



Transforming
for Growth

Transforming for Growth

Frequently Asked Questions

Last updated April 4, 2022

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1. Why are we proposing these changes now? The issues they are designed to address have been evident for a long time.

We have executed more than USD 100 billion in M&A transactions to refocus and grow our core business. We spun Alcon, acquired new products and technologies to strengthen our position on innovative medicines, and announced a strategic review of Sandoz to determine how best to enable Sandoz to be the leading generics company in the world. Given our strong conviction on the growth potential of Novartis and the strength of our pipeline, we also exited our Roche stake with an attractive financial return and initiated a share buyback program creating immediate value for investors.

Today, Novartis is not a conglomerate anymore but a fully focused medicines company that plays a vital role in bringing transformative medicines to patients.

Therefore, we believe that now is the right time to build a stronger Novartis, bring our structure into alignment with our strategic focus, shape a more agile organization for better collaboration, sharpen our focus on investing in and launching new medicines, and enable faster decision-making with leaner, fit-for-purpose structures.

2. Is this a response to investor pressure around our poor stock price performance?

Our new organizational structure will help us to accelerate growth, strengthen our pipeline and increase our productivity. In the past five years, we've brought more new medicines through FDA approval than any other company in the world. The profit growth of our Innovative Medicines business ranks in the top quartile when compared to our peers. However, our investors expect us to make improvements in our launch performance and pipeline execution — two key factors to delivering shareholder returns that reach a leading position.

3. Will this impact the strategic review of the Sandoz business?

The ongoing strategic review of Sandoz is not related to or impacted by these changes. We continue to explore all options, ranging from retaining the business to separation, in order to determine how to best maximize value for our shareholders.

Read the **Sandoz Strategic Review Q&A** [here](#).

4. Will our strategy change?

No, **our strategy** as a focused medicines company, powered by technology leadership in R&D, world-class commercialization, global access and data science remains; our culture transformation to drive performance also remains unchanged.

5. We seem to change the business services strategy every 2-3 years. Is there a more fundamental problem with the business services model we have built?

No. Our current business services and operations models have enabled us to focus on operational excellence, centralized high-quality services & productivity and yielded strong results. The combination of our commercial business units and full integration of our functions allows us to bring parts of CTS and manufacturing into one Operations unit that will enable us to further simplify our model and contribute more to the achievement of the Novartis growth ambition. And while we will continue to focus on operational excellence, service quality and productivity, the next era of business service evolution will also see an increased focus on technology transformation and innovation.

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6. What are the total projected savings from all these changes?

The simpler organizational model is central to our growth strategy as it will make us more agile and competitive, enhance patient and customer orientation, unlock significant potential in our R&D pipeline and drive value creation through operational efficiencies. These efficiencies will come through leaner structures and will inevitably lead to roles being impacted. We are expecting these changes to result in fully realized savings of at least USD 1bn by 2024. We expect the savings to come primarily from efficiencies in operations, reducing duplication in marketing & sales and streamlining of G&A functions. All changes that impact our people will be done in line with local legal requirements including consultation if required.

7. What are the proposed timelines for implementation?

All above country, high-level structural and ECN leadership changes are effective immediately, April 4, 2022. Further high-level transformation milestones that we are working towards are as follows:

By June 15, 2022: Leadership teams (ECN-1) for the new organizational units appointed and core organizational set-up and governance for the new units and integrated global functions agreed by no later than this date.

By July 31, 2022: Next level of leadership (ECN-2) for the new organizational units appointed by no later than this date.

October 1, 2022: Final organizational changes, including in countries, implemented.

January 1, 2023: Organizational structure operationalized in Novartis systems.

Leadership appointments and announcements will begin immediately with the first round of ECN -1 announcements scheduled for April 20, 2022. Thereafter it is our aim to share announcements and updates via a regular bi-weekly rhythm.

All future updates regarding key timelines will be communicated on the **OneNovartis Transforming for Growth**. Moving forward you will also be able to find the leadership appointments as they go live here.

8. How do you propose to make hiring decisions? Will the process be fair and transparent?

We always strive for transparency and fairness in our hiring processes. As we start to build out our new structure we will aim to be objective, transparent and fair. We will need to balance the requirements of each role with the need to operate at speed to ensure minimal impact to our business priorities and to enable us to create clarity for our associates. More information concerning the process we will undertake at all levels will be available in the coming weeks. We will adhere to local requirements regarding consultation and legal frameworks in making hiring decisions.

9. Is there a hiring/headcount freeze effective immediately while the new organizations are designed? Can we fill open roles?

We are not applying a blanket hiring freeze, however within certain units and functions the decision may be taken to put some roles on hold, either immediately or in the coming weeks. In that case the leadership of the unit or function will communicate that separately. However, in all cases we recommend thoughtful and prudent management of all open roles post announcement.

10. How do you propose to change reporting lines change in the interim?

Reporting lines for ECN-1 Leadership Teams will change with immediate effect. All other reporting lines remain the same until further notice. So, for immediate purposes the governance set up below ECN-1 will remain the same. Gradually over the coming weeks and months new governance procedures will be established as the design work for the new team structures is finalized. This will be done in line with local legal requirements including consultation if required.

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11. Is this really just about cutting costs? If so, how many jobs will go?

