



Rewards

Sandoz spin-off Equity Restoration for Novartis associates

August 2023

Disclaimer

The following presentation represents the view of Novartis regarding the treatment of Novartis and Sandoz associated equity plans at, and following, the contemplated Sandoz spin-off date. As with all employee benefit and compensation plans, Novartis reserves the right to amend or terminate its plans at any time.

The Sandoz spin-off is subject to Novartis AG shareholder approval and other conditions. We anticipate the spin to occur in the fourth quarter of 2023.

The proposed parameters of the Sandoz spin are outlined in the shareholder brochure. The proposed distribution ratio is one Sandoz share for every five Novartis shares.

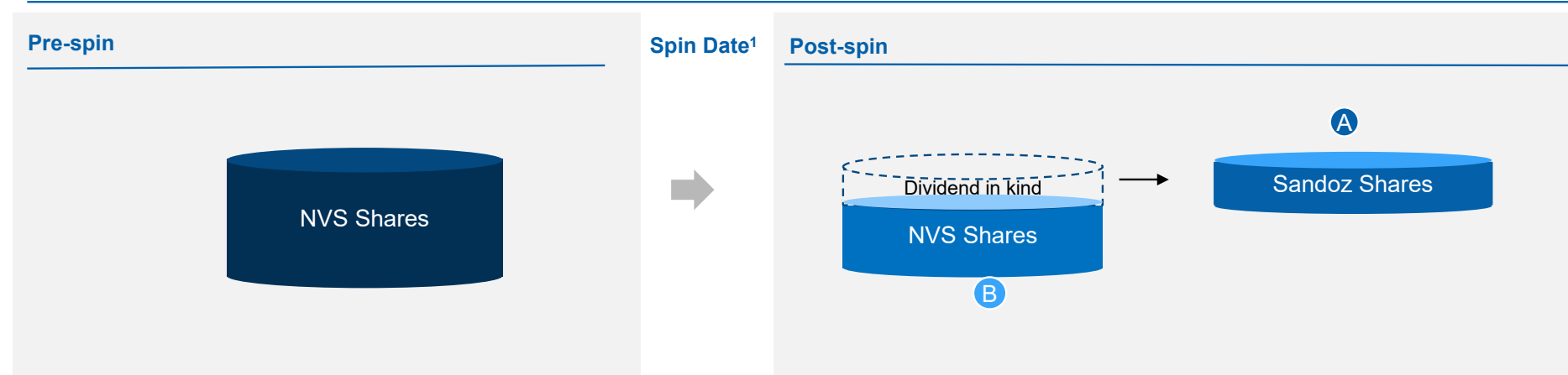
Examples provided in this presentation are illustrative only. All prices mentioned in this presentation are variable and subject to market pricing both in the short and long term, thereby impacting the overall value of the equity.

The intent of this presentation is to provide an overview of the Novartis Equity treatment as a result of the spin-off of Sandoz that will apply to all associates remaining with the Novartis Group of Companies at spin-off. This view is summarized and high level and remains subject to the plan rules and the terms of the agreement between the parties that will govern the treatment of equity entitlements.

It remains an individual responsibility to declare any equity income according to the local tax and legislation requirements.

