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Edition no.21

Q1 2025 Impact and Sustainability Update to investors

Dear investors and analysts,

Our Q1 update shares key highlights from our 2025 AGM and includes a short Q&A with Korab Zuka, the recently appointed Global Head of Social Impact & Chief Sustainability Officer at Novartis, whom you will hopefully have the opportunity to engage with over the coming months.

As always, we also include top questions from shareholders during Q1 and our responses.

We thank you for your continued engagement.

For any questions and comments, please reach out to:

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2025 AGM outcomes

Novartis shareholders approved all resolutions proposed by the Board of Directors at the 2025 Annual General Meeting.

We highlight selected topics from the 2025 AGM below.

Board elections, including new Board Chair

- Shareholders elected Dr. Giovanni Caforio as a new member of the Board of Directors and Board Chair with more than 98% support. Giovanni has had an international career in the healthcare industry spanning more than 35 years, most recently as the Chairman and CEO of Bristol Myers Squibb (BMS).
- In addition, shareholders elected Dr. Elizabeth (Beth) McNally, with more than 99% support, as a new member of the Board of Directors. Beth is a human geneticist and cardiologist with extensive experience as a physician, scientist and professor at leading academic institutions in the US.
- All other members of the Board of Directors, who were standing for re-election, were elected.
- Having reached the 12-year term limit, Dr. Joerg Reinhardt, Dr. Charles Sawyers and William Winters did not stand for re-election. The Board and the Executive Committee of Novartis thank them for their many years of valuable service as Chair and members of the Board.
- Shareholders also re-elected all current members of the Compensation Committee and elected John D. Young as a new member of the Compensation Committee. The Board of Directors re-designated Simon Moroney as Chair of the Compensation Committee.

Dividend

- Shareholders approved, with 99.7% support, the company's 28th consecutive dividend increase to CHF 3.50 (+6.1%) per share for 2024, representing a 3.5% yield[1].

Reduction in share capital and further share repurchases

- Shareholders approved, with 99.5% support, the proposal by the Board of Directors to cancel the shares repurchased during 2024 and to reduce the share capital accordingly by CHF 38 million.
- To allow for the full execution of the already announced share buyback of up to CHF 15 billion and potential additional share buybacks, shareholders also approved, with 97.4% support, the proposal to authorize the Board of Directors to repurchase shares as deemed appropriate from time to time, up to CHF 10 billion from the 2025 AGM to the 2028 AGM. This is in addition to the remaining authorization of CHF 3.5 billion[2] from the 2022 and 2023 AGMs.

Advisory vote on non-financial report

- Shareholders endorsed the non-financial report in an advisory vote, which received 96.4% support.
- 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 our compliance with this obligation can be found in the → **Novartis in Society Integrated Report 2024.**

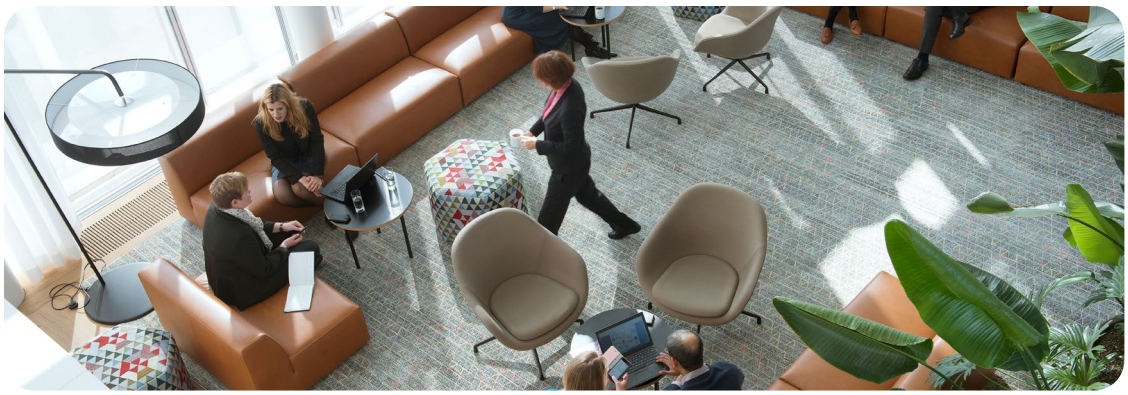
1. Based on the Novartis SIX Swiss Exchange closing share price of CHF 99.47 on March 6, 2025. 2. As of December 31, 2024.

