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Edition no.22

Q2 2025 Impact and Sustainability Update to investors

Dear investors and analysts,

In our Q2 update, we share first impressions from Giovanni Caforio, the new Chairman of the Novartis Board of Directors. We also highlight our ongoing commitment to addressing neglected tropical diseases, and malaria, with a major milestone this quarter: the first approval for Coartem® Baby. In addition, we report on recognition for our progress towards achieving our climate goals, and invite you to join our 12th annual social impact and sustainability event.

As always, we include top questions from shareholders during Q2 and our responses.

We thank you for your continued engagement.

For any questions and comments, please reach out to:

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Giovanni's first impressions

Following the election of our new Chairman, Dr. Giovanni Caforio, at the 2025 Annual General Meeting, we've received several questions from ESG investors about his early perspectives. Below is a summary of our initial exchanges with Dr. Caforio, reflecting his first impressions and priorities as he steps into the role.

Dr. Caforio 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). 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.



1. What attracted you to the role of Chairman at Novartis?

- I've long admired Novartis for its deep commitment to science and innovation. The opportunity to contribute to a company with a focus on breakthrough research and a strong pipeline of transformative therapies was especially compelling.
- I was also drawn to the Novartis global reach – serving patients in over 100 countries, with 2024 net sales distributed across the US (42%), Europe (31%), Asia, Africa, and Australasia (20%), and Canada and Latin America (7%). Having spent most of my career in the US, I was excited by the chance to support a truly global organization.
- Another key factor was the Novartis longstanding commitment to social impact and sustainability. The company's legacy in malaria, for example, is truly inspiring – having innovated multiple generations of anti-malarial treatments¹ and distributed more than a billion courses of therapy, largely not-for-profit, to those in need. In today's uncertain world, I believe it's more important than ever for companies to stay grounded in their values.
- On a personal note, after many years in executive leadership, I felt it was the right time to take on a non-executive role – one that allows me to focus more deeply on Board effectiveness and long-term strategy than was possible in my previous role as CEO.

2. What are your first impressions of Novartis and its Board of Directors?

- The quality of talent at Novartis is exceptional. I was already familiar with several leaders, including the CEO, and my early interactions have only reinforced my view that the organization is driven by highly capable individuals with a strong sense of purpose.
- Across the company, I've observed a consistent theme of "focus" – on innovation, execution and impact – which aligns closely with our strategy as a focused, innovative medicines company.
- The Board of Directors is equally impressive – diverse in both background and perspective, with members from Switzerland, the US and across Europe. It is a highly engaged and high-performing group. I've had one-on-one discussions with every Board member and participated in all committee meetings, which has given me a deep appreciation for the Board's effectiveness and commitment to long-term value creation.
- For example, the Science & Technology Committee (STC) plays a critical role in shaping our innovation strategy. The addition of Dr. Beth McNally, a renowned scientist, has further strengthened the committee's expertise. Chaired by industry veteran John Young, the STC brings a powerful combination of scientific depth and strategic perspective to our pipeline discussions.

1. Planned submission of ganaplacide/lumefantrine (KLU156) in 2026; planned submission of cipargamin (KAE609) in ≥2028.

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3. What are your immediate priorities for the months ahead?

- Over the past few months, I've been spending time across the organization – visiting R&D sites, meeting with commercial and functional teams, and engaging with leaders across the business. I have conducted deep-dive reviews of each function, which have been invaluable in understanding both the company's strengths and the opportunities ahead. In the second half of the year, my focus will be on visiting our key businesses in Asia, to further deepen my understanding of the company's global reach.
- I will also continue to work with the Executive Committee in preparation for upcoming Board strategy sessions. One of the changes I've introduced is a new approach to Board-level strategic oversight: rather than holding a single annual strategy meeting, we now dedicate time at each Board meeting to explore a specific strategic theme – such as R&D, US growth, or talent and succession planning. This allows for more focused, in-depth discussions and greater continuity in strategic dialogue.



