

Novartis AG
Investor Relations



Sustainability-linked Bond

Investor Presentation
September 15, 2020

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Harry Kirsch

Chief Financial Officer



Novartis has a strategic commitment to “building trust with society”

Over the past 20 years, Novartis has evolved its approach to corporate responsibility, moving beyond philanthropic initiatives to strategically integrating ESG aspects in its core business operations



Building trust with society is one of Novartis' 5 core strategic priorities

Our strategy on building trust with society rests upon four pillars

Pricing
& Access



Global Health
Challenges



Ethical
Standards



Corporate
Citizenship



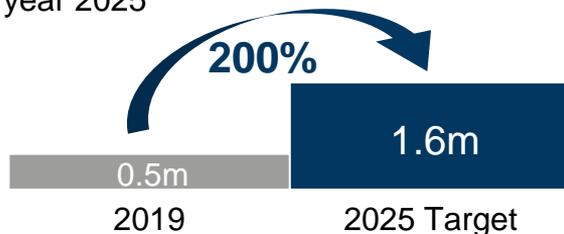
We recently reinforced our commitment to improving patient access in LMICs

Novartis announced its **2025 Patient Access Targets** at ESG day on September 1, 2020

1 Access to Innovative Therapies



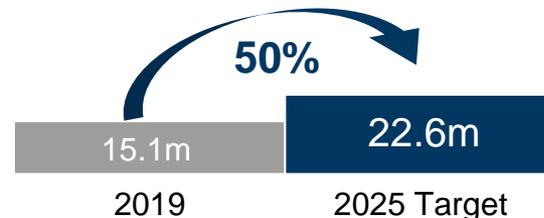
At least **200% increase** in patients reached in Low and Lower Middle Income Countries (LMICs) with **Strategic Innovative Therapies¹** by fiscal year 2025



2 Global Health Challenges



At least **50% increase** in patients reached in LMICs with the **Novartis Flagship Programs** by fiscal year 2025



The number of patients reached with our medicines is a **core and material** key performance indicator (KPI) for Novartis (regularly reported to and monitored by the Novartis Executive Committee), **measurable on a consistent basis²** and **externally verifiable**

1. As defined in the bond's Terms and Conditions 2. See slide 16 in the Appendix

We aim to increase our strategic innovative therapies patient reach by 200% by 2025



Access to medical innovation is a **challenge** in LMICs

Patients in LMICs often do not have early and/or affordable access to innovative therapies

We have a **KPI** to measure our contribution

Novartis uses the number of patients reached with Novartis' Strategic Innovative Therapies (SITs)¹ to monitor its progress in helping to address the access to innovation challenge

We have set ourselves an ambitious **2025 Patient Access Target**

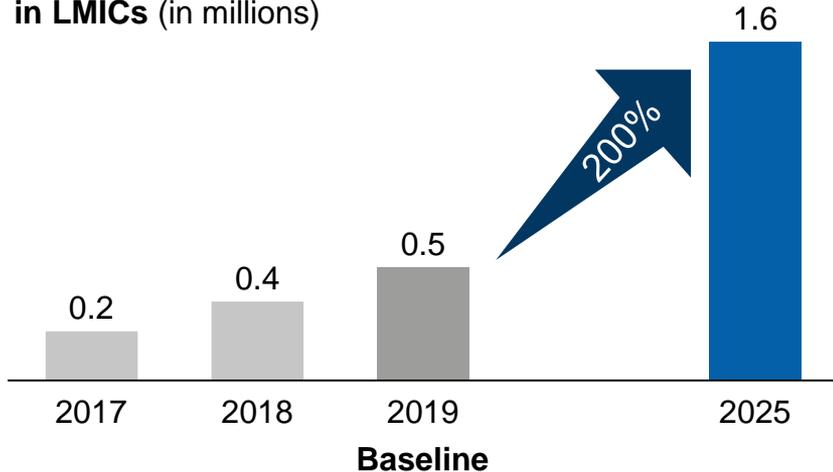
We aim to increase by at least 200% the number of patients reached with SITs in LMICs by the end of fiscal year 2025 (compared to 2019)

1. As defined in the bond's Terms and Conditions

Close collaboration with healthcare systems will be key to achieving this ambitious target

An increase of at least 200% in the number of patients reached with SITs is an ambitious target...

Annual number of patients reached with SITs in LMICs (in millions)



...but is considered achievable thanks to multiple access strategies and initiatives

Holistic approach to market access in LMICs

Developing effective **affordability strategies**

Expanding use of **emerging market brands**

Lowering distribution costs

Strengthening **health systems**

We aim to further increase our Flagship Programs' reach by 50% by 2025



Novartis Flagship Programs focus on four key global health challenges

The Novartis Flagship Programs represent an end-to-end approach to disease management for key global challenges that disproportionately affect LMICs; like **malaria** (400 000 + deaths per year worldwide with children under 5 years of age being the most vulnerable group), **sickle cell disease** (single most important genetic cause of childhood mortality globally) as well as neglected tropical diseases, such as **Chagas disease** and **leprosy**

We have a KPI to measure our contribution

Novartis uses the number of patients reached with the Novartis Flagship Programs to monitor its progress in helping address the malaria, leprosy, sickle cell disease and Chagas challenges