The simpler organizational model is central to our growth strategy as it will make us more agile and competitive, enhance patient and customer orientation, unlock significant potential in our R&D pipeline and drive value-creation through operational efficiencies. Operational efficiencies will come from leaner structures and will lead to savings over time, including impacted roles. We are expecting these changes to result in fully realized savings of at least USD 1bn by 2024. We expect the savings to come primarily from efficiencies in operations, reducing duplication in marketing & sales and streamlining of G&A functions.

We will be able to provide more details on this in the coming months once the new organizational and leadership structures have been established. All changes that impact our people will be done in line with local legal requirements including consultation if required.

12. What does this mean for my role? How will I be informed about updates?

We always strive for transparency and fairness in decision making. At this moment, it is still too early to provide clarity around the impact on individual roles and teams. You have our full commitment to keep you informed as we progress with the process and to provide specific details as soon as possible. In the meantime, we rely on you to stay focused on supporting our associates and delivering the business.

13. Judging by the choice of Marie-France Tschudin and Victor Bulto as the leaders of Innovative Medicines International and US this appears to be a Pharma takeover. Will the Oncology leadership team get a fair shot at meaningful roles in the future model?

We will move away from our current model with global franchises and two commercial organizations to a new model that focuses on geographies with our current commercial organizations combined. We always strive for transparency and fairness in our hiring processes. As we start to build out our leadership teams, talent from both former commercial units will be considered equally.

14. Will IM International and IM US have complete autonomy?

We will create two new independent commercial powerhouses with a stronger geographic focus – Innovative Medicines International and Innovative Medicines US. These two units will have full P&L responsibility across all therapeutic areas as well as ownership for customer experience, marketing and sales and market access for their respective markets. To ensure effective and strategic bridging of our scientific and commercial efforts for our pipeline of innovative medicines across both commercial units, Marie France Tschudin, as Chief Commercial Officer for Novartis, will oversee global strategy for our pipeline and our in-market medicines.

15. How do we avoid this causing major internal disruption and distracting us from focusing outside on our competitors and patients?

While many things will change, core elements of our company will remain and even be strengthened. We aim to minimize disruption to customer-facing teams, R&D teams, or manufacturing teams. In fact, one of the driving purposes of the new operating model is to support them more effectively.

Our strategy will not change and our focus on performance will continue and in many ways be enhanced. Launch excellence remains a critical priority, and we will implement the forthcoming changes with minimal disruption to our customer-facing operations. We will also remain laser-focused on improving R&D execution and product development so we can follow-through and deliver on the promise and potential of our pipeline. Sandoz will continue to operate independently and should not be significantly affected by these changes.

While we appreciate that this transformation is a significant change for Novartis and our people that will take time to operationalize, we will do everything to help you to focus on our business priorities, deliver on our 2022 objectives and serve our patients. The ECN commits to providing regular updates on transformation progress on OneNovartis to ensure the latest information is readily available.

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16. How will we select senior leaders in NTL, GJFA 1 and GJFA 2 roles in the context of Transforming for Growth (subject to consultation)?

The selection process builds on three key cornerstones: (1) Identification of 'To-Be-Filled' roles: Business and P&O leaders identify roles that change > 30%, in addition to newly created roles without incumbents that need to be filled in the context of Transforming for Growth. (2) Identification of 'Best-Fit' candidates: Business and P&O leaders build and review broad slate of candidates who meet the requirements of the to-be-filled role and exhibit desired values & behaviors. (3) Selection: Business and P&O leader directly appoint new leader if there is only one candidate or run a thorough selection process if there are 2 or more candidates. Candidate slates and selection panels will be diverse. Decisions are to be made in line with our code of ethics. (4) Next steps: Both selected and not selected candidates receive feedback. Offer management and announcement will be handled in line with local practices.

17. How will we select people in roles on GFJA 3 and below in the context of Transforming for Growth (subject to consultation)?

The selection process builds on six key cornerstones: (1) Identification of 'To-Be-Filled' roles: Business and P&O leaders identify roles that change > 30%, in addition to newly created roles without incumbents that need to be filled in the context of Transforming for Growth. (2) Posting of 'To-Be-Filled' roles in the context of Transforming for Growth: Roles are posted for at least 10 business days on the Novartis Career Site. (3) Application: Associates apply for positions of interest where they meet requirements. (4) Preselection: Hiring Manager, P&O and Talent Acquisition will review applications and create slates for selection and interviews. (5) Selection: Each slate will have finalists who will go through individual or panel interviews, with a debrief meeting to select the best-fit candidate. Candidate slates and selection panels will be diverse. Decisions are to be made in line with our code of ethics. (6) Next steps: Both selected and not selected candidates receive feedback. Offer management and announcement will be handled in line with local practices.

18. What happens if I am not selected for a role in the new organization?

After you received feedback that you are not the selected candidate for desired roles, you might be considered for other opportunities. If your current role is impacted and no new role has been offered to you, you will be invited to a conversation about the redundancy process and support available to you.

19. Will our D&I commitments be taken into account when it comes to hiring new leaders, for example our commitment to gender balance? How will this be done?