Overview of equity plans – Sandoz spin-off

General equity principles

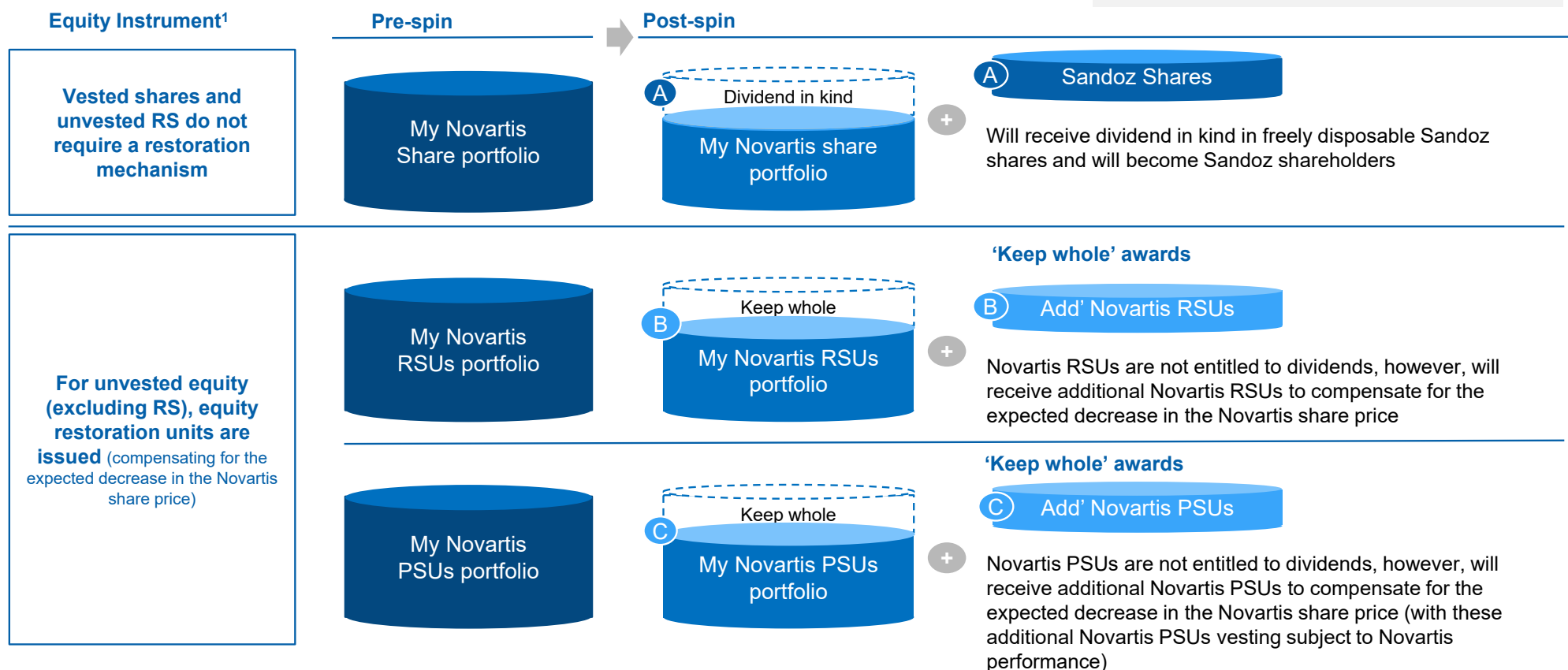


- Novartis will be distributing 100% of its ownership in Sandoz as a dividend in kind to its shareholders. Any shareholder of
- A** Novartis AG (employees and non-employees) will be entitled to such dividend in kind in Sandoz shares (at the proposed distribution ratio of 1 Sandoz share for every 5 Novartis shares).
 - B** The Novartis share price is expected to decrease reflecting the distribution of Sandoz shares. As employees of Novartis holding different Novartis equity instruments (RSUs/PSUs) will not receive a dividend in kind, these employees will receive keep whole awards to compensate for this expected decrease.

¹ The spin date is when the shares of Sandoz will begin trading as standalone company, listed on the Swiss Stock Exchange (SIX)

Overview of equity restoration mechanisms for Novartis associates

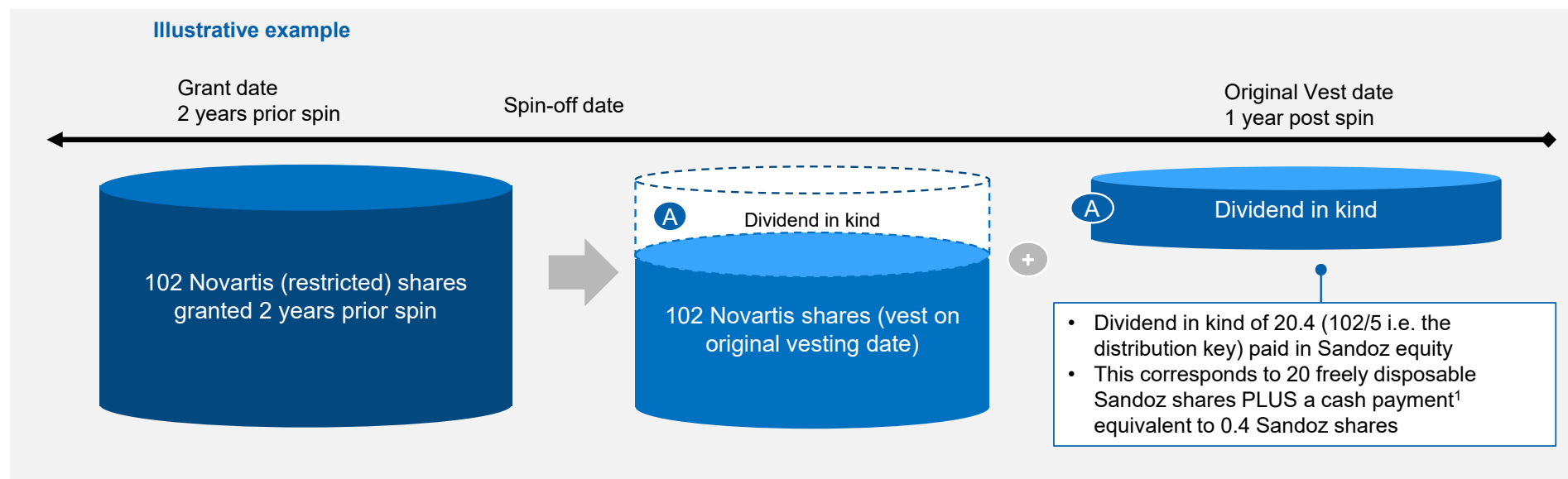
For more detailed calculation on **A**, **B** and **C**, please refer to pages 5 onwards