Advisory vote on virtual general meetings

- Shareholders endorsed the statutory authorization to hold fully virtual general meetings in an advisory vote, which received 83.9% support.
- As background, shareholders had approved the statutory authorization at the 2023 AGM, limited until June 30, 2028. However, due to certain reservations among shareholders regarding this format, the Board of Directors committed to submitting this authorization to shareholders again at the 2025 AGM. Although the Board of Directors currently has no plans to hold a virtual general meeting, it was considered prudent to confirm the statutory authorization to ensure all options under the law remain available.

Compensation

- In two separate binding votes, shareholders approved the total maximum aggregate amount of compensation for the Board of Directors for the period from the 2025 AGM to the 2026 AGM with 92.0% support, and the total maximum aggregate amount of compensation for the Executive Committee for the 2025 financial year with 90.2% support.
- Shareholders further endorsed the 2024 Compensation Report in an advisory vote, which received 87.2% support (an increase compared to last year's voting outcome: 84.4%). For more details, please see page 68 of our → **2024 Annual Report.**



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Meet Korab Zuka

Global Head of Social Impact & Chief Sustainability Officer

Korab brings a strong track record of integrating ESG priorities into business strategy to support long-term growth, resilience and stakeholder trust. He joins us from BMS, where he developed health equity and sustainability strategies as Vice President of Corporate Affairs. Prior to BMS, Korab led Gilead's corporate responsibility efforts and had key roles at the Patient Access Network, United Nations/OSCE[1] and the Center for Social Emancipation.

Can you describe your new role at Novartis and why it is important for the business?

As Head of Global Social Impact and Chief Sustainability Officer, my focus is on making sure that sustainability and social impact are fully embedded in our business as strategic levers. The goal is to **reach more patients, operate responsibly and build long-term value** by designing solutions that deliver both impact and potential growth.

This means addressing systemic barriers – from doing our part in tackling affordability, to addressing health equity and environmental resilience, while expanding our reach through strategic partnerships. My early experience organizing LGBTQ+ communities in Kosovo taught me that real change requires persistence, coalition-building, and clarity of purpose. Those lessons guide how I lead today: working across teams to turn intent into action, and action into results.

As you reach the 100-day mark, what do you see as the core strengths of Novartis and key areas of opportunity?

The **talent and mindset** across Novartis are striking – the culture rewards a relentless focus on patients and commitment to scientific innovation. This combination gives us a strong foundation for **creating impact at scale**, through either our commercial or global health portfolios.

There is also a growing alignment between our business strategy and our sustainability goals. This is reflected in our leadership in the Access to Medicine Index and CDP Double A List status (A rating for both climate and water).

Looking ahead, I see even more opportunities to **bring our focus and → partnership models to new markets, expand the use of data** in how we track impact, and **further collaborate across sectors** to tackle the toughest health and environmental challenges.

1. Organization for Security and Operations in Europe.

Having previously worked in the pharma sector, what do you see as some broader trends for sustainability and pharma over the next five years?

One of the shifts we are witnessing is the **growing impact of climate change on global health** – it's both a challenge and a shared opportunity. The need to reduce emissions, build more resilient health systems and supply chains, and prepare for emerging health threats is encouraging collaboration across pharma and other sectors.

At the same time, expectations around transparency and sustainability reporting are rising. How we report – and the **need to clearly connect sustainability and social impact to business outcomes** – will shape how companies are judged by regulators, investors and the public.

We are also seeing that, as science advances, the complexity of delivering innovative treatments can widen disparities in health outcomes. It is an issue in both developing and, increasingly, in high-income countries. Bridging this gap means **going beyond product innovation and partnering with others** to build stronger, more inclusive healthcare systems.

