

Novartis Equity Programs

Important information regarding the sell to cover process

Sell to cover

Novartis may be obliged to withhold funds from the equity compensation upon vesting of Restricted Stock Units (RSUs), Performance Stock Units (PSUs), Restricted Stock (RS) or the exercise of Options. *

1. Sell to cover (STC) process

Sell to cover means that the required number of your shares (at vesting) or options (at exercise) are sold or withheld from the proceeds (in case of options) by the share program administrator (Equatex) on the associate's behalf to cover an estimated amount for taxes and social security contributions.

Novartis only uses the sell to cover method to fulfill the employer's tax and social security withholding obligations due on the equity awards at the taxable events.

The proceeds from the sale of shares are forwarded to Novartis local payrolls, who will then pay any tax and social security to the tax authorities, and any residual cash is wired to the participant's private bank account included on the EquatePlus platform.

The shares / options remaining after the sell to cover are transferred to the associate's Equatex account.

The sell to cover process enables tax and social security compliance and efficient equity awards administration.

No action is required in this respect from the associates.

For most countries, the sell to cover process is the default method for tax events within all Novartis equity programs.

In the countries where sell to cover applies; it is not possible to cover the tax and social security withholding due via a payroll deduction or a direct payment to payroll.

2. Tax rate used to calculate the number of shares to be sold under the sell to cover method

Withholding calculations are based on the marginal tax and social security rate of the associate's tax country and are estimates only.

The difference between the estimated and the actual withholding rates (if any), will be reimbursed or deducted via the relevant payroll.

The exact timing of payroll reimbursement or deduction depends on local payroll schedules.

For options, any remaining net proceeds from the sale of options will be directly transferred to the participant's private bank account.

* Please note that for RS and Options different tax events may apply due to different country rules and regulations, e.g. at grant, vesting or exercise.

Marginal tax and social security rates for countries where sell to cover applies for the equity awards on the EquatePlus platform:

Country	Marginal Tax rate (in %)**	Country	Marginal tax rate (in %) **	Country	Marginal tax rate (in %) **
Argentina	35	India	42.74	Peru	30
Austria	50	Indonesia	35	Philippines	35
Belgium	59.58	Ireland	52	Slovakia	29
Bulgaria	10	Israel	50	Slovenia	22.10
Chile	40	Italy	47.23	South Africa	45
Colombia	39	Kenya	30	South Korea	49.5
Costa Rica	15	Latvia	41.50	Spain	47
Czech Republic	4.50	Malaysia	30	Sweden	57
Ecuador	46.45	Malta	15	Switzerland	Applies to some participants (see point 8. and 9.)
Egypt	25	Mexico	35	Turkey	40.76
Finland	50.75	Netherlands	49.50	UK	47
France (non-qualified plan)	61	Norway	47.40		
Germany	48.09*	Pakistan	35		

* Marginal tax rate for Germany including church tax

** As of January 1, 2023 (marginal tax rates updated on November 29, 2022)

3. Share price used to sell the shares under the sell to cover process

For RSUs and RS, the closing price on the day before vesting is used to calculate the taxable value. Equatex will sell the shares at the SIX (Swiss Stock Exchange) within a few trading days after the tax event date (e.g. at vesting).

For PSUs, vesting will take place on date the performance measure is approved, and the vest price used to calculate the taxable value is the closing price on the day the Compensation Committee / Board approve the performance measures.

For Options, the taxable value is the proceeds that the associate receives. The sell to cover rate will be applied to this value.

The Novartis share or option market price will trigger the number of shares or options to be sold to cover the associate's tax and/or social security withholding liability.

4. The fees for the sale of shares / options (transaction fees)

Equatex brokerage fees, stamp duty and exchange fees will apply as for normal transactions. These fees will be covered by the proceeds of the sell to cover transaction.

5. Equatex Transaction statement

Transaction statement from Equatex confirming the sale of shares and other useful documentation will be available on the associate's EquatePlus account in the Document Library section.

6. Important information for non-sell to cover scenarios

In certain countries (e.g. Switzerland), where generally sell to cover does not apply, any relevant tax and/or social security withholding (where applicable), will be collected via payroll from the associate's net pay. This will normally occur a month after the taxable event.

Depending on the amount due, this may result in negative pay over one or more pay months until the negative balance is cleared.

For Swiss associates, the remaining amount due will be deducted from their MKK account (where applicable).

Please note that special rules apply to the terminated Swiss associates (please refer to the relevant section below).

7. Termination

After termination, the associate's EquatePlus account remains active and can be accessed via the external link www.equateplus.com using the associate's login credentials.

Any freely available shares can be sold, kept on the EquatePlus account or can be transferred to a private brokerage account.

Associates should keep their contact details up to date on EquatePlus account after termination.

