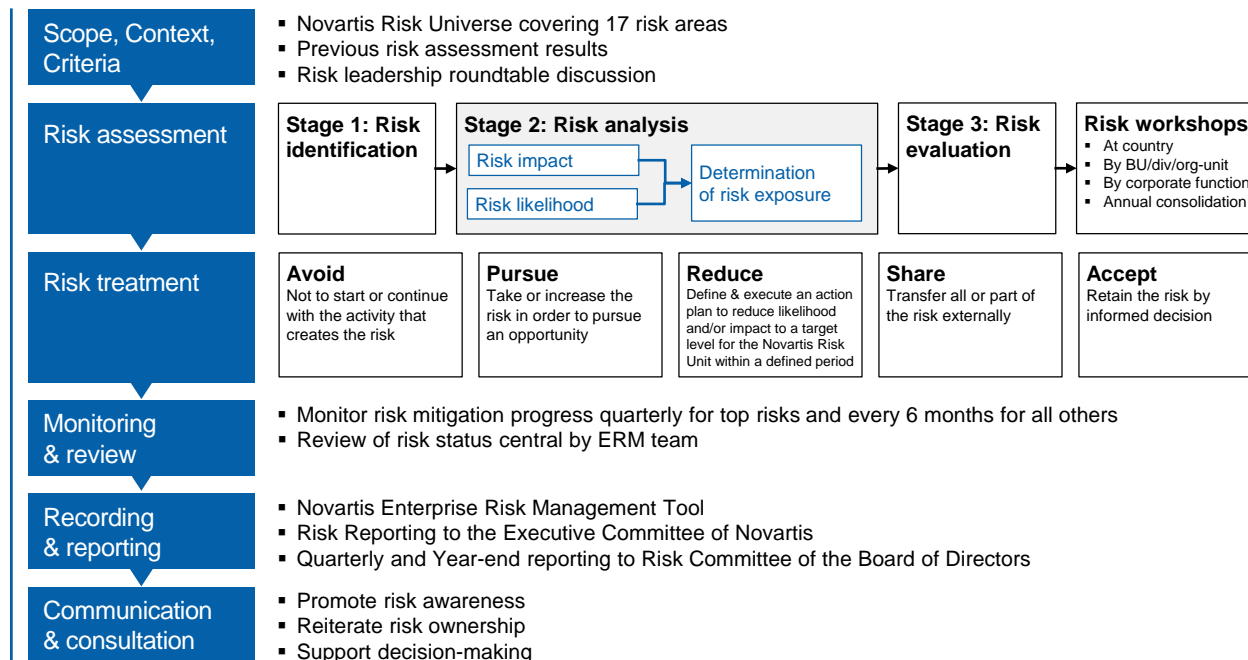
Novartis Enterprise Risk Management

Our process to manage risks at Novartis

Novartis is adopting a full cycle of Enterprise Risk Management

Effective risk management requires the development and implementation of mitigation activities, which must be monitored on a regular basis

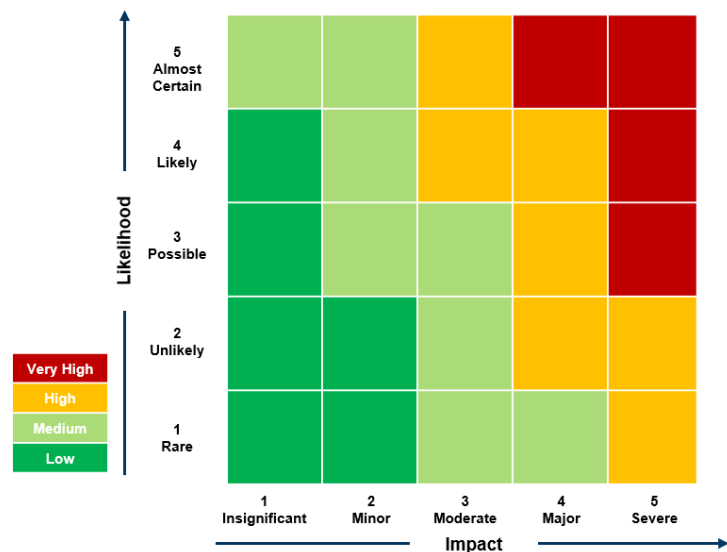
Risk management can also create opportunities to identify key strengths and build on them to define better processes and support the business more effectively



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 2019

Our top risks from last year

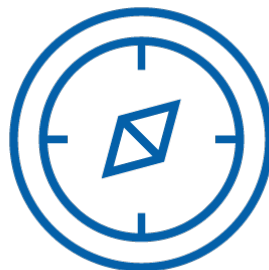
Strategic Risks

1. Pricing pressure including transparency and access
2. Failure to deliver key commercial priorities and future growth drivers
3. Organizational, structural and cultural changes

Emerging Risks

1. Product counterfeiting
2. Use of Social Media and interactive internet platforms
3. Due Diligence approach and integration of M&As

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



Operational Risks

1. Cybersecurity breaches and catastrophic loss of IT systems
2. Third party management & oversight
3. Retaining key talents

Awareness Topics

1. Increasing voice of Environmental, Social & Governance Investors
2. Escalation of geo- and socio-political threats
3. Climate change and associated increase of major natural disasters