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Edition no.20

Q4 2024 Impact and Sustainability Update to investors

Dear investors and analysts,

Our Q4 update summarizes our progress on impact and sustainability for 2024.

We also cover select topics from our upcoming AGM and third-party ratings across environmental, social and governance topics.

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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Our reflections from 2024

2024 was a year of impact at Novartis. We reached nearly 300m patients with our innovative therapies — more than ever before — in our first full year as a pure-play innovative medicines company.

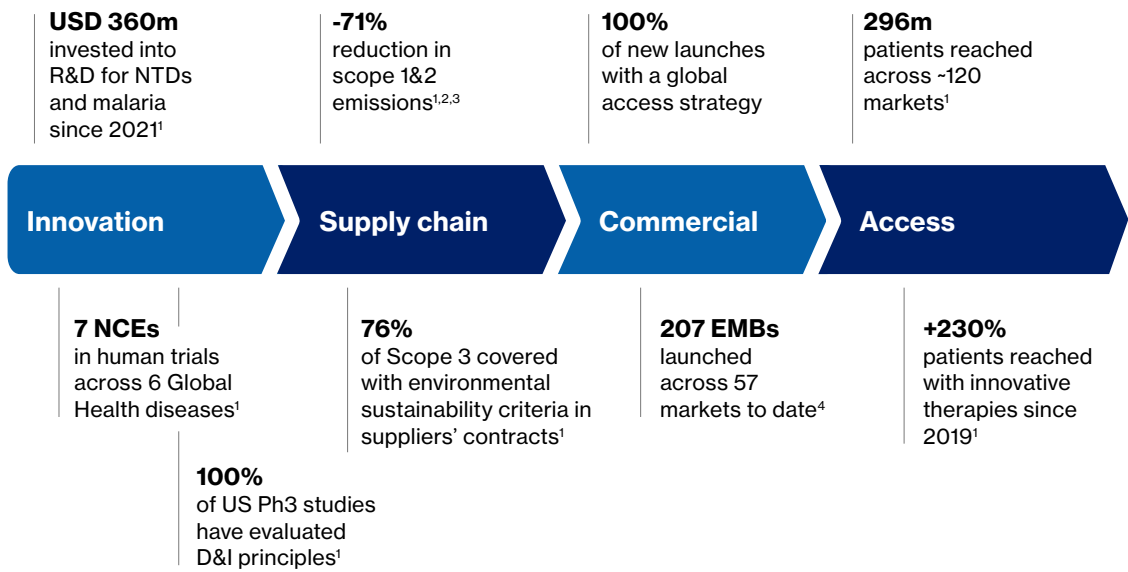
We remain committed to executing our focused strategy, which includes delivering high-value medicines that alleviate society’s greatest disease burdens through leadership in R&D and novel access approaches that enable us to bring breakthrough scientific discoveries to more patients around the world.

Impact and sustainability remain high on our agenda. In 2024, we continued to embed our access to innovative medicines commitment into our business operations and took further measures to address climate change. See our top 10 reflections below. Our efforts have been recognized by leading independent agencies and are reflected in consistently high rankings.

Further information can be found in our Novartis in Society Integrated Report → [here](#).

1. Delivering impact is at the core of our value proposition

Impact and sustainability are at the core of everything we do, and a key value driver for Novartis. It is central to our value proposition to our shareholders, patients, employees and society.



EMBs – Emerging market brands. NCEs – New chemical entities. NTDs – Neglected tropical diseases. 1. As of end 2024. 2. Scope 1 and 2 environmental data for the current year is based on actuals from January to September, with estimates for October to December. 3. Vs. 2016 baseline. 4. As of end 2023.

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2. Our greatest contribution to society is in advancing innovation and access to medicines

We regularly review trends and changes in our operating environment and business model to identify and assess the relevance of our priority sustainability matters. The results of the latest assessment can be found → [here](#).