¹ If you are not sure which instruments you hold, please log into your EquatPlus or Fidelity account where each instrument is identified

A For Novartis associates who are holding Novartis (restricted or not) Shares

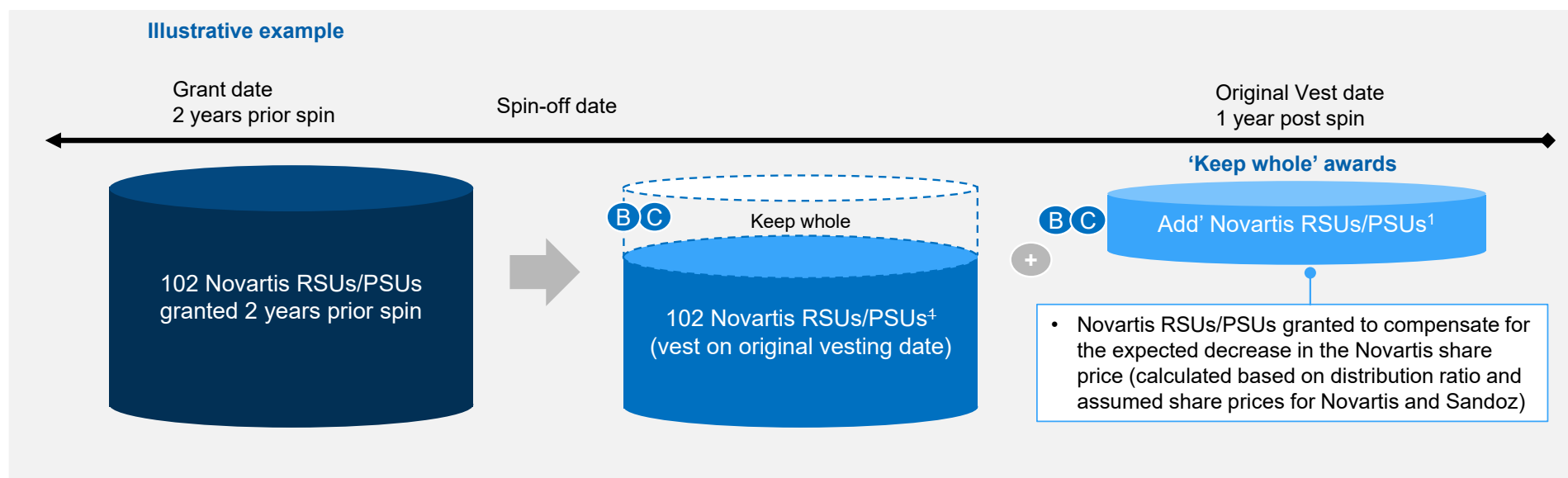
- Receive dividend in kind in Sandoz shares and become a Sandoz shareholder
- 1 Sandoz share awarded for every 5 Novartis shares held at spin date
- Sandoz shares are freely disposable
- Cash payment made for any fractional shares¹



¹ UBS AG (the settlement agent) will sell the aggregate number of all fractional shares in the open market at the prevailing market prices and such relevant cash amounts will be distributed to shareholders approximately 2 weeks post-spin (subject to any local law restrictions)