A diverse and inclusive workplace, where every one of us can be our best and true selves, is how we will fulfil our purpose to reach underserved communities and reimagine medicine. Novartis is fully committed to achieve gender balance in management (GFJA 4 and above), and while we still have progress to make, we believe that we are taking the right actions to meet this goal by the end of 2023. Female representation for our Novartis Top Leaders (NTL, circa 300 roles) is currently at 37%, an increase of 8ppt versus 2019, thanks to our focused efforts. Moreover, we recognize that gender is one of many facets of diversity. We recognize that ethnicity, experience, background and many other elements contribute to a rich, inclusive culture that creates impact. As an ECN, we are committed to ensure equal opportunities for all people and across all levels.

Find out more here.

20. Where can I go for regular updates?

All updates will be posted on **OneNovartis Transforming for Growth**.

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Innovative Medicines International

1. What is Marie-France's proposed new title and scope of responsibility?

Marie-France Tschudin is appointed President, Innovative Medicines International and Chief Commercial Officer (CCO). As an integrated team, Innovative Medicines International (IMI) will be focused on strengthening and growing our positions in our markets outside of the US. Marie- France will also serve as Chief Commercial Officer (CCO) for Novartis, where she will oversee global strategy for our pipeline and our in-market medicines, and work to effectively bridge our scientific and commercial efforts for our medicines in close collaboration with IMUS, GDD, NIBR and Strategy & Growth.

2. What does a Chief Commercial Officer title mean if Marie-France does not have US P&L responsibilities?

As CCO, Marie-France Tschudin will oversee global strategy for our pipeline and our in-market medicines, and work to effectively bridge our scientific and commercial efforts for our medicines in close collaboration with IMUS, GDD, NIBR and Strategy & Growth.

3. How will Marie-France ensure collaboration and partnership with US, GDD, NIBR, Strategy & Growth?

In addition to being President of IMI, Marie-France will serve as Chief Commercial Officer (CCO) for Novartis and oversee Global Product Strategy, which will ultimately ensure effective and strategic bridging of our scientific and commercial efforts for our pipeline of innovative medicines.

4. Who will be on the Innovative Medicines International leadership team? How will the Innovative Medicines International leadership team be selected?

We are aiming to announce the IMI leadership team and other critical leadership roles across the organization by no later than the end of April. A Project Management Office involving leaders from both Pharma and Oncology and led by Jose Marcilla will drive this process. We commit to holding ourselves accountable to maintain high and fair standards when making decisions and to move forward with empathy and respect.

5. What does the new Innovative Medicines International structure mean for countries? Are there exceptions?

The model of integrating the existing Pharma and Oncology business units into Innovative Medicines International applies to our global teams and all of those within our country operations. There will not be any exceptions to this.

6. Will 2+3+4 and KSPL priorities change? Should we continue to invest disproportionately on the priorities?

Our strategic commercial priorities won't change. We continue to invest disproportionately in our current priorities for Oncology (KSPL) and Pharma (2+3+4) and remain focused on delivering for customers despite the uncertainty we may feel. We all share the same passion for patients and commitment to serve our customers in the best possible way.

7. What happens to our existing ambitions, strategies and priorities within our commercial businesses (e.g. things like Bold42030, twice as many patients twice as fast, BOLD4Cure, 2+3+4, KSPL)?

Our ambitions, strategies and priorities will not change. We are still laser focused on delivering for our patients, healthcare professionals and healthcare systems, and expect these operating model changes to accelerate our ability to do this. As we come together as Innovative Medicines International we will develop a united strategy and way of expressing it.

8. How does this impact our Next Generation Engagement initiative?

Next Generation Engagement (NGE) remains a top priority and will continue.

9. Will Regions still exist in the IMI structure?

We will review our regional setup as part of the organizational design process.

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10. Who will the regions and country associates report into in the transition period?

Reporting lines for ECN-1 Leadership Teams will change with immediate effect. All other reporting lines remain the same until further notice. So, for immediate purposes the governance set up below ECN-1 will remain the same. Gradually over the coming weeks and months new governance procedures will be established as the design work for the new team structures is finalized.

11. What does the new Innovative Medicines International structure mean for countries?

In markets with a Country President from Pharma or Oncology, each country will move to having one Innovative Medicines GM who will assume the responsibilities of the current Country President. For P&O, C&E, Legal, Finance, and ERC, each country will also move to having one functional head for Innovative Medicines.

12. Will the Pharma and Oncology customer facing teams be combined?

Our aim is to minimize disruption to customer facing teams with these changes. It is critical that we stay the course and avoid distraction. While structures may change, our commitment to patients remains steadfast, and we count on your support.

13. Currently, there are ongoing transformation projects in Oncology and Pharma across global, regions and countries. Should they pause?

Many transformational initiatives were already underway across our organization. In many cases, the strategic direction of these initiatives will continue but we will have to take time to determine how we will organize ourselves given this new operating model.

14. Who will be the ad interim for Susanne Schaffert?

In the short term, to ensure business continuity, Gianmarco Calvo (CFO, Oncology) will be Head of Oncology, ad interim, reporting to Marie France, while we define the new structure and leadership of an integrated IMI.

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1. How does today's announcement impact the ongoing AoS and 5 by 25 work?

The US Pharma and Oncology strategies known as Accelerating our Strategy (AoS) and 5 by 25 remain and will continue to move forward. We have learned a lot from our AoS and 5 by 25 work and will take time to look at the clear synergies to determine what is fit for purpose, integrating the best of both into one holistic approach for Innovative Medicines US, while ensuring little disruption to our patients and customers. A lot of this work had already come together on US+, and we have been in lockstep for almost a year now to ensure we were capturing those synergies and learning from one another.