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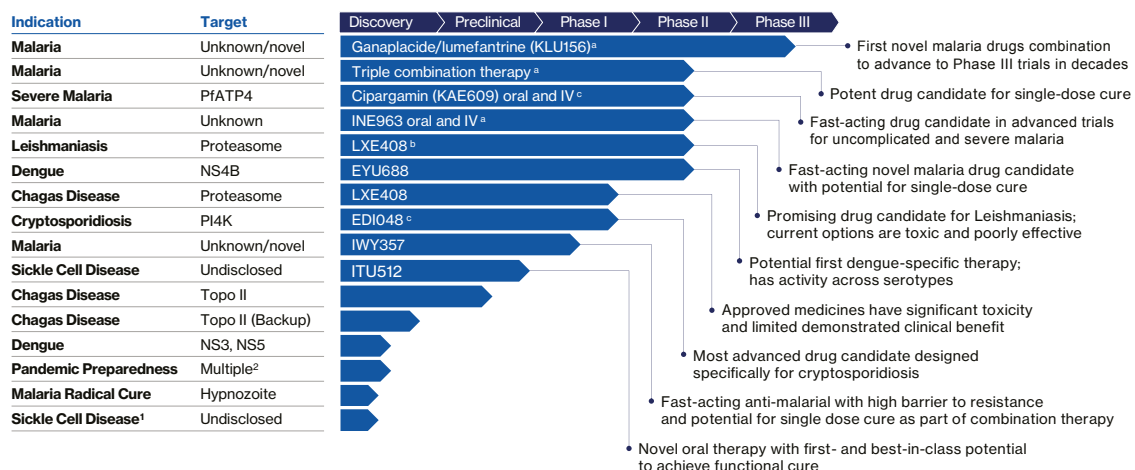
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Our continued commitment to address malaria and neglected tropical diseases (NTDs)

Novartis malaria and NTD pipeline



- As an innovative medicines company, we leverage our scientific capabilities to address global health threats often overlooked by traditional R&D, delivering innovative therapies to underserved communities.
- Novartis initially pledged USD 250 million in funding for R&D into treatments for malaria and other NTDs for the five-year period 2021-25, as part of our endorsement of the Kigali Declaration on NTDs alongside the 26th Commonwealth Heads of Government meeting.
- In 2023-24, we strategically increased our investment, recognizing the strong potential for breakthrough treatments in our pipeline. By the end of 2024, total funding reached USD 360 million, positioning Novartis as the company with the industry's largest pipeline specifically targeting NTDs³.
- Looking ahead, we plan to **nearly double our original pledge** by the end of 2025, reaching a total investment of USD 490 million over the same period – as part of our long-term commitment to advancing innovation in areas of high unmet need.
- Our investments include advancing next-generation medicines for malaria to tackle growing drug resistance and developing the first antiviral treatment for dengue, the world's most prevalent vector-borne viral disease. Both diseases are major public health threats that may be exacerbated by climate change⁴.
- As part of our approach, we work closely with R&D partners, including Medicines for Malaria Venture (MMV), the Gates Foundation, the European and Developing Countries Clinical Trials Partnership (EDCTP), the WANECAM2 and PAMAFrica consortiums, and Drugs for Neglected Diseases Initiative (DNDi).

Developed with collaboration or funding from a. Medicines for Malaria Venture, b. Drugs for Neglected Diseases Initiative, c. Wellcome. The definitions of diseases can be found in the appendix → [here](#).

1. Gene therapy. 2. Flavivirus, henipavirus, coronavirus. 3. <https://accesstomedicinefoundation.org/sectors-and-research/index-ranking>. 4. The 2024 report of the Lancet Countdown on health and climate change: facing record-breaking threats from delayed action. Romanello, Marina et al. The Lancet, Volume 404, Issue 10465, 1847 - 1896.

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Legacy of fighting malaria through innovation

1999

Launched the first fixed-dose Artemisinin-based Combination Therapy (ACT)

2021

Surpassed 1 billion antimalarial treatments delivered globally⁶

2025

Coartem® Baby approved on July 8, 2025

≥2028

Planned submission of cipargamin (KAE609)

2009

Developed first dispersible pediatric ACT⁵

2022

Pledged USD 250 million to R&D of new NTDs/ malaria treatments over five years

2026

Planned submission of ganaplacide/lumefantrine (KLU156)

Novartis receives approval for first malaria medicine for newborn babies and young infants

- **Addressing significant unmet need:** Current data on malaria in newborn babies and young infants is limited, as they are rarely included in clinical trials of antimalarial agents, and there has been a longstanding misconception that babies are protected by maternal immunity. There are about 30 million babies born in areas of malaria risk in Africa every year, with one large survey across West Africa reporting infections in babies under 6 months old ranging from 3.4% to as high as 18.4%. Until now, young babies have had to make do with medicines designed for older children, potentially risking overdose and toxicity.
- **In July, Swissmedic approved Coartem® Baby**, the first clinically proven malaria treatment specifically designed for newborns and infants between 2-5 kg. This milestone paves the way for registration in eight African countries through the Marketing Authorization for Global Health Products (MAGHP) procedure.
- **It will be introduced on a largely not-for-profit basis**, through a sustainable access model that reflects our commitment to staying the course in global health and addressing the changing burden of disease.
- **The new treatment was developed in partnership with Medicines for Malaria Venture (MMV)**, reflecting close scientific collaboration and shared purpose.