B For Novartis associates who are holding Novartis RSUs/PSUs

- A dividend in kind of 1 Sandoz share is awarded to shareholders for every 5 Novartis shares: as RSUs/PSUs are not entitled to dividends, 'keep-whole' awards will instead be awarded in Novartis equity
- The 'keep whole' award vests on the original vesting date of the underlying award with the same performance and forfeiture conditions (where applicable)



¹ For keep whole PSU: keep whole award will be subject to the same Novartis performance and vesting conditions as the underlying award. However, it will not provide an entitlement to a cash dividend equivalent, because the cash dividend equivalent will be provided through the original PSU

Frequently Asked Questions (FAQs)

Contents

This section of the presentation contains **frequently asked questions “FAQs”** arising in connection with the equity award restoration for Novartis associates after the Sandoz spin-off.

1.Definitions

2.Dividend in kind

3.Keep whole award

4.Plan administration and trading

1. Definitions

- **American Depositary Receipt (“ADR”)**: A negotiable certificate by a US bank representing a specified number of shares in foreign (non-US) stock traded on a US exchange.
- **Equity**: Share-based awards granted to an associate under the various Novartis long term incentive plan(s). The different types of equity may also be referred to as LTI. The different types of equity offered by Novartis are defined below:
- **Restricted Shares/Stock (RS)**: Shares that are restricted from sale until the original vesting date (or at a later vesting date, if elected).
 - Only applicable to Brazil, Egypt, Hong Kong, India, Indonesia, Netherlands, Poland, Singapore, South Africa, Switzerland, Taiwan, Turkey and UK.
- **Restricted Stock/Share Units (RSU)**: An RSU is a promise to receive a share/ADR at a later point in time, typically at the vesting date at which time the RSU is converted to a freely disposable share. Moreover, employment conditions may be linked to an RSU award (i.e., the RSU may lapse if employment ends prior to vesting). RSUs do not carry dividend rights and there is no voting entitlement prior to the conversion to freely disposable shares/ADRs.
- **Performance Share Units (PSU)**: A PSU is technically and legally like an RSU, however the number of shares/ADRs ultimately received based on the conversion of PSUs to freely disposable shares/ADRs will depend on the achievement of performance targets and other conditions such as continued employment.

2. Dividend in kind (1/2)

1. What is a dividend in kind?

- If the proposed spin-off of Sandoz takes place, all Novartis shareholders will receive a dividend in kind in the form of dividend of Sandoz shares and will become shareholders of the new publicly listed company: Sandoz Group AG. This dividend in kind may also be referred to as a dividend delivered in Sandoz shares, or similar phrase, depending on market practice and legal language in different jurisdictions.
- From the day of spin-off, the Novartis shareholders holding Sandoz shares will be free to keep or sell their stake in Sandoz.
- Note that there will also likely be a small cash residual payment where the value of the dividend in kind to be awarded does not correspond to a whole number of Sandoz shares.

2. Why are we being given this dividend in kind?

A spin-off is when a corporation creates a spin-off company by distributing 100% of its ownership interest of a part of the business as a stock dividend to its existing shareholders. If you currently hold shares (i.e., not awards such as RSUs or PSUs) in Novartis AG, you will be entitled to receive this dividend in kind in the new Sandoz company.

3. What is the tax impact of the dividend in kind for the unvested Restricted Stock?

Most participants in receipt of the dividend in kind will have the dividend in kind treated as taxable upon distribution as employment income.

The main exceptions are:

- Switzerland where no additional tax should be due on the dividend in kind itself since the underlying award should have been taxed at grant, however the early distribution will result in loss of part of the taxable discount. This can be avoided by electing to block the dividend in kind until the blocking end date of the corresponding award
- United Kingdom where the dividend is potentially taxable as dividend income.

This does not constitute individual tax advice. If you have any questions about your tax position, you are strongly advised to take independent financial and/or tax advice.

4. I am based in Switzerland; can I block the dividend in kind in shares to benefit from the tax discount? *(only for associates in Switzerland)*

Yes. Associates in Switzerland can elect to block the Sandoz shares received under the dividend in kind until the original blocking of the preceding Novartis share award.

2. Dividend in kind (2/2)

5. Can I trade Sandoz shares during a quiet period or do restrictions apply?

You may trade your Sandoz shares acquired as a result of the spin-off if you do not have knowledge of any Material Non-Public Information (as defined in the Novartis Insider Policy) relating to Sandoz.