2. Why do we think that the US will perform better in this new set-up? Isn't our fundamental issue that we are not competitive enough and have less competitive launches? How will integrating the businesses solve that problem?

The organizational model we are introducing is the latest in a series of bold moves we have made to transform Novartis from a healthcare conglomerate into a focused medicines company and recognizes the uniqueness and complexity of the US market. The US will continue to be the largest growing market for pharmaceuticals for the next 5 –10 years with Oncology projected to be the fastest and largest growth segment despite a myriad of challenges.

US+ was a joint project led by Victor and Reshema and an important strategic driver of building a stronger US organization, making a compelling case for what it would take for Novartis to achieve a top-tier leadership position in the US by 2025. This includes stronger unification of our businesses in the US and stronger collaboration with GDD and NIBR to ensure our products are fit for purpose in the US.

With the change to Innovative Medicines US, we now have an incredible opportunity to reach many more patients than we do today with our life-changing medicines, and we are confident the time is right to act. By bringing US Oncology and Pharma together under Innovative Medicines US, we will become a commercial powerhouse in the US by merging our two core businesses to fully share and benefit from our collective scale, knowledge, talents, and capabilities, while maintaining and building on the unique aspects of our businesses where the differences can be advantageous.

Together, we will embark upon this journey toward Transforming for Growth. We must learn from one another, thoughtfully focus our energy, and clearly prioritize our efforts. Our new Innovative Medicines powerhouse will deliver even greater impact as we continue to reimagine medicine and serve the patients who are waiting for our medicines. Patients are counting on us, and we cannot lose any time.

3. Will there be additional headcount reductions in US business?

By bringing US Oncology and Pharma together, we will become a leaner organization enabling speed, liberating resources for reinvestment in new capabilities, and scaling efforts to minimize duplication in areas that are common to both businesses, while ensuring deep therapeutic expertise in areas that are different. This will impact some roles across the organization. It is too early right now to speculate which roles and how many. We will make decisions as quickly and transparently as possible and will take every possible step to ensure our people are treated with fairness and respect throughout the process.

4. How will Victor and Reshema ensure seamless onboarding and integration of the Pharma and Oncology businesses?

Together Victor and Reshema have established a strong partnership anchored by trust and respect. Both bring deep US expertise and over the past year co-led US+, an important strategic driver initiative that has been focused on accelerating our growth in the US. Continuing to work together they will ensure that US competitiveness is prioritized at the ECN level to accelerate the growth of Innovative Medicines US (IM US). They are committed to learning and listening to our teams and acting with speed and agility to build the best IM US organization in the US for Novartis.

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Reshema will continue to be a strong leader for Oncology, as well as an integral member of the IMUS leadership team and will now report to Victor. We are committed to investing in and building in Oncology and with the most launches (25) across any of our therapeutic areas in the next three years, Oncology will be a launch powerhouse from which we can draw learnings and apply across IMUS. We are committed to developing a strong oncology pipeline, allocating 45% of our total R&D investment to oncology.

5. Will the Pharma and Oncology field teams be combined?

We will work to ensure there is minimal disruption to our customer-facing teams due to this change. It is critical that we stay the course and avoid distraction. While structures may change, our commitment to patients remains steadfast, and we count on your support.

6. Will the US business align to the Innovative Medicines International structure?

We will strive for alignment where, and if, it makes sense for the US market. We will not compromise our ability to compete effectively in the US for the sake of alignment but will ensure that we have the appropriate interface(s) between the US and International teams allowing for collaboration and shared learnings.

7. How does this impact how Innovative Medicines works with GDD? Will there be separate development approaches for US and ex-US? How will we ensure stronger collaboration to ensure our product profiles are competitive in the US?

How we collaborate across the organization with partners in GDD, NIBR, etc., is an important question that we will need to work through as we build out our Innovative Medicines US organization. In the short-term, we will continue to collaborate with our GDD colleagues as we've been doing. Additionally, the newly established Strategy & Growth function will help us to advance our portfolio in the US, along with enabling our critical partnership between NIBR, GDD and Innovative Medicines.

8. With Oncology now reporting to Victor, does this mean there is less of a focus on Oncology in the new structure?

No. Oncology is the fastest and largest growing segment of the pharmaceutical market, and we currently allocate 45% of our total R&D investment to oncology. The biggest opportunity for Oncology is in the US with our current and future portfolio positioning us well to lead in this space.

Reshema will remain the leader of the US oncology organization while being a strong member on the Innovative Medicines US leadership team. At the same time, Victor brings a depth of US expertise that will ensure the US is prioritized at the ECN level to accelerate growth across Innovative Medicines.

9. How will being one Innovative Medicines US organization impact the culture we've worked hard to build?

We have one culture at Novartis: inspired, curious and unbossed underpinned by integrity. This will not change. There are common associate experience aspects of both Oncology and Pharma, such as our shared passion for patients and customer focus that we will continue to nurture across Innovative Medicines US (IM US). In addition, as we each bring unique elements of our culture in action to our shared IM US team, we will work to foster inclusion and collaboration as we come together as one.

10. Will US Oncology be folded into the new US Pharma Accelerating our Strategy operating model?

We have learned a lot from the Accelerating our Strategy (AoS) work that we believe can be applied across the new Innovative Medicines US (IM US) organization. We can also learn a lot from the ongoing 5 by 25 work being done in US Oncology. Now we must do the work necessary to take the best of both experiences that fit for purpose to build the strongest IM US organization possible.