5. In partnership with Medicines for Malaria Venture (MMV). 6. Since 1999.

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External recognition of our sustainability progress

This quarter, Novartis received several awards and high rankings that recognize the consistency and impact of our long-term sustainability efforts. While these accolades are not our objective, they reflect the progress we're making in delivering tangible, lasting outcomes.

TIME Magazine World's Most Sustainable Companies

Novartis was recognized as one of the world's Most Sustainable Companies by TIME and Statista. We ranked #11 (up from #17 in 2024) on the list, which features the top 500 companies across 35 countries and 21 industries, selected from a pool of 5,700 companies.

Financial Times Europe Climate Leaders

In collaboration with Statista, the Financial Times included Novartis in its list of European climate leaders – companies that have made significant progress in cutting their greenhouse gas emissions.

Newsweek World's Greenest Companies

Newsweek's World's Greenest Companies list spotlights companies that have made progress in mitigating their climate impact. Novartis was included in the list and received a 5-star rating, reflecting our commitment to reducing emissions and advancing environmental sustainability.

Gartner Supply Chain – Top 25 for 2025

Novartis was included in Gartner's Supply Chain Top 25, recognizing supply chain resilience and excellence. ESG factors accounted for 20% of the scoring methodology. This year our ESG score increased from 7/10 to 9/10, reflecting leading performance and transparency on supply chain sustainability.

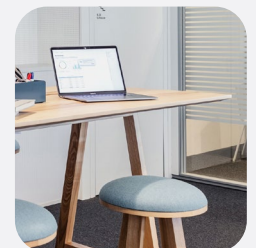
Leader in CDP Supplier Engagement Assessment

Novartis has been named a leader in CDP's Supplier Engagement Assessment. For the third consecutive year Novartis received an "A" rating, highlighting our leadership in engaging suppliers on climate change to drive decarbonization.

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Annual Impact & Sustainability virtual investor event

To foster continued dialogue, we invite you to join our 12th annual Impact & Sustainability virtual investor event on **December 1, 2025**. During the event we will provide updates on our social impact and sustainability strategy and how we are progressing towards our goals. You will receive a separate invitation with a webcast link (which will also be available on our website) in the coming months.



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

In Q2, investor questions focused on governance (particularly the corporate integrity agreement), access to medicines, and our climate transition plans. We also continue to receive questions on how we are adapting to the external environment.

Governance and human rights

01

June 30, 2025, marked the end of the Novartis Corporate Integrity Agreement in the US. Do you foresee any changes to commercial practices related to this?

- The term of the Novartis Corporate Integrity Agreement expired on June 30, 2025. We expect to receive a final closeout letter from the Office of Inspector General (OIG) of the US Department of Health and Human Services following submission of our final Annual Report later this year. This marks an important milestone in our ongoing journey to strengthen trust and accountability.
- As background, Novartis has a robust compliance framework grounded in responsible and appropriate engagements, and clear intent - always putting patients first. While ethics, risk management and compliance have always been central to our core operating principles, since 2018 they have been strategic priorities endorsed by our Board and Executive Committee. Among other things, we have restructured incentive systems, embedded ethics into leadership accountability, overhauled our policies, and launched a new Code of Ethics. This is supported by an integrated risk and compliance framework that includes centralized monitoring, third-party risk management, and a strong "speak up" culture.
- As we move forward, we remain committed to continuously improving and further embedding integrity into every aspect of our business - ensuring that our commercial practices continue to reflect the highest standards of ethics, transparency, and accountability.

02

How do you view the EU's plan to simplify due diligence rules? Any updates on your human rights program?