Creating sustainable impact

Value creation

Innovation and Access to Medicines

Future-proof pipeline addressing unmet needs

Enabling access to innovative medicines

Dedicated Global Health unit

Human Capital

Culture

Inclusion

Talent

Risk mitigation

Environmental Sustainability

Climate

Nature

Ethical Standards

Ethics

Compliance

Human rights

Enablers

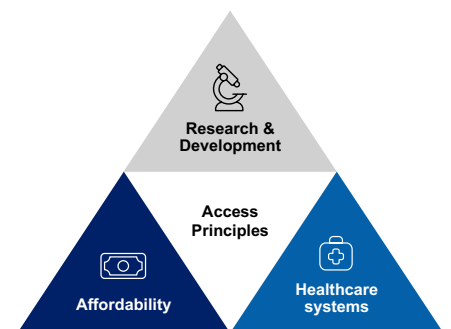
Governance, transparency, non-financial reporting

3. Our Access Principles continue to guide our efforts to create and sustain social impact

We do our part to address affordability, availability and equity in healthcare, while recognizing that meaningful progress requires collaboration across the entire healthcare ecosystem. Our commitment is guided by the belief that innovative medicines and healthcare solutions should be available to all who need them, regardless of geographic or economic barriers.

To achieve this, we committed to implement a global access strategy for every new medicine launched. Our strategy is based on the → **Novartis Access Principles** (established in 2017), through which we systematically integrate access in how we research, develop and deliver globally.

- **R&D cycle:** Conducting assessments of unmet needs, anticipating access barriers and ensuring our medicines can be used in low-income settings.
- **Availability and affordability:** Reducing the time lag between innovative medicines being launched in LMICs vs. HICs and implementing a tiered pricing approach.
- **Health systems strengthening:** Working with health systems and our partners to facilitate the delivery of innovative medicines.



In a complex healthcare ecosystem, partnerships amplify our impact

We emphasize the importance of inclusive healthcare systems. While there are certain elements under our control, reaching patients ultimately involves factors beyond our direct influence. We supply our medicines to existing healthcare systems through distributors, healthcare professionals, payers, and insurance companies. Each of these entities plays a role in determining access to our medications. We work with our partners to shape those factors outside of our immediate reach.

ATMI – Access to Medicine Index. ATOM – Access to Oncology Medicines. LMIC – low- and middle-income countries. HIC – high-income countries.

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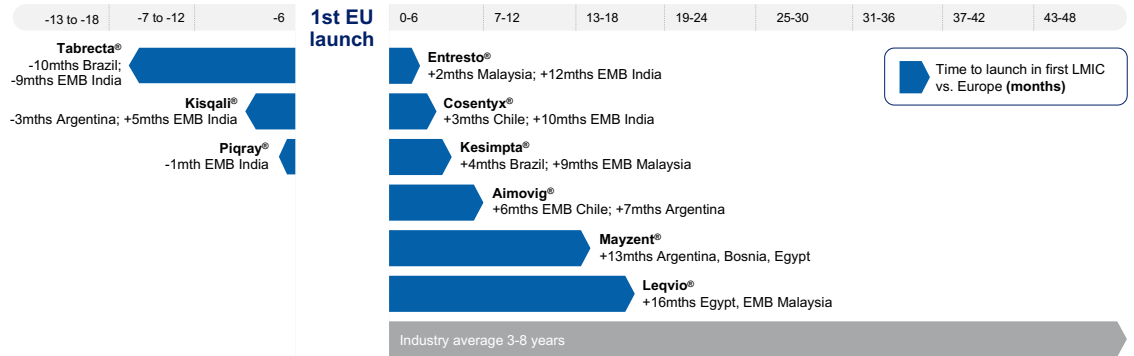
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4. We are making tangible progress on inclusive access to innovative medicines

Historically, we have seen an average gap between innovative medicines launched in HICs versus LMICs of three to eight years. Through the consistent implementation of our Access Principles, we have **reduced that time to four to eight months on average**.

Selected examples



Continuously increasing patient reach in 2024

296m patients reached across ~120 markets (vs. 284m in 2023)

30m patients reached through our access programs and initiatives

1.8m patients reached with our strategic innovative therapies in LMICs, representing +230% since 2019 (SLB target of +200% in 2025 vs. 2019)

26.3m patients reached with our global health flagship programs in LMICs, representing +75% since 2019 (SLB target of +50% in 2025 vs. 2019)

More details on our patient reach figures can be found in our → [Sustainability-linked bond 2024 Report](#) or → [ESG index](#)

5. With climate change and health intrinsically linked, we pursue both mitigation and adaptation

Many existing Novartis efforts already address the impacts of climate change on health

1. Efforts to strengthen our pipeline in the area of neglected tropical diseases.
2. Integration of climate considerations into our access approach.
3. Support of health systems partners to decarbonize.