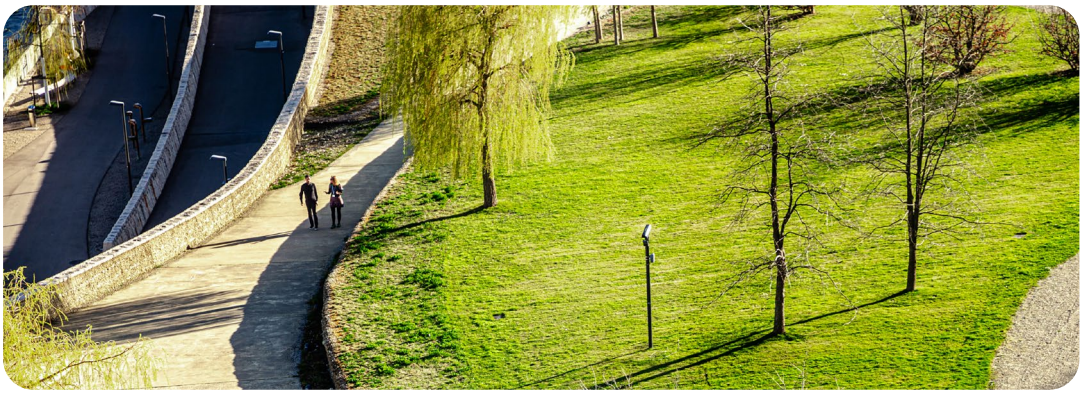
What are your immediate priorities in 2025?

My top priority in 2025 is sharpening our sustainability and social impact strategy to ensure **continued alignment to our business**. That means refining our frameworks, considering how we measure impact, and ensuring resources reach the areas that matter most – to patients, partners and the planet.

We are also **navigating a fast-evolving regulatory landscape**, implementing systems and governance to ensure we are both compliant with relevant frameworks and transparent with our stakeholders.

Finally, we are **scaling proven access models** in places like Rwanda and Vietnam, that successfully combine meaningful social impact while building financially sustainable approaches. The goal is to expand these efforts to new countries to reach millions more people.

Despite external headwinds, our direction is clear: sustainability and social impact are not nice-to-haves; they are core to how we build a stronger, more resilient Novartis for the future.



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

Thank you for your continued engagement. In Q1, questions focused on the evolving ESG landscape and regulations, responsible use of AI, and our commitments to access, global health initiatives and environmental sustainability.

Evolving ESG landscape and regulations

01

How is Novartis navigating its diversity, inclusion and belonging policies in the current environment?

- We are a healthcare organization operating in more than 140 countries, and our medicines reach nearly 300 million people worldwide. Having an engaged workforce that understands the needs of our globally diverse patient population enables us to improve and extend people's lives.
- We believe that success – whether in scientific discovery, business performance or patient impact – depends on how well we foster opportunity and embrace the varied perspectives, skillsets, and experiences of all our employees. These principles guide our actions and ensure that Novartis remains a place where people thrive and patients benefit. We remain committed to our company values, including our belief in embracing varied perspectives and experiences and fostering equal opportunities for all of our people while complying with the local laws in all of our markets.
- We have always been a company that hires and promotes based on merit and strives to create a workplace where every one of us can be our best and true selves. Our commitment to inclusion, belonging and community remains strong now and into the future.

02

Will the recent retreat of the US administration from green technology investments affect Novartis ambitious net zero targets?

- We recognize that the recent shift in US government policy may result in reduced investments in green technology at the national level. However, based on our initial assessment, we do not foresee any impact on our own net zero ambition. Our science-based target – to reduce absolute greenhouse gas (GHG) emissions by at least 90% across Scopes 1, 2, and 3 by 2040 – remains unchanged.
- We have already achieved a 71% reduction in Scope 1 and 2 GHG emissions as of 2024 (vs. 2016) driven by energy efficiency, new technologies, and increased use of renewable electricity (which comprised 96% of purchased electricity in 2024). We have achieved a 13% reduction in Scope 3 emissions (vs. 2022) driven by supplier collaborations through initiatives such as ENERGIZE[1].
- We continue to work on decarbonizing our sites, including in the US, and engaging our suppliers to reduce emissions. Our near- and long-term decarbonization targets and strategies are on track in accordance with our climate transition plan.