- We welcome the ongoing discussions around simplifying the Corporate Sustainability Due Diligence Directive (CSDDD). At the same time, we believe it is important to maintain a risk-based approach to due diligence - one that goes beyond compliance and supports meaningful risk identification and management across our value chain.
- Regardless of regulatory developments, we remain committed to strengthening our due diligence practices. This includes continued investment in our External Partner Risk Management Program¹ and our broader human rights and environmental sustainability efforts with suppliers.
- As part of our human rights program, we have recently implemented two new approaches:
 - Worker Voice: We launched a digital survey across 60 supplier factories, reaching more than 7,000 workers. The survey focused on basic human rights topics such as contracts and grievance mechanisms. The insights gathered have helped inform more targeted engagement with suppliers.
 - Behavioral Science: We tested different communication strategies in our outreach to suppliers. Applying behavioral science principles improved response times and increased supplier engagement on human rights topics. We plan to continue integrating these learnings into our processes.
- These efforts reflect our commitment to continuously improve how we manage human rights risks across our operations and supply chain.

1. Novartis External Partner Risk Management (EPRM) framework supports the assessment and management of risks related to the engagement of external partners.

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Access and Global Health

03

Do international aid cuts impact your Global Health initiatives?

- 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 collaborating 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 tropical 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.

04

What are your plans for a new sustainability-linked bond or other impact-linked instruments?

- In 2020, Novartis was the first company to issue a sustainability-linked bond (SLB) with social targets. At the time, the instrument was positively received by stakeholders, who valued the alignment between financial and sustainability objectives and the accountability mechanism embedded in the structure.
- Since then, market conditions for SLBs have evolved. Based on our current assessment, we do not anticipate issuing a new SLB. This decision reflects external market dynamics rather than any shift in our sustainability or social impact priorities.
- 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).
- We remain focused on advancing our commitments in these areas and continue to explore ways to define and report clear, outcome-oriented metrics.

05

One of the aspects of your strategy that the ATMI praises is the continuity of your access-related initiatives following the spin-off of Sandoz. What have been the main challenges associated with this spin-off (from an access perspective)?

- The October 2023 spin-off of Sandoz allowed us to sharpen our strategic focus on access to innovative medicines.
- This transition, however, presented challenges, such as re-aligning access programs that previously spanned both innovative and generic portfolios. Thanks to strong partnerships, we ensured uninterrupted supply and continuity of support for ongoing initiatives.
- More broadly, partnerships have been instrumental in addressing affordability and health system infrastructure challenges in LMICs, helping us scale our social impact.
 - For example, through our community health program in Vietnam, we collaborate with government stakeholders and NGOs to reach low-income patients typically excluded from commercial channels. The World Bank has committed USD 10 million to expand the program to include testing and treatment for dyslipidemia. Building on over a decade of success, during which over 1.6 million people have been reached, we plan to expand this model to 10 additional markets over the next five years.
- In our first full year (2024) as a dedicated innovative medicines company, we reached nearly 300 million patients globally with our innovative therapies – more than ever before. Of these, 30.2 million were supported through our access programs and initiatives.

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Human capital

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

- 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. We believe that success – whether in scientific discovery, business performance or patient impact – depends on how well we foster equal opportunity and embrace the varied perspectives, strengths, 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.
- As a global company, Novartis complies with the laws of all countries within which it operates. For example, the evolving legal and policy landscape in the US has required us to make some changes:
 - We have retired the use of diverse candidate slates and interview panels as part of the hiring process for any US positions.
 - Our US organization will also no longer participate in the gender balance in management aspect of our EPIC² pledge.
 - Overall, the company works to ensure that all our employees are compensated fairly based solely on job-related factors, consistent with applicable law.
- While we have made these updates to reflect requirements in the US, our company values remain unchanged. Our commitment to community, belonging, and inclusion remains strong now and into the future.

Climate and nature

07

What is your policy on carbon offsets, and how are you sourcing high-integrity removal credits?

- In line with guidance from the Science Based Targets initiative (SBTi), we are committed to achieving a minimum 90% reduction in Scope 1, 2, and 3 emissions through operational efficiencies, clean technology, and decarbonization of our supply chain. Our primary focus is on reducing absolute greenhouse gas emissions across our operations and supply chain in line with our SBTi-approved net-zero target for 2040.
- Carbon offsets are not used as a substitute for emissions reduction. We view them strictly as a last-resort measure, applied only to address residual, hard-to-abate emissions that remain after all feasible reduction efforts. These residual emissions will account for no more than 10% of our total emissions footprint by 2040, aligning with SBTi net-zero standards.
- Similarly, for our 2025 target of carbon neutrality in our own operations (Scope 1 and 2 emissions from energy), we are focused on absolute emission reductions and investing in carbon credits for unabated emissions, using a mix of high-quality biomethane certificates and nature-based carbon removal solutions. We are ensuring that all credits are aligned with evolving global standards and frameworks.