Associates who are Continuing Insiders must not trade Sandoz securities from the date of the spin-off through the end of the Novartis Quiet Period (see insider intranet page for exact dates).

6. Do Sandoz shares count towards my mandatory shareholding requirement (e.g. 1x base salary – for NTL associates only)?

No, Sandoz shares do not count towards the mandatory shareholding requirements for NTL and ECN Novartis associates.

3. Keep Whole Award (1/2)

1. When do I get a dividend in kind and when do I get a “keep whole award”?

Novartis shareholders (including Restricted Share Stock-holders) will receive a dividend in kind due to their holding of Novartis shares. RSU and PSU holders are not entitled to a dividend in kind. Instead, they will be granted keep-whole Novartis RSU/PSU awards as soon as practicable after the spin-off.

2. What is a “keep whole award”, it keeps me “whole” of what?

As the holders of RSUs/PSUs are not entitled to receive the dividend in kind in Sandoz shares that Novartis shareholders would receive, and it is expected that the spin-off will result in a decrease in the Novartis share price, Novartis will grant –with no legal obligation- a ‘keep whole’ award to all holders of Novartis unvested RSUs and PSUs remaining with Novartis aiming to preserve the pre-spin value of their Novartis portfolio.

3. When will I receive the “keep whole” awards?

This will be done as soon as practicable after the spin. It is not expected to take longer than 3 months

4. In what type of equity will the “keep whole award” be granted?

The keep whole award is granted in the same equity instrument as the Novartis equity instrument it relates to, i.e., the Novartis instrument is matched: a RSU keep whole award will be granted as a Novartis RSU, a PSU keep whole award will be granted as a Novartis PSU.

5. Is the RSU “keep whole award” subject to a vesting period?

Yes. The RSU keep whole award will have a vesting period that will end on the original underlying Novartis award’s vesting date, after which it will be converted into Novartis shares. The keep whole award is subject to all of the same terms and conditions as the original Novartis award.

6. What performance condition is the PSU “keep whole” award subject to?

The PSU keep whole award will have a vesting period that will end on the original Novartis award’s vesting date. The PSU keep whole award will be based on target value and subject to the same Novartis forfeiture and performance conditions as apply to the original award. The final number of PSUs will be converted into ordinary shares on the original vest date. The keep whole PSU award is generally subject to all the other terms and conditions as the original Novartis PSU award. However, unlike the original PSU, the keep-whole will not be entitled to a cash dividend equivalent because the cash dividend equivalent will be included in the original PSU vesting as shares.

3. Keep Whole Award (2/2)

7. What happens to my original award in Novartis RSUs or PSUs after the “keep whole award”?

Essentially, there will be no changes. The vesting terms of the original award are not disturbed by the spin-off and the award will vest on the original vesting date, subject to the award terms and conditions. Its value will likely be reduced as a result of the expected reduction in Novartis share price in connection with the spin-off, which is why the keep whole award is granted.

8. What are the tax implications of the “keep whole award” as a result of the grant?

- Any keep whole award will generally follow the same tax position as the preceding grant of other Novartis equity units. However, we can only give general answers to this question because tax implications depend on the tax rules in the jurisdictions involved.
- RSUs and PSUs are taxed at vesting in the majority of locations. This means that the keep whole award in Novartis RSU/PSU granted after spin will generally be taxed at the vest date, which will be the same as the original vesting date of the underlying award.
- This does not constitute individual tax advice. If you have any questions about your tax position, you are strongly advised to take independent financial and/or tax advice.

4. Plan administration and trading

1. How will I access and trade my Sandoz equity after spin-off?

Any Sandoz shares you receive will be maintained in the same personal brokerage account as the Novartis shares you hold i.e., Fidelity for North American employees and EquatePlus for Rest of World employees.

2. I have specific questions related to my awards, is there someone to help?

We understand that this equity restoration is complex, and we cannot address all questions that associates may have in this presentation. You can send your specific personal questions to the following address:

- Swiss ESOP Plan: [go/getsupport](#)
- North American Equity Plan participants and Employee Stock Purchase Plan (ESPP) (Fidelity): [NAHRS. Executive compensation @novartis.com](#)
- Other Plan Participants: [global.equity@novartis.com](#)

They will be answered by e-mail or by a personal phone call.