1. Initiative supported by major pharmaceutical companies in partnership with Schneider Electric to accelerate the decarbonization of the pharmaceutical value chain by promoting capacity building and renewable energy procurement mechanisms. https://hub.zeigo.com/energize

03

Do international aid cuts impact your global health initiatives? Any impact on your ability to meet your sustainability-linked bond targets by 2025?

- For 2025, we do not foresee any major impact on our global health initiatives. However, we are closely monitoring external developments and actively engaging across all fronts to adapt our efforts, ensuring our societal impact remains strong. We work with different public sector and civil society organizations and are working closely with our partners.
- Looking to the future, we are assessing longer-term implications, but we remain committed to global health and the areas where we can have lasting impact as an innovative medicines company – including finding breakthroughs for neglected diseases. Our global health business models have evolved over time from donation models into public-private partnerships and inclusive business models. This approach is successfully achieving sustainable healthcare impact.
- We remain on track to meet the targets associated with our sustainability-linked bond. At the end of 2024, we have achieved:
  - **Over 1.8 million patients** reached with strategic innovative therapies in low- and middle-income countries, a 230% increase from 2019 (vs. a ≥200% target); and
  - **Over 26.3 million patients** reached through our flagship global health programs, a 75% increase from 2019 (vs. a ≥50% target).

04

What is the Novartis perspective on the recent FDA announcement to reduce animal testing?

- The FDA's recently announced roadmap is a plan to gradually reduce, and possibly replace, animal testing with new alternative methods (NAMS), starting with monoclonal antibodies and eventually including other drugs. Elements of the roadmap build on long-standing FDA efforts to reduce animal testing and focus on NAMS.
- Novartis supports efforts to reduce, refine and replace the use of animal testing in drug development, when it can be done without compromising patient safety. Many encouraging alternative methods to research with animals, such as computer modeling and cell-based research assays, have been introduced. For example, Novartis has:
  - Developed a lab-based method using cultured brain cells to screen for potential neurological side effects, replacing animal models.
  - Introduced a new in-vitro system using white blood cells from human whole blood, eliminating the need for a mouse model of gout.
  - Characterized pharmacokinetic properties of human intestinal organoids to support future development of an intestine-on-a-chip model.
- Novartis has already been working with the FDA and other global regulators directly and through consortia to advance the validation and adoption of alternative approaches.
- We are currently assessing the FDA's roadmap as part of our broader strategy to reduce the use of animal studies across our drug development programs.
- We note that FDA's roadmap suggests a stepwise approach to reducing animal testing over time, which is critical given that NAMS cannot yet fully replace animal testing to ensure patient safety. We agree with the FDA on the need for global regulatory alignment to accelerate the development and adoption of validated NAMS.

05

What are the anticipated impacts of the EU's sustainability Omnibus on Novartis?

- In February 2025, the European Commission (EC) announced the proposed Omnibus regulation to simplify reporting burdens and boost competitiveness for EU companies. We welcome the objectives of this regulation, as we believe simplification will be advantageous for companies. However, we hope there is clarity on all elements of the Omnibus regulation as soon as possible.
- We anticipate the following changes:
  - CSRD[2] applicability for Novartis has been delayed by 2 years following the adoption of the "stop-the-clock" proposal (applicable as of FY2027 vs. previously FY2025). We await the revision of the European Sustainability Reporting Standards and additional guidance announced by the EC as part of the simplification proposal.
  - CSDDD[3] applicability for Novartis has been delayed by 1 year (to July 2028), and due diligence requirements could apply to tier 1 suppliers only unless there is plausible information suggesting that adverse impacts have arisen or may arise. Novartis is already conducting human rights and environmental due diligence for tier 1 suppliers through our External Partner Risk Management (EPRM) Program and we continue to assess potential adjustments in our efforts in accordance with the implementation of CSDDD.
  - EU Taxonomy applicability for Novartis has been delayed by 2 years in accordance with the 'stop-the-clock' proposal for CSRD. We await further clarification of the proposed changes and a potential revision of the technical screening criteria for the manufacturing of pharmaceuticals.
- Despite delays to the CSRD and CSDDD, we will continue to report in compliance with the Swiss Article 964a-c and continue to strengthen our EPRM program. Many companies, including Novartis, have already been investing to ensure compliance with CSRD. We will leverage these efforts to further improve our reporting to address stakeholder needs, while waiting for the release of a simplified reporting framework by European Financial Reporting Advisory Group (EFRAG)[4], expected in Q4 2025.
- We are focused on navigating a fast-evolving regulatory environment. Our short-term priority is to further simplify our annual reports to further align with the framework set out by current regulatory requirements, while continuing to provide transparency on non-financial data and information that matter to our broader stakeholders, including investors. At the same time, we are further strengthening our systems and governance to ensure compliance with these key frameworks.