	Confidence ¹	Prevalence ²
Cardiovascular	●	●
NSCLC	●	●
Malaria	●	●
Dengue	●	●
Diarrheal diseases	●	●
Chagas	●	●
Leishmaniasis	●	●
Renal	●	●
Central nervous system	●	●

A literature (meta) review to assess the projected future impact of climate change on disease prevalence shows that the Novartis portfolio aligns well with diseases where there is strong evidence of increasing burden.

EMB – Emerging market brand. LMIC – low- and middle-income country. HIC – high-income countries. Mths – Months. SLB – Sustainability-linked bond target. NSCLC – Non-small cell lung cancer. Sources: Information based on internal analysis and IQVIA data for launch dates. 1. Scientific agreement (High – 100% studies reporting same finding, Medium – >50%) and evidence (High – 5+ studies, Medium <5 studies). 2. Disease Prevalence: Low 0-500 per 100,000, Medium 500 – 2,500 per 100,000, High 2,500+ per 100,000.

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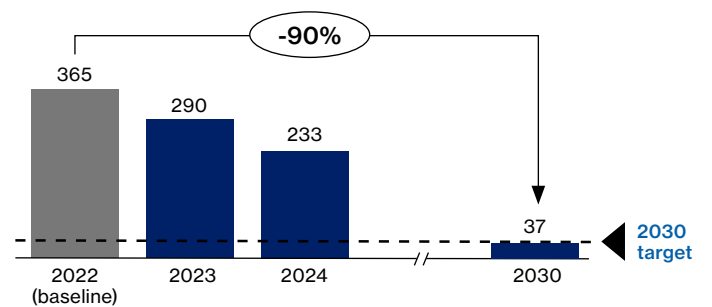
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We continue our progress against our net-zero transition plan

- ▶ **2025 target**
Become carbon neutral in our own operations (scope 1 and 2 from energy) from a 2016 base year.
- ▶ **2030 near-term science-based targets (SBTi approved)**
Reduce absolute scope 1 and 2 greenhouse gas (GHG) emissions by 90% from a 2022 base year. Novartis also committed to reduce absolute scope 3 GHG emissions by 42% within the same timeframe.
- ▶ **2040 net-zero science-based targets (SBTi approved)**
Maintain a minimum of 90% absolute scope 1 and 2 emissions reductions from 2030 through 2040 from a 2022 base year. Novartis further committed to reduce absolute scope 3 greenhouse gas emissions by 90% from a 2022 base year.

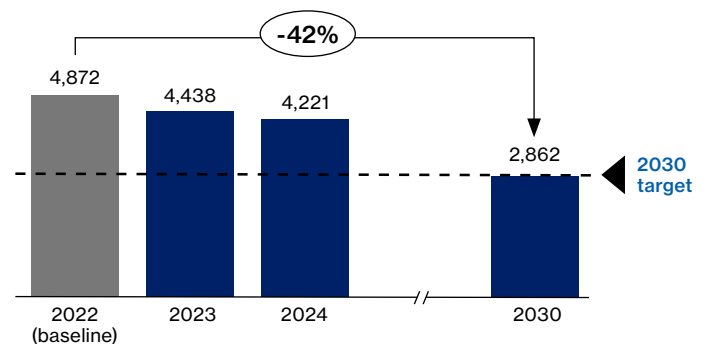
Progress and approach: Scope 1 & 2 emissions¹

We focus on energy efficiency, process innovations and adopting green technologies.



Progress and approach: Scope 3 emissions²

- Active engagement with suppliers with focus on energy efficiency, process innovations and adopting green technologies
- Lifecycle assessments, early design considerations to reduce product footprint (starting Development phase)
- Continued collaborations to drive innovation, strengthen industry standards



1. Scope 1 and 2 data: 2024 is based on 9 months of actual data and 3 months of estimated data. Excludes emission from fugitive sources as aligned with SBTi.
2. Scope 3 data: categories 1 (purchased goods and services) and 2 (capital goods) are based on 11 months of actual data and 1 month of estimated data. Category 6 (business travel) is based on 12 months of actual data. All other relevant scope 3 categories are based on 9 months of actual data and 3 months of estimated data. Excludes emissions from investments and categories not considered relevant in 2024, as permitted within the SBTi framework. Further details on page 28 of the Novartis in Society Integrated Report.

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6. In 2024, we added a new Nature pillar with 2030 commitments

We have reframed our strategy to reflect two pillars: climate and nature. The Nature pillar covers our existing commitments on water and waste, while also exploring new commitments related to biodiversity and raw materials.