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11. Do 5 by 25 workstreams/squads need to make adjustments or pause ongoing sprints as a result of this news?

We will complete the planned sprints to bring forward the necessary data and recommendations to inform decisions as we build the strongest Innovative Medicines US organization.

12. What does this mean for associates/teams within our Innovation Incubators?

All US Oncology associates continue to play a vital role in driving our Bold Ambition and ensuring that we are delivering for patients. We must continue to perform while we transform by staying focused on our objectives and deliverables.

13. What leadership changes can we expect now that there will be one Innovative Medicines US leadership team? Will Victor name a Head of US Pharma to oversee the three new pharma organizations (Customer Engagement, Integrated Marketing, Product)?

The Integrated Marketing US Leadership Team will not be announced prior to April 20. Until then, the OLTUS and US PEC will continue deliver on the critical work at hand.

14. Will the go-live date for US Pharma Accelerating our Strategy operating model be delayed? Will the current interview processes continue to completion or be paused?

We will move forward with the implementation of the Accelerating our Strategy operating model as planned. Beginning now, we will begin working to build detailed structures for the new Innovative Medicines US organization. We expect this will take through the fall of this year.

15. How does today's announcement impact associates who've already been selected for roles in the new US Pharma Accelerating our Strategy operating model? Will these associates have to re-interview for our roles?

We will continue with the implementation of the new US Pharma Accelerating our Strategy operating model as planned. As we get further into our work to build the Innovative Medicines US organization, further adjustments may be implemented to ensure our structure is fit for purpose moving forward.

16. Will Pharma associates now be competing with Oncology associates for roles in the new US Pharma Accelerating our Strategy operating model?

The open roles have been posted for anyone within Novartis to apply, as well as some roles have also posted externally. This new announcement doesn't change our approach to filling the open roles.

17. Will there be any impact to the above country structure, e.g., Country President and Corporate Functions?

This is under discussion and decisions will be made in the coming weeks.

18. Is Victor the new US Country President?

The decision to have a separate US Country organization is under discussion. A decision will made in the coming weeks.

19. Will there be two heads of each function?

No. All global functions — Finance, P&O, ERC, and Legal, Communications & Engagement — will be integrated on global and country levels and shift to a central financial reporting model with global cost lines. This means the current US Pharma and Oncology functions will integrate with the head of each function sitting on the Innovative Medicines US Leadership Team.

20. Will the US Heads of the integrated functions (e.g., ERC, legal, etc.) report to Victor?

The US function heads will report operationally into their respective global function heads with a line into Victor.

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1. When will you announce the Chief Strategy & Growth Officer? How far along is the search? Will it be internal or external?

The recruitment process for the Chief Strategy and Growth Officer is still on going. As always, we continue to review a diverse slate of both internal and external candidates.

2. Shouldn't portfolio strategy be closer to the GDD & NIBR Units?

As part of the overall transformation, we are looking to create a more unified and holistic approach to how we make strategic portfolio choices. Our aim is to make decisions in terms of what is best for Novartis' growth strategy.

3. Why aren't the unit strategy teams part of this new function?

Commercial strategy as well as other units strategy teams focus on unit-specific strategic challenges and opportunities and related projects. Corporate strategy focuses on key strategic enterprise-wide choices and related projects. The unit strategy teams will continue to collaborate closely with the Corporate Strategy team.

4. Is this the final composition of the function or will there be additional changes?

The aim is to build a function that can provide the strategic portfolio analytics and management capabilities to ensure Novartis growth. The four teams (and their respective responsibilities) described above will form the core of the Strategy & Growth Function. As we advance during the integration process, we will look across the enterprise to see if there are other teams that would fit within the Strategy & Growth function's overarching mandate.

5. Which team will be ultimately responsible for the forecasts?

The commercial forecasting teams within New Products will stay accountable for the actual forecasts. The Portfolio Strategy & Analytics team will ensure forecasting process robustness and the Strategic Competitive Intelligence team will pressure test forecasts against external sources and flag inconsistencies or gaps.

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1. Why are we integrating NTO and CTS? CTS was formed not even 12 months ago?

As we simplify our operating model at Novartis, we are also rethinking our approach to operations. The combination of our commercial business units and full integration of our functions allows us to bring parts of CTS and manufacturing into one Operations unit.

Combining NTO and CTS into a single, operational backbone will drive Novartis mission by providing high quality products to patients, and services and technology solutions to all associates enabling them to be at their best. In bringing the associates of the two units together we have the opportunity to apply an operational excellence mindset in everything we do and create an industry leading operations organization. Leveraging the strong foundation of operational excellence that we have built in NTO, together with the strengths of CTS, we will be able establish a Novartis Operations organization that will set new performance standards.

In addition, Operations will also focus on scaling technology, automation and innovation to continuously improve the experience for our associates and patients. And, have a focus on compliance and strong controls to reduce and mitigate risks to the business.