06

What is the total cost of complying with the corporate sustainability reporting directive (CSRD)?

- Novartis has been reporting on sustainability and obtaining limited assurance for many years. When Swiss law provisions on non-financial reporting (Article 964a-c of the Swiss Code of Obligations) came into force in 2023, we moved to a regulated approach to sustainability reporting.
- Estimating the total cost of complying with the CSRD is challenging, as the required activities involve multiple functions. However, in light of the evolving regulatory landscape, we expect further investments to be necessary to achieve compliance with CSRD and other regulatory requirements.
  - The implementation project at Novartis is coordinated centrally by Finance, where the Global ESG Reporting team prepares the data infrastructure and engages with our auditors, KPMG, for compliance with the upcoming assurance requirements. The assurance fees relating to our Novartis in Society Integrated Report are disclosed on page 130 of our Annual Report (included within "audit-related services fees").

2. Corporate sustainability reporting directive. 3. Corporate sustainability due diligence directive. 4. Appointed by the European Commission to develop the European Sustainability Reporting Standards (detailed reporting requirements under the CSRD). 5. Global Reporting Initiative.

- Novartis created an ESG Reporting Council, led by Finance and with cross-functional representation, to review the quality of our ESG data, current trends and emerging standards. Multiple departments within the company contribute to reporting, including teams from Global Drug Development, US and International divisions, the ESG Office, Legal, and People and Organization.

Artificial intelligence

07

How does Novartis use artificial intelligence (AI) in R&D, and what safeguards do you have in place to mitigate the associated risks?

- AI is a critical component in transforming the productivity and speed of our R&D efforts.
- **Research:** We leverage AI technologies to accelerate drug discovery and early development, enhancing efficiency and success rates in biomedical research.
  - We use in silico experiments to identify new drug targets at scale, leveraging vast amounts of single-cell sequencing data to perform virtual experiments that were previously impossible.
  - Collaborations with leading AI companies like Isomorphic Labs, Microsoft, Generate Biomedicines and Schrodinger enable our scientists to explore vast new chemical spaces, identify novel approaches for challenging targets, and design higher quality molecules more rapidly.
  - We're leveraging AI for preclinical safety, focused on predicting toxicity risk earlier and accelerating timelines when evaluating studies and study findings. This includes a collaboration with Deciphex in digital pathology.
- **Development:** We are applying AI in key activities such as protocol development, study site identification, recruitment and enrolment of diverse patient populations and clinical document generation.
  - To support our clinical trial design efforts, we developed Protocol.AI, a technology platform that empowers teams to develop better protocols for clinical trials.
  - We also developed a tool called Clinical Intelligence Platform, which generates insights and proposals based on clinical trial sites, investigators and patient populations, enabling smarter and earlier decisions when planning and designing clinical studies.
  - Trials that apply AI in the design process are more likely to finish ahead of schedule. Sites that are identified with the support of AI as suitable for a particular trial have the potential to recruit patients faster, across a more diverse patient population.
- **Risk Mitigation:** With AI playing a role in enabling innovation, we recognize the need for clear ethical principles around the use of AI, which is essential for building trust and safeguarding individuals and our company.
- Our approach and → **Commitment to Ethical and Responsible Use of AI** is underpinned by four key principles, which are set out in our → **Ethical Use of Data and Technology Policy**. These principles align with our Code of Ethics and ensure a human-centric approach in AI development and applications.
- To support these commitments, we have established an AI Risk & Compliance Management Framework which outlines the protocols and safeguards we have in place to manage AI-related risks. The EU AI Act's risk classification is integrated into our framework, assessing AI use cases as low, mid, high-risk, or forbidden. We also have training for employees to boost awareness, capability building, risk understanding, and AI literacy.