Nature | Contributing to Nature Positive^{1,2}


Newly added

Updated **Water¹**
 Implement water use reduction for own and supplier sites based in water stressed basins³

 No water quality impacts⁴ from manufacturing effluents incl. sites, labs and API suppliers

Updated **Waste¹**
 Reduce the amount of waste sent for disposal⁵ by 30%

New **Biodiversity & Raw materials**
 Specific targets will be defined based on materiality assessments



7. We renewed and further strengthened our commitment to gender inclusion



Gender balance in management (providing equal opportunities for both men and women to advance): **48%** of our overall management globally are women (2024).⁶

Pay gap: **-0.3%** vs. +17% external benchmark.⁷ This means that women’s earnings at Novartis in aggregate are within one percent of men’s.

To sustain our progress, we renewed our EPIC pledge in 2023 (initial commitment made in 2018) with aspirational goals for 2027:

- Maintain gender-balanced representation in management.⁷
- Review our human resources practices beyond base pay to eliminate any further potential sources of pay imbalance.
- Make the requirements of the new EU Pay Transparency Directive our global minimum standard for pay equity and pay transparency reporting.

8. We further strengthened our ethical and responsible approach to AI



Rolled out Ethical Use of Data & Technology Policy including → **AI Handbook**.

Updated and improved → **external commitment to ethical and responsible use of AI** and → **Code of Ethics commitment on data and technology**.

Further strengthened our AI Risk & Compliance Management Framework, AI compliance governance structure, and training activities for awareness, capability building, risk understanding and mitigation (AI literacy).

These policies and governance frameworks emphasize that transparency and human oversight are key to ensure responsible use of AI.

1. Our previous target of achieving “water neutrality by 2030” has been revised to establish basin-specific 2030 targets for our key sites (own operations and upstream suppliers) located in water-stressed areas, in line with Science Based Targets Network guidance. Additionally, we retired our previous target of achieving “plastic neutrality by 2030” and are evaluating potential new targets as our plastic footprint has significantly decreased following the Sandoz spinoff in 2023. At the same time, we have added a new 2030 ambition for waste reduction (to continue progress after meeting our 2025 target). We are making these changes to create more focused and measurable goals, while aligning our targets with industry-standard frameworks. 2. Nature Positive Initiative defines “Nature Positive” as “Halt and Reverse Nature Loss by 2030 on a 2020 baseline and achieve full recovery by 2050” (Global Biodiversity Framework 2022). 3. Basin-specific targets will be established for material sites in own operations and upstream suppliers based on SBTN guidance. 4. All own sites and labs; key API suppliers should meet our water quality standard of PEC/PNEC<1. 5. We already reduced our waste by -63% in 2022 vs. 2016, and aim to further reduce our waste by 30% by 2030 vs. 2022 (c. 75% reduction vs. 2016). 6. All employment decisions at Novartis are based solely on job-related factors, including the skills, qualifications, and experience of the candidate, without regard to gender, race, ethnicity, or any other personal characteristics unrelated to the job. As a global company, Novartis complies with the laws of all countries within which it operates. 7. Companies in the benchmark Bloomberg Gender Equality Index had a mean pay gap of +17% for the same period.

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9. In summary, we are making progress on our ESG targets and sustainability-linked bond commitments

ESG Pillar	Mid-term public targets/aspirations (selected)	2024 target	2024 actual
Innovation & Access	+200% patient reach in LMICs with Strategic Innovative Therapies by 2025 ¹ (1.6m) - bond target	1.4m	● 1.8m
	+50% patient reach with Global Health flagship programs ² by 2025 ¹ (22.6m) - bond target	22.6m	● 26.3m
	100% of new launches have a global access strategy	100% of pre-defined launches	● On track
Human Capital	Gender balance in management (maintain EPIC pledge commitment) ³	48-52%	● 48%
Environmental Sustainability	Carbon neutral (scope 1 and 2 emissions) by 2025 ⁴	-70% ⁵	● -71% ⁶
	Waste disposal reduced by 50% by 2025 ⁴	-65% ⁵	● -72% ⁶
	Eliminate PVC in packaging ⁵ by 2025 ⁴	90% ⁵	● 100%
	Water consumption reduced by half in our operations by 2025 ⁴	-50% ⁵	● -57% ⁶

● On track ● Met mid-term targets/aspirations (focus on maintaining).

10. We are well-positioned to meet non-financial disclosure and due diligence requirements

We are adjusting our disclosure strategy as we progressively align our external reporting with new regulations. We will continue to communicate additional information on our impacts – including our efforts broaden access to medicines through other communications channels such as the ESG index and quarterly updates.