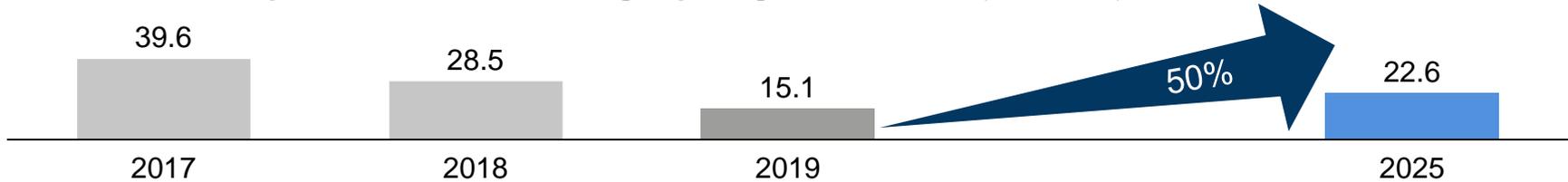
We have set ourselves an ambitious 2025 Patient Access Target

We aim to increase by at least 50% the number of patients reached with Novartis' Flagship Programs in LMICs by the end of fiscal year 2025 (compared to 2019)

Sources: World Health Organization (WHO), British Journal of Hematology

Numerous initiatives created across the four flagship programs to increase patient reach

Annual number of patients reached with Flagship Programs in LMICs (in millions)



The Flagship Programs have seen a **decreasing number of patients** reached in the last years...

The decrease is mainly driven by:

- Pricing challenges and generic competition in malaria access
- Significant reduction in leprosy disease prevalence, where Novartis in partnership with the WHO has provided treatment for over 7 million patients since 2000

...but with **several new initiatives**, Novartis is confident it can **increase patient numbers by at least 50%** by 2025

Sub-Saharan Africa Strategy driving increase in patient reach

Expanding reach with **malaria treatments**

Holistic approach to **sickle cell disease** treatment

Potential **new therapy** for Chagas Cardiomyopathy

AI-based approach to improve **leprosy diagnosis**

We intend to establish a direct link between our commitments and our funding strategy

Today, we announced our intention to issue Novartis' first-ever **Sustainability-linked Bond**

Use of proceeds



The bond proceeds will be used for general corporate purposes, which may include the refinancing of existing indebtedness

Coupon linked to the Group's 2025 Patient Access Targets



The bond will feature a coupon **step-up of 25 basis points**, which will be payable to investors commencing with the first interest payment date after 31 December 2025 in case Novartis fails to reach **one or both** of the Group's 2025 Patient Access Targets

Transparent reporting and verification



Novartis will publish its annual patient reach numbers, for both its Strategic Innovative Therapies and its Flagship Programs; these annual patient reach figures, plus the 2019 baseline, will be covered by a limited assurance report from an external verifier

Patient Access Targets are backed by 2nd party opinions and independent assurance



The Group's 2025 Patient Access Targets have received positive feedback from two **independent reviewers**

Novartis has obtained **two separate second party opinions**: one from the **Access to Medicine Foundation**, an independent non-profit organisation focused on access to medicine in LMICs, on the social benefits of the 2025 Patient Access Targets, and the other from **Sustainalytics**, a consultancy organization with recognized environmental, social and governance expertise, on the social benefits of the 2025 Patient Access Targets and on the alignment of this bond to the Sustainability-linked Bond Principles, published by the International Capital Markets Association (ICMA)



An external verifier has performed **limited assurance procedures** on 2019 baseline

An independent expert of international standing has prepared limited assurance reports for our baseline patient reach numbers and will also do so for our performance against the 2025 Patient Access Targets

Both, the second party opinions and the report from the external verifier, are available on Novartis' website

The bond is aligned with the ICMA's Sustainability-linked Bond Principles

In June 2020, the ICMA published the Sustainability-linked Bond Principles (SLBP), a set of voluntary process guidelines that recommend structuring, disclosure and reporting features for these type of bonds

1 Selection of KPIs

The chosen KPIs are relevant and of core importance to Novartis

3 Bond characteristics

The bond coupon increases if Novartis fails to reach one or both of the 2025 Patient Access Targets

5 Verification

Baseline and Target achievement verified by an external verifier

2 Calibration of Targets

2025 Patient Access Targets are ambitious and represent a material improvement of the underlying KPIs

4 Reporting

Novartis will publish annual reports on performance of KPIs

J.P. Morgan, one of the coordinators of the SLBPs, acts as **sustainability-linked structuring agent** for this transaction



Thank you

Transaction Overview

Issuer	Novartis Finance S.A. (Ticker: NOVNVX)
Guarantor	Novartis AG
Ranking	Senior, unsecured
Listing	SIX Swiss Exchange Listing
Expected ratings	A1 / AA- by Moody's and S&P
Tenor	8 years (September 2028)
Sustainability-linked coupon step-up	25bps commencing with first interest payment date after December 31, 2025 if Novartis fails to achieve one or both 2025 Patient Access Targets
Currency / Amount	EUR benchmark
Use of Proceeds	General Corporate Purposes, which may include the refinancing of existing indebtedness
Optional Redemption	Tax Call, after ESG report for 2025: MWC, 3-months Par Call
Sustainability-linked Bond Structuring Agent to the Issuer	J.P. Morgan
Active Bookrunners	Barclays, HSBC, J.P. Morgan, Société Générale

Our methodology to estimate patient reach is measurable and verifiable

We estimate the number of patients reached with a particular therapy in any fiscal year using a formula, based on annual product sales volumes and an assumed standard number of units of the relevant therapy used by the average patient in the relevant fiscal year

Patient reach of a particular therapy

Annual product sales volume

Annual product sales volume (in units and by country)

Volume per patient

Assumed standard number of units of the relevant therapy used by the average patient in the relevant fiscal year, based on relevant assumptions¹, including with regard to:

- Patient compliance rate
- Average daily doses per patient
- Recommended and/or average days of therapy

1. Assumptions are, in principle, global assumptions; however, in specific cases, local modifications are allowed