2. Is this decision driven by a performance issue within CTS?

No. As a company, we have to evolve the way we work and how we are organized. The set-up of CTS, starting with NBS, has successfully delivered the impact both in terms of standardization, service excellence and productivity over the last seven years. This is to future-proof our growth ambition to account for increasing uncertainties in business and healthcare, faster innovation cycles, and intensifying competition in our major markets. It's important to note that as we run a focused medicines business with what is still a conglomerate structure, our costs of administering our company are now exceeding the high-end of our peers, limiting our ability to invest in essential activities like R&D and licensing.

3. Will we deprioritize investment in innovation e.g. in TT or in Data Science?

As we define the new Operations organization, we will decide how to best provide leadership to our innovation and technology, data and digital efforts. Novartis remains committed to our data and digital aspirations and we will continue to need the best talent and the best digital leaders today and in the future.

4. What happens with the enterprise transformation programs such as LDC, P&O Transformation?

The LDC program will continue to progress as planned under the sponsorship of Steffen Lang and Harry Kirsch. Operationally, LDC will move to Novartis Operations and Fred Simoes, Head LDC, will report to Steffen Lang, Head Novartis Operations. The P&O Transformation program will move into the global P&O function.

5. What will happen at the NGSCs? Will they be replaced by the NTO Operations Centers?

Our location and footprint strategy remains in place and we will continue to invest and build out our NGSCs and Operations centers. They are a core element of our organization today and in the future.

6. What about the governance of the NGSCs? They were mostly made up of CTS associates in the past, will that change now with 2 large domains moving out to corporate functions?

NGSCs are communities of Novartis associates and already accommodate teams from multiple functions, divisions and domains. The governance will continue with Operations and the opportunity for collaboration, innovation and engagement will remain the same.

7. Why are we centralizing P&O Operations and FRA in the Global Functions unit?

All global functions will be integrated on global and country levels and shift to a central financial reporting model with global cost lines

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8. Will we continue to have a focus on integrated services, intentional collaboration and 4th generation strategy?

Collaboration will continue to be a key focus area for Novartis Operations. As we define our new organization, the existing strategies will be reviewed to ensure they are future fit for purpose to deliver maximum impact for our patients

9. Will this integration result in job losses in the former CTS unit?

The simpler organizational model is central to our growth strategy as it will make us more agile and competitive, enhance patient and customer orientation, unlock significant potential in our R&D pipeline and drive value-creation through operational efficiencies,

Operational efficiencies will come from leaner structures and will lead to savings over time, including impacted roles. It is too early right now to speculate which roles and how many. We will make decisions as quickly and transparently as possible and will take every possible step to ensure our people are treated with fairness and respect throughout the process.

10. Did you consider outsourcing CTS to a BPO to achieve the required productivity savings?

Many options were considered, however we believe the combination of CTS and NTO will enable our growth ambition, allowing us to scale technology, automation and innovation while maintaining ownership of key processes to ensure strong control and compliance.

11. What will happen with the Digital Leadership Team?

As we define the new Operations organization, we will decide how to best provide leadership to our innovation and technology, data and digital efforts.

12. When will the new Operations LT be announced?

We plan to have the leadership teams for the new units (ECN-1) confirmed and appointed by June 15, 2022, along with details on the core organizational set-up and governance for the new units and integrated global functions. The next level of leadership (ECN-2) appointments will be announced by July 31st, 2022 and we plan to have the final organizational changes, including in countries, implemented by October 19, 2022.

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P&O

1. What is changing for P&O?

As of today, and as for all global functions, P&O will be integrated on global and country levels and shift to a central financial reporting model with global cost lines. This structure will not change our commitment to business intimacy and will not affect our seat at the table on unit or country leadership teams. P&O Operations will move into the P&O global function. This full integration of our function will create a truly unified “One P&O”, allowing us to streamline our approach to operations and amplify business intimacy and partnership across the organization to drive growth and innovation.

2. Why are we centralizing P&O Operations in the Global Functions unit?

This full integration of our function will create a truly unified “One P&O”, allowing us to streamline our approach to operations, increase our agility to meet changing business needs, amplify business intimacy and partnership across the organization to drive growth and innovation.

3. How does this affect the P&O Transformation program?

The work we have done so far puts us ahead in the change curve in the context for transforming for growth. This is a continuation of our journey to become a more nimble P&O organization that easily adapts to market changes and employees’ expectations and amplifies business intimacy and impact through strategic business partnership.

We will need to re-assess and fine-tune our approach with the new organizational structures. We are fully committed to keeping you informed as we progress with the process and will provide regular opportunities for you to share your questions and concerns.

4. How does today’s announcement affect People Partner and Business Partner roles?

Having focused Business and People Partner roles is how P&O will successfully enable major business transformations across the organization. Our plan is to continue the rollout of the Business & People Partner roles and we will need to re-assess and fine-tune our approach in harmony with the new organizational structures.

5. What does this mean for my role? How will I be informed about updates?

The simpler organizational model is central to our growth strategy as it will make us more agile and competitive, enhance patient and customer orientation, unlock significant potential in our R&D pipeline and drive value-creation through operational efficiencies. Operational efficiencies will come from leaner structures and will lead to savings over time, including impacted roles. It is too early right now to speculate which roles and how many. We will make decisions as quickly and transparently as possible and will take every possible step to ensure our people are treated with fairness and respect throughout the process.

6. Are our P&O priorities going to change?

We will continue to focus on unleashing the power of our people to be at their best to drive performance and deliver impact to reimagine medicine for our patients. Our P&O priorities remain more important than ever, focused on culture, talent, and transformation.