Selected regulations ⁷	Applicable	Key requirements	Status
Swiss Article 964 Transparency on Non-financial Matters	FY 2023	Say on non-financial reporting at AGM; TCFD reporting (FY2024)	Implemented: 2024 Integrated report incl. TCFD report published
EU Corporate Sustainability Reporting Directive (CSRD)	FY 2025	Double materiality analysis will determine disclosures with limited assurance ^{8,9}	On track: Implementation ongoing for 1st Sustainability Statement in 2026
EU Taxonomy	FY 2025	Disclosure of sustainable ('green') share of eligible and aligned revenue, CAPEX, and OPEX	On track: Eligibility and alignment pilot assessments ongoing
EU Corporate Sustainability Due Diligence Directive (CS3D)	FY 2027	Human rights, environmental due diligence ¹⁰	On track: Strengthening existing human rights, environmental due diligence
EU Pay Transparency Directive	FY 2027	Expanded scope of pay transparency, pay equity analysis, gender pay gap, covering total pay	On track: Committed to make this our global minimum standard

EPIC – Equal Pay International Coalition. LMIC – Low-income and lower-middle income countries. PVC – Polyvinyl Chloride. TCFD – Task Force on Climate-related Financial Disclosures. 1. vs. 2019 baseline; target linked to sustainability-linked bond. 2. Malaria, Leprosy, Chagas disease, Sickle Cell Disease. 3. Renewed EPIC pledge from 2024. All employment decisions at Novartis are based on job-related factors, including the skills, qualifications, and experience of the individual, without regard to gender, race, ethnicity, or any other personal characteristics unrelated to the job. As a global company, Novartis complies with the laws of all jurisdictions within which it operates. 4. Vs. 2016 baseline. 5. Defined as secondary & tertiary packaging; primary packaging when feasible. 6. Environmental data for scope 1 and 2 emissions, water and waste performance for the current year is based on actuals from January to September, with estimates for October to December. 7. Other regulations include: California Climate Disclosure Bill (disclose value chain emissions and climate-related financial risks). 8. Two cross-cutting, ten topical sector-agnostic standards. 9. EU Commission plans to publish a feasibility assessment for moving to reasonable assurance by 2028. Inclusion of sustainability data into the Annual Report is not applicable to non-EU companies like Novartis. 10. Across own operations, chain of activities (upstream, from business partners to raw material sourcing; downstream, distribution, transport, storage).

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ATMI

Novartis ranked **#1** in 2024 (vs. #4 in 2022) and has been in the leadership group for 10+ years

MSCI

Novartis maintained its **AA** rating with MSCI in 2024 and remains in the MSCI World ESG Leaders Index

ISS ESG

Novartis retained its B rating (“Prime” status and “Very high” transparency level) and remains part of the **ESG leaders group**

Sustainalytics

Novartis improved its ESG risk rating to 15.6 (vs. 16.2 in 2023), continuing the positive trend for 5+ years. Novartis continues to be a **leader among peers**

CDP

Novartis has achieved **Double A List** status in CDP 2024 for the third consecutive year, with A scores in both Climate Change and Water Security. Our submissions are available on → [cdp.net](https://www.cdp.net)

Agency/index	Rating/ranking	Status
ATMI	#1	Among top 4 since 2014
MSCI	AA	ESG Leaders group
ISS ESG	B	ESG Leaders group, Prime status
Sustainalytics	Low risk	Industry ESG top-rated
CDP Climate Change	A	Double A List since 2022
CDP Water Security	A	

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Dividend Proposal

The Board of Directors of Novartis (the “Board”) proposes a dividend payment of CHF 3.50 per share for 2024, up 6.1% from CHF 3.30 per share in the prior year, representing the 28th consecutive dividend increase since the creation of Novartis in December 1996. Shareholders will vote on this proposal at the AGM on March 7, 2025.

Reduction in Share Capital

The Board proposes to cancel the shares repurchased during 2024 and to reduce the share capital accordingly by CHF 38 million.

Further Share Repurchases

As of December 31, 2024, the remaining available amount under the existing shareholder authority granted at the 2023 AGM is CHF 3.5 billion. To allow for the full execution of the already announced share buyback of up to USD 15 billion and potential additional share buybacks, the Board proposes that shareholders, in addition to the remaining authorization of CHF 3.5 billion, authorize the Board of Directors to repurchase shares as deemed appropriate from time to time up to CHF 10 billion between the 2025 AGM and 2028 AGM.