08

Can you share more details on the USD 40 million capital expenditure on environmental projects outlined in your integrated report?

- The capital expenditure outlined in our Integrated Report aligns with our SBTi-approved near-term and long-term (net-zero by 2040) targets.
- To achieve a 90% reduction in Scope 1 and 2 emissions by 2030 (vs. 2022), we are investing in energy efficiency, process innovation, and on-site clean energy solutions. Our investments span renewable energy technologies such as solar panels, electrification, heating and cooling system optimization, and biomass-based energy generation, helping to reduce operational reliance on fossil fuels.
- As clean technologies evolve, so will our investment approach. For more details, please refer to our → **2024 Novartis in Society Integrated Report**.

2. Equal Pay International Coalition. https://www.equalpayinternationalcoalition.org/whats_new/leaders-at-the-un-general-assembly-pledge-to-reduce-the-gender-pay-gap/.

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How have you progressed toward your plan to set site-specific targets for operations exposed to water stress?

- We are committed to addressing water stress through both global targets and site-specific action.
- Our target is to reduce water consumption by 50% by 2025 (vs. 2016). In 2025, we further strengthened our commitment with the target of implementing water reduction plans by 2030 at our own and supplier sites in water-stressed basins with potential significant impacts.
- As of 2024, we have already achieved our 2025 goal, reducing water consumption by 57%, driven by targeted efficiency and innovative water reuse projects. For instance, at our Cairo site in Egypt, treated equipment outlet water is reused in cooling towers, saving around 10,000 m³ annually. At our Kundl site in Austria, vial washer wastewater is recycled as boiler feedwater, saving 60,000 m³ annually, equivalent to 24 Olympic-sized swimming pools.
- To deliver our 2030 target, we are currently working to set site-specific water targets for key locations in water-stressed basins. In this assessment, we are leveraging global water risk assessment models aligned with industry best practice and local stakeholder input to prioritize and tailor actions. These targets will be integrated into site-level environmental performance plans and monitored through our global sustainability governance framework. We plan to finalize our internal site-specific targets by 2026.

10

Can you provide an update on your progress toward your target of plastic neutrality by 2030?

- We retired our previous target of achieving plastic neutrality by 2030 to shift toward more focused, measurable goals aligned with industry-standard frameworks.
- A new 2030 ambition for waste reduction has been set, building on our progress to date. As we already reduced waste by 63% in 2022 vs. 2016, we now aim for a further 30% reduction by 2030 vs. 2022. As of the end of 2024, we have achieved 23% waste reduction (vs. 2022). Achieving the 2030 target will be ambitious given changes in production volumes and product mix. However, Novartis will continue to drive waste reduction through process excellence, solvent recovery and recycling, and designing materials with circularity in mind – supporting our commitment to deliver medicines with minimal impact on the environment.
- We also eliminated polyvinyl chloride (PVC) – a long-lasting plastic – from secondary and tertiary product packaging across all our sites.
- Our updated approach prioritizes absolute waste reduction, increased recyclability, and supports a broader circular economy strategy across operations and packaging.

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Definitions of diseases

Malaria	Parasitic infection transmitted by mosquitoes causing fever, chills, and anemia; a leading cause of child mortality globally.
Severe Malaria	Life-threatening malaria leading to coma, severe anemia, or organ failure.
Leishmaniasis	Parasitic disease spread by sandflies, causing skin ulcers (cutaneous form of disease) or fever, weight loss, and severe organ damage (visceral form of disease).
Dengue	Viral infection transmitted by mosquitoes presenting with high fever, severe headache, joint pain, and, in severe forms, bleeding and death.
Chagas Disease	Parasitic infection spread by triatomine bugs, causing fever in acute states and risk of potentially fatal chronic heart disease in later stages.
Cryptosporidiosis	Parasitic infection transmitted via contaminated water or food, leading to prolonged diarrhea and risk of death in young or malnourished children.
Sickle Cell Disease	Inherited blood disorder causing abnormal hemoglobin that leads to anemia, pain crises, and organ damage.
Radical Cure for Malaria	Treatment approach eliminating both blood-stage and dormant liver-stage malaria parasites to prevent relapses.
Pandemic Preparedness	Proactive strategies to anticipate, prevent, and rapidly respond to widespread disease outbreaks.