7. Who can I speak to if I have more questions?

All updates will be posted on the **OneNovartis Transforming for Growth**.

You have our full commitment to keep you informed as we progress with the process and to provide specific details as soon as possible.

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Finance

1. How does today's announcement impact the way how Finance will be working with business partners in the future? Will they align to the new operating model of their business partners?

Supporting the business will remain our highest priority. This will not change the interactions and the service delivery of Finance to business partners. However, work and scope of BPA and FRA will be adapted over time to reflect the new organizational model of Novartis as all aspects of this change come into effect. Once we have these plans in place, we will communicate timely to our employees and business partners.

2. Will annual planning and budget process for 2022 and beyond change and how?

We will start our LF1 and LF2 reviews under the new structure. However, configuring the underlying system and data consolidation in line with the new structure will take some time.

3. Is there a savings target?

The simpler organizational model is central to our growth strategy as it will make us more agile and competitive, enhance patient and customer orientation, unlock significant potential in our R&D pipeline and drive value-creation through operational efficiencies. Operational efficiencies will come from leaner structures and will lead to savings over time. We are expecting these changes to result in fully realized savings of at least USD 1bn by 2024. We expect the savings to come primarily from efficiencies in operations, reducing duplication in marketing & sales and streamlining of G&A functions. We will begin this process by providing guidance to each unit during the LF1 process.

4. How does today's announcement impact LDC?

The LDC program will continue to progress as planned under the sponsorship of Steffen Lang and Harry Kirsch. Operationally, LDC will move to Operations and Fred Simoes, Head LDC, will report to Steffen Lang, President, Operations.

5. How does that impact the CFOs on a country, regional and global level?

The simpler organizational model is central to our growth strategy as it will make us more agile and competitive, enhance patient and customer orientation, unlock significant potential in our R&D pipeline and drive value-creation through operational efficiencies,

Operational efficiencies will come from leaner structures and will lead to savings over time, including impacted roles. It is too early right now to speculate which roles and how many. We will make decisions as quickly and transparently as possible and will take every possible step to ensure our people are treated with fairness and respect throughout the process.

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ERC

1. How does today's announcement impact our ERC strategy, priorities and organizational set-up?

Our ERC strategy remains unchanged, as does our commitment to ONE ERC. We will continue to follow the needs of the business and assess our activities and areas of focus accordingly. With the changes announced, we will adjust our ERC structure as follows:

- At global, regional, and country levels, our ERC representatives in Novartis Pharmaceutical and Novartis Oncology business units will merge to become an Innovative Medicines International (IMI) ERC Team.
- This will be the same for the IM US, our ERC representatives in Novartis Pharmaceutical and Novartis Oncology business units will merge to become an Innovative Medicines US ERC Team. The Head of ERC for the US will become a member of the ERC LT.
- The current ERC CTS and ERC NTO teams will form the new Operational Unit ERC Team. This includes the ERC Team supporting Digital Transformation & Innovation, and Data Science and AI.
- Further ERC support for the new Strategy and Portfolio Function will need to be defined.
- ERC will have solid reporting lines directly into the function, and ultimately to the Chief Ethics, Risk & Compliance Officer. The same is true for all other support functions and their respective functional head.

2. Will ERC remain part of country leadership teams?

Maintaining our proximity to the business is critical and essential for our ability to deliver value to the business. ERC will remain part of the respective leadership teams in units/countries.

3. Will there be changes to ERC roles and responsibilities? Are there opportunities to undertake a new role as a result of these changes?

Our responsibility in ERC is to enable the business to effectively manage risk and empower associates to do what's right – during times of transformation, this becomes more important than ever. Our ERC operating model must reflect that of the business, and with the announced changes there is a need to review our ERC model. As we work through what this might look like, we will keep you informed. We commit to bringing you certainty as quickly as possible, to being transparent and clear throughout this process, and to communicate in a timely manner.

4. Do the changes announced today impact our ERC Big Bold Objectives?

Nothing changes for our Big Bold Objectives as of now - we remain committed to delivering on our three Big Bold Objectives – Project Enhance, TPRM and Human Rights. At this stage, it is too soon to fully understand how these changes might impact our plans for Enhance and TPRM however where possible, we will restrict potential changes to the planned timelines. We do not anticipate any changes to our Human Rights objectives as a result of these changes.

5. With the appointment of Jan Hansen to PMO for the transformation, who will lead the Global Risk & Resilience team?

We are pleased to share that Barbara Badoino will take on the role of Head of Risk & Resilience and will join the ERC Leadership Team, effective immediately.

Legal & Public Affairs

1. Why is Global Security joining Legal & Public Affairs?

The Global security team will join the Legal & Public Affairs function to drive further simplification, reduce the number of interfaces and accelerate decision-making. The Global Security team will continue to protect patients, the business and its leaders as well as driving fair and timely investigations.

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Internal Audit

1. How does Kees' announcement impact the way NBAA is operating? Will the setup of this function change?

As of May 1, the Internal Audit team, together with the QDOS team, will form a separate and independent function called "Internal Audit" under Kees' leadership. Kees will report to Vas, with a functional reporting line to Liz Doherty, Audit Compliance & Committee Chair. The IA team set-up will be reviewed to ensure IA is best placed to cover the business under the new organizational setup.

The Global Security team will join the Legal function to drive further simplification, reduce the number of interfaces and accelerate decision-making.