Elections of the Board Chair and the Members of the Board

Dr. Joerg Reinhardt, Dr. Charles Sawyers and Mr. William Winters are not standing for re-election, having reached the 12-year term limit. The Board and the Executive Committee of Novartis thank them for their many years of valuable service as Chair and members of the Board.

The Board proposes the election of Dr. Giovanni Caforio as member of the Board and Board Chair. Dr. Caforio has had an international career in the healthcare industry spanning more than 35 years, most recently as the Chairman and CEO of BMS.

In addition, the Board proposes the re-election of the current members of the Board with the exception of Dr. Reinhardt, Dr. Sawyers and Mr. Winters, and the election of Dr. Elizabeth McNally as a new member of the Board, each until the end of the next Annual General Meeting. Subject to the (re-)elections of all proposed members for the Board, the female representation will be at 42%.



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Advisory Vote on the Non-Financial Report

The Board proposes to endorse the non-financial report in an advisory vote.

Since the introduction of Article 964a-c of the Swiss Code of Obligations, Novartis has been obliged to prepare a report on non-financial matters and submit it to shareholders. Information on compliance with this obligation can be found in the → **Novartis in Society Integrated Report 2024**

In 2024, shareholders endorsed the non-financial report in an advisory vote, with 98.4% support. We are grateful for the level of support from our shareholders and the positive feedback we have received on last year’s integrated report.

As different interpretations emerged on whether this vote should be advisory or binding, Novartis carefully considered this matter and concluded that the vote is consultative in nature. One of the determining aspects for this conclusion is that the report involves a sustainability strategy, part of the broader strategy, which is the Board’s inalienable duty and cannot be delegated to shareholders. In addition, the intention of the new provisions is to increase transparency in non-financial matters by providing shareholders with more consistent, comparable and reliable data. The approach of Novartis was applied by the majority of SMI companies.

Advisory Vote on Virtual General Meetings

The Board proposes to confirm the statutory authorization to hold virtual general meetings (without venue) in an advisory vote.

Shareholders had approved the statutory authorization at the 2023 Annual General Meeting, limited until June 30, 2028. However, due to certain reservations among shareholders regarding this format, the Board of Directors committed to submit this authorization to shareholders again at the 2025 Annual General Meeting.

Although the Board of Directors currently has no plans to hold a virtual general meeting, it considers it prudent to confirm the statutory authorization to ensure all options under the new law remain available.



For more details, the invitation to the Annual General Meeting can be found → [here](#)



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

Thank you for your continued engagement in Q4, including at our annual Impact & Sustainability event. Below, we outline your key questions and our answers on our sustainability strategy, access to medicines, governance and nature.

Strategy and disclosures

01

How do your access to medicines and environmental programs create value? What is the financial rationale of these programs?

- **Access:** Our access programs have evolved into financially sustainable models that are integrated into the business. We aim for our access programs to be accretive, both in terms of the patients we reach, as well as financial performance, to support long-term viability.
 - Our Vietnam cardiovascular community health program (Cùng Song Khoe) targets underserved, rural populations, and complements our commercial efforts. The World Bank has committed USD 10m to expand the program to include testing and treatment for dyslipidemia. We recently announced that we aim to scale this program to 10 countries within the next 5 years.
 - We have found that the early establishment of a global access strategy (incl. LMICs) improves speed to market for innovative therapies.
- **Environmental sustainability:** These programs create value by future-proofing our business (i.e. securing our supply chain), ensuring resilience to climate change (i.e. reducing overall emissions) and increasing efficiencies.
 - We have long been embedding environmental sustainability requirements into our equipment recapitalization plans.
 - Most projects that incorporate environmental sustainability in manufacturing have had a positive business case, leading to increased efficiencies and productivity.
 - They also help suppliers and other businesses in our value chain meet their own emissions reduction goals.
- In addition, these programs are important to many of our stakeholders, including employees.

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02

What have been your challenges in complying with evolving non-financial reporting regulations?