8. Associates employed in Switzerland and on termination notice or pre-notice

For associates employed in Switzerland and on termination notice or pre-notice, STC may apply depending on the specific criteria:

	Combined STC rate in % (tax and social security) if <u>living</u> in CH	Combined STC rate in % (tax and social security) if <u>no longer</u> living in CH
CH nationality	6% for CH Soc Sec	43.5% (37.5% + 6%)
C permit	6% for CH Soc Sec	43.5% (37.5% + 6%)
B permit	43.5% (37.5% + 6%)	43.5% (37.5% + 6%)

Swiss cross border	Combined STC rate in % (tax and social security)
DE cross border	10.5% (4.5% tax + 6%)
FR cross border to Basel	6% for CH Soc Sec
FR cross border to Geneva	43.5% (37.5% + 6%)

9. Important information for International Assignees (IAs), International Transferees (ITs), Short-Term assignees and commuter assignees***

The equity awards are subject to income tax and social security rules based on the work locations during the allocation period (e.g. for RS, RSUs and PCs between the grant date and vest date; for Options between the grant date and exercise date). Novartis may be obliged to withhold taxes and social security contributions based on each country's rules.

Under the sell to cover process described in the section 1 above, Novartis will instruct Equatex to automatically sell shares on the associate's behalf to cover the tax and social security withholding due in each of the relevant jurisdictions.

On the taxable event day (vesting for RS, RSUs and PCs or exercise for Options), the global tax provider, will calculate the personal withholding tax liability arising from the equity awards and advise Equatex how many shares to sell.

The proceeds from the transaction will be sent to payroll and a copy of the income and withholding allocation statement prepared by the global tax provider can be found via the EquatePlus platform in the participant's Document Library shortly after the transaction is processed.

***Excluding German and French cross border employees

10. Where to find additional information

For detailed tax information for each country please go to the Novartis LTI Website:

[Novartis LTI Equity Plans - Home](#)

To find out more about the differences between RS and RSUs please go to:

[Equity Information for Associates \(novartis.net\)](#)

11. Contact details

For any questions relating to the EquatePlus platform the associate should contact the Equatex Call Centre:

- International (toll free) + 800 4020 0035
- Switzerland (toll free) + 800 4020 0035
- USA (toll free) + 1 855 983 5229

If an associate is unable to use the toll free numbers please use the direct dial number to contact Equatex:

- Direct Dial (charges apply) +41 844 00 44 88

To contact the Novartis Global Equity team, please send an email to:

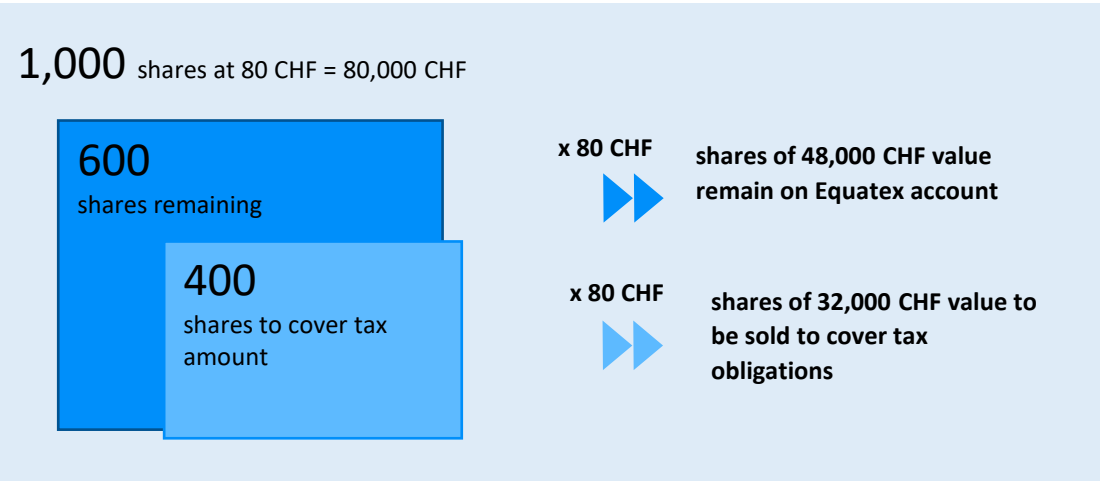
Global.Equity@novartis.com



APPENDIX A - RSUs / RS vesting – STC calculation example:

1,000 shares released on vesting date	dd/mm/year N
Sample closing stock price on dd-1/mm/year N	80 CHF
Total value of RSU / RS vested (1,000 x 80 CHF)	80,000 CHF
Taxable income reported on salary statement (total value – cost of shares in local currency)	80,000 CHF
Example of taxes due (marginal estimated tax rate 40 %) on vesting date	32,000 CHF ***
Shares sold for taxes (32,000 / 80 CHF)	400 shares
Shares remaining in Equatex account	600 shares
Equatex sends cash directly to payroll as a result of the sale	32,000 CHF
Payroll calculates the actual withholding taxes to be sent to the tax authorities (tax withheld by payroll e.g. 38.5 %)	30,800 CHF
Payroll refunds excess tax amount to employee	1,200 CHF

**** excludes Equatex transaction fees



Legal disclaimer

This brochure is designed to provide a general overview of the Novartis sell-to-cover process.

All examples given in this brochure are for illustration purposes only and neither represent a recommendation by Novartis nor a guaranteed or certain return on the securities Group Rewards described.

All equity investments are subject to changes in the market and therefore all returns are at risk. Actual awards in any particular jurisdiction may differ from the awards described in this brochure.

Associates cannot base any claim or action on the content of this general brochure.