Access to innovative medicines and global health

08

What is the Novartis approach to the intersection of climate and health?

- Climate change is one of the greatest threats to human health in the 21st century, driving shifts in disease patterns, straining health systems, and deepening health inequities. As a pharmaceutical company, we have a responsibility – and an opportunity – to respond.
- Our approach focuses on the areas where climate change is already impacting health: the rise of vector-borne diseases and the increasing burden of non-communicable diseases.
  - We are investing in R&D to meet these challenges, including eight new chemical entities in clinical trials for diseases such as malaria, dengue and leishmaniasis.
  - We are advancing the first new class of antimalarials in over two decades and have developed the first treatment for newborns and small babies, expected to launch in 2025.
- We are also expanding our efforts in non-communicable diseases – including cardiovascular disease – that are closely linked to climate-related factors like air pollution and extreme heat. Our partnerships across multiple regions are improving access to care, enhancing community-level prevention, and helping to build more resilient health systems.
- In parallel, we are reducing our environmental footprint, with validated science-based targets to reach net zero by 2040. We are embedding environmental sustainability into our operations and supply chain, while working with partners to decarbonize healthcare delivery.
- By combining innovation, access and sustainability, we aim to help health systems adapt to the changing climate and deliver better outcomes for those patients most at risk.

Environmental sustainability

09

What challenges do you face in tackling Scope 3 emissions?

- Tackling Scope 3 emissions is a significant and complex undertaking, since more than 90% of our total emissions are generated outside our own operations. Key challenges include:
  - **Technology limitations:** Green alternatives are still evolving, and in many cases, access, affordability and scalability remain barriers.
  - **Inconsistent policies across countries:** Regulatory timelines and ambition levels differ, making global alignment complex.
  - **Varying supplier maturity:** Our suppliers are at different stages in understanding and reporting their emissions, which creates gaps in data and capabilities.
- To overcome these challenges, we're focused on:
  - Engaging our Tier 1 suppliers directly, especially in emission-intensive areas, to drive meaningful process and technology shifts. In 2024, the percentage of supplier emissions covered by contracts that include our environmental sustainability criteria was 76%.
  - Collaborating across the industry through initiatives like SMI[6], PEG[7] and PSCI[8] to shape global standards, influence policy, and accelerate supplier transformation.
  - Maintaining a robust, science-based transition plan that guides our actions while allowing flexibility to adapt to evolving external conditions.
- Achieving our net zero ambition requires multifaceted efforts. Through partnerships, innovation, and proactive engagement, we're confident we can deliver on our ambition.

6. Sustainable Markets Initiative. 7. Pharmaceutical Environment Group. 8. Pharmaceutical Supply Chain Initiative.

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Could you explain your efforts regarding water quantity and quality, as these are considered important environmental impacts for the sector?

- Water is an important focus area for Novartis, and we have established clear targets for both water quantity and quality.
- **Water quantity:** We aim to reduce water use by 50% by 2025 (vs. 2016), and implement water reduction plans at our own and supplier sites located in water-stressed basins that have potential material impacts on these basins by 2030.
  - As of 2024, we have already surpassed our 2025 goal, achieving a 57% reduction, thanks in part to innovative water reuse projects. For example, our Cairo site (Egypt) reuses treated equipment outlet water in cooling towers, saving approximately 10,000 m^3 annually. Similarly, our Kundl site (Austria) recycles vial washer wastewater as boiler feedwater, saving 60,000 m^3 annually (equivalent to 24 Olympic-sized swimming pools).
- **Water quality:** We aim to achieve no water quality impact from manufacturing effluents by 2025 (for manufacturing sites and high-risk suppliers), expanding to all labs and all API suppliers by 2030.
  - In 2024, 97% of our sites and 100% of suppliers in scope met this standard[9] (vs. 88% in 2023, 26% in 2022). Notable examples include upgraded tertiary treatment with activated carbon filtration at our sites in Ljubljana (Slovenia) and Targu Mures (Romania).
- These efforts reflect our commitment to water stewardship across our operations and supply chain.

9. Assessment based on water maturity ladder. For details, please refer to the 2024 Novartis in Society Integrated Report.