- We welcome non-financial reporting regulations, and we believe they will promote better transparency. We believe that the standardization can:
 - Remove subjectivity from non-financial reporting;
 - Help investors gather decision-useful data that is comparable across organizations;
 - Drive value-adding discussions regarding our impact, risks and opportunities.
- Because of the introduction of Article 964a-c of the Swiss Code of Obligation, Novartis has already been preparing a report on non-financial matters, embedded in the Novartis in Society Integrated Report, and submitted it to shareholders. In 2024 AGM, shareholders endorsed the non-financial report in an advisory vote, with 98.4% support.
- In parallel, Novartis is further enhancing its disclosures in the Novartis in Society Integrated Report, which provides a strong foundation to align with the requirements of the Corporate Sustainability Reporting Directive (CSRD). However, full implementation still requires significant resources given the high level of complexity and detail in the European Sustainability Reporting Standards (ESRS) requirements.
- We are well-positioned to meet emerging requirements, while ensuring full compliance across all jurisdictions. To integrate our efforts, Novartis created an ESG Reporting Council to review the quality of our ESG data, current trends and emerging standards.

Access to innovative medicines

03

Novartis ranked no.1 in ATMI. What has driven the improvement in ranking? Are there any initiatives which are not covered by the assessment?

- We have been in ATMI's leadership group since 2014. Our advancement to first place highlights our long-standing commitment to inclusive healthcare and our consistent efforts to improve access to medicines in LMICs.
- The Index recognizes our: 1) focus on outcomes and transparent governance in patient-reach reporting; 2) breadth and depth of our R&D pipeline spanning non-communicable to infectious diseases; and 3) our comprehensive delivery strategies that ensure medicines reach patients regardless of their location or economic status.
- We know that the need for broader and better access to treatments does not only impact LMICs but also HICs. Our access efforts in HICs to address health inequities are not covered in the assessment.

04

How do you measure the impact of your access initiatives?

- To date, we have been using "patients reached" as a proxy for impact in LMICs. We take a comprehensive approach to measuring patient reach that goes beyond traditional sales tracking. Our methodology integrates treatment adherence assumptions and combines country-specific and product-specific data with WHO global data to provide a more accurate picture of our impact.
- However, we recognize that new measurement methods are needed in order to better report on our efforts and plan for future activities. We have been piloting methodologies that correlate health benefits (such as QALYs and DALYs) with socio-economic metrics (such as GDP contribution).
- We are actively working with cross-industry consortia, such as the Value Balancing Alliance, to help standardize impact measurement across the industry.

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05

How do you address underserved populations in developed countries?

- For more than 25 years we have been working to address unmet healthcare needs in low-resource setting, historically with a focus in Sub-Saharan Africa, parts of Asia and Latin America.
- It's increasingly apparent that there are unmet needs and disparities of care in HICs, and we are adapting our approach to ensure we address these needs as well.
- An example is the → **Beacon of Hope** initiative, where we are working with partners in the US to improve representation of racial and ethnic minority groups in the healthcare ecosystem to build trust and improve diversity in clinical trials.
- Our three-year Closing the Gap initiative with the Jefferson Collaborative for Health Equity focuses on addressing the upstream social determinants of heart health in vulnerable neighborhoods in Philadelphia with high rates of stroke and adverse outcomes related to heart disease.

06

How do you anticipate AI will impact global health equity?

- AI has potential applications across our value chain – from innovation to supply chain to commercialization to access – and as such, can impact global health equity at any of these steps.
- For example, AI in drug discovery can improve the precision and speed at which new drug targets are identified, which could reduce time to market, including those in low-resource settings. AI also has the potential to partly compensate for the lower funding in R&D for neglected tropical diseases through increasing scientific output.
- AI can be a powerful tool for enhancing operational efficiency. In clinical trials, AI can quickly find eligible participants and ensure diverse representation, accelerating the trial timelines and leading to safer, more effective treatments for a wider range of patients. AI technologies can also automate administrative tasks, optimize manufacturing and distribution processes, reducing inefficiencies and improving overall productivity – all of which translate to more resources being available for patient care and innovation.
- From an access perspective, we believe that AI can help overcome infrastructure challenges in developing countries. In addition, AI can also help improve our understanding of the broader determinants of health outcomes at the population level. The Novartis Foundation designed the → **AI4HealthyCities initiative** to improve understanding of what drives cardiovascular health in populations. The initiative linked multiple datasets and leveraged advanced analytics to identify patterns. The findings suggest associations between heart health and daily city life (i.e. long commutes, social isolation, air pollution, reliance on public assistance income, and low educational attainment).

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Board matters and compensation

07

Can you walk us through the selection process and onboarding plans for the new Board Chair?

- The Board, led by the Governance, Sustainability and Nomination Committee (GSNC), identified the skills and experience needed to replace the outgoing Board Chair. The Board was also advised by a professional search firm to help identify suitable candidates.
- The Board conducted multiple interviews and carefully evaluated all candidates, emphasizing the importance of finding someone who could contribute to the future success of Novartis and align with the company's culture and values.
- Dr. Giovanni Caforio was unanimously nominated by the Board as candidate for the role of Board Chair elect. His selection was based on his international career in the healthcare industry spanning more than 35 years.
 - Dr. Caforio joined BMS in 2000 and served in various senior roles at the company, including as CEO and Chairman. Under his leadership, BMS successfully transformed into a global medicines company with strong capabilities across R&D and commercialization.
 - Dr. Caforio was born and educated in Italy and holds Italian and US citizenship. He is a physician by training and received his M.D. from the University of Rome.
- If elected at the 2025 AGM, an extensive onboarding program will ensure a smooth transition from Dr. Reinhardt to Dr. Caforio.

08

How do you see the existing Board skills and how do you address potential gaps?

- Novartis maintains a comprehensive Board skills matrix to ensure a diverse range of expertise and experience among its members. The Board aims to ensure that skills in the following areas are adequately represented. In 2024, the skills distribution of the Board was as follows: medicine/healthcare/R&D (7/13 Board members), leadership/management (11/13), finance/accounting (8/13), law/regulatory/risk management (10/13), data/digital (5/13), and ESG (8/13). Individual skills of Board members can be found on pages 106 - 112 of the annual report.¹
- The company actively uses this matrix in its succession planning and Board refreshment process.
 - The GSNC regularly reviews the skills matrix and identifies specific skills requirements, seeking candidates who can fill those gaps. For example, the nomination of Dr. Caforio as Board Chair brings extensive clinical and global commercial experience. The nomination of Dr. McNally brings in scientific skills (with a focus in cardiology and genetics), similar to the scientific skills of outgoing Board member Dr. Sawyer (with a focus in oncology). If approved, she is anticipated to join the Science and Technology Committee (STC) of the Board.
- To address emerging areas like environmental sustainability and evolving regulatory requirements on non-financial reporting, the Board has access to external expertise and supplements its knowledge with regular educational sessions. The Board also continues to actively engage in discussions around the opportunities and risks of artificial intelligence.

BMS – Bristol Myers Squibb. 1. Please note that the table on page 105 contains wrong totals due to a technical error.

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Has the Novartis Board considered incorporating material ESG KPIs and targets into the long-term executive compensation plan?

- The Board, particularly the Compensation Committee, regularly evaluates how to integrate material ESG factors into executive compensation.
- Currently, ESG is incorporated in the short-term incentive (STI) of our executives. The STI of every executive is based on a balanced scorecard with 60% weighting on financial metrics and 40% on strategic objectives. Included in the strategic objectives is “Building trust with society”, which incorporates ESG metrics on pricing, access and global health, environmental sustainability, and diversity and inclusion.
- Novartis will continue to monitor investor feedback and industry trends on integrating ESG metrics in long-term incentives to ensure alignment with stakeholder expectations.

Nature

10

Can you provide an overview of your impacts and dependencies based on your recent nature assessment?

- We are working to contribute to Nature Positive¹ by assessing and reducing our impact on nature across our operations and supply chain. Our strategy includes targets pertaining to climate and nature (incl. water, waste).²
- In 2024, we conducted a nature assessment for our own operations and upstream supply chain using the LEAP approach (Locate, Evaluate, Assess and Prepare) developed by the Taskforce on Nature-related Financial Disclosures (TNFD). Some of our findings are:
 - >50% of our sites are near nature-sensitive areas.
 - Impacts from our own operations are driven by GHG emissions, water use and water quality.
 - Impacts in our upstream supply chain are mainly driven by GHG emissions, water use, water quality and land use from raw materials.
- In 2025, we will conduct further analyses to understand the impact on Novartis, the environment and society, including an assessment of downstream value chain impacts and nature assessments at priority sites close to nature-sensitive areas. We also aim to implement a sustainable sourcing program, starting with a pilot in 2025.
- In addition, we are working with industry peers and the World Business Council on Sustainable Development (WBCSD) on an industry-specific nature roadmap, which WBCSD expects to launch in Q1 2025.

1. Nature Positive Initiative defines “Nature Positive” as “Halt and Reverse Nature Loss by 2030 on a 2020 baseline and achieve full recovery by 2050” (Global Biodiversity Framework 2022). 2. Specific biodiversity and raw materials will be defined based on materiality assessments.