2. What does this mean for Natacha?

Prior to this transformation project, Natacha decided to pursue the next step in her career. Natacha's new role within Novartis will be communicated at a later stage. Given the new situation, Kees was appointed and Natacha will work closely with him over the coming weeks to ensure a smooth transition.

3. How does this new set up impact the audit plans for 2022?

The Internal Audit team will continue to execute the current audit plans for this year. However, the plan will likely be adjusted to reflect the announced organizational changes. This will be done in close alignment with the business partners and communicated in a timely manner.

4. How does it impact the work Global Security is doing?

The Global Security team will continue to protect patients, the business, and its leaders, and drive fair and timely investigations.

Communications & Engagement

1. C&E has only recently undergone an integration and a restructuring. What does this announcement mean for us?

The work we have done so far puts us ahead in the change curve in the context for Transforming For Growth. At the same time, proximity to the business is and always has been one of our core principles, so it's clear that we need to adapt our organizational set-up to the new enterprise structure and further simplify our ways of working within our recently implemented operating model and our overarching C&E strategy. We have nominated a program team (as part of the enterprise program team) to work this through and you can expect an update before end of May.

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1. How will the announcement of the new Novartis operating model for the innovative medicines business impact the strategic review of Sandoz?

- The ongoing strategic review of Sandoz is not related to or impacted by the new. Novartis operating model. For the strategic review, Novartis continues to explore all options, ranging from retaining the business to separation, in order to determine how to best maximize value for our shareholders.
- As outlined in the communications announcing the Novartis changes, Sandoz will continue to operate independently as the strategic review continues.
- Read the **Sandoz Strategic Review Q&A**.

2. This looks like a post-Sandoz exit organizational structure for Novartis – does this mean that a decision on Sandoz is already made and can we expect some announcements regarding Sandoz soon?

- No decision has yet been taken regarding the eventual outcome of the Sandoz Strategic Review.
- To point this out specifically: Any decision on the future of Sandoz as part of the Strategic Review will need a formal Novartis Board of Directors approval and it will trigger an ad-hoc public disclosure need, so our associates will clearly be informed if and when the Board of Directors decide.
- There is still much work to be done before such a decision can be taken: The process involves defining the perimeter for Sandoz (what is in scope), the carve-out planning (auditing the financials of a standalone Sandoz for the last three years) and then evaluating the business in light of various potential options.

3. Are we also thinking of combining TechOps with IT, REFS, Procurement and other services at Sandoz as Novartis is doing this now?

- At this point, our immediate priority at Sandoz is getting the business back to growth. As we work through the strategic review our ask of Sandoz associates is to focus on driving our Going For Growth Agenda.
- While Novartis works to execute the announced strategy to simplify operations, Sandoz will largely be isolated from these changes and will continue to operate independently as the Sandoz strategic review continues.
- As part of the ongoing strategic review, we will look into what is the best set-up for Sandoz to become the most valued generic business.

4. Are we also thinking of integrating global functions like Finance, P&O, Legal, ERC and Communications on global and country level, shifting to a central financial reporting model with global cost lines?

- At this point, our immediate priority at Sandoz is getting the business back to growth. This is what we should all be focusing on as we execute against our Going for Growth agenda.
- While Novartis works to execute the announced strategy to simplify operations, Sandoz will largely be isolated from these changes and will continue to operate independently as the Sandoz strategic review continues.
- As part of the ongoing strategic review, we will look into what is the best set-up for Sandoz to become the most valued generic business.

5. Will Sandoz also reduce Selling, General and Administrative Expenses?

- Our immediate priority at Sandoz is getting the business back to growth. This is what we are aligning our resources towards.
- As part of the ongoing strategic review, we will look into what is the best set-up for Sandoz to become the most valued generic business.

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6. How does our Sandoz set-up compare against external benchmarks?

- As part of the Sandoz strategic review, we will look into what is the best set-up for Sandoz to become the most valued generic business, and for this we will also consider external benchmarks.

7. What does the Novartis CTS change means for Sandoz?

- We do not expect any immediate impact from the CTS changes on the Sandoz operating model, but we will to stay close to how the changes at Novartis are being implemented over the next few weeks and months.
- As part of the Sandoz strategic review, we will look into what is the best set-up for Sandoz to become the most valued generic business.

8. The Novartis announcement leaves it unclear what happens with the Novartis Digital Leadership Team. What does this mean for the Sandoz Digital Office?

- We do not expect any immediate impact from the changes of CTS on our Sandoz digital function amidst our ongoing strategic review.
- We have just announced a leadership change for the Sandoz Digital Office and we will continue to drive our digital journey at Sandoz.
- We believe we have a strong strategy in place, and Valerie Chew is continuing the work that Rachel Phang has started as Sandoz Chief Digital Officer.

9. With the announcement causing uncertainty for a number of functions in Novartis, including CTS, NTO and GDD, how do we ensure we get timely and quality execution of services for Sandoz?

- The forthcoming changes to the Novartis operating model will be implemented with minimal disruption to the customer-facing operations. Sandoz will continue to operate independently and should not be significantly affected by these changes.

10. During a call with Novartis leaders, Vas has highlighted that compared to peers Novartis is physically present in a high number of countries. Will Sandoz be looking at exiting countries?

- Sandoz has a broad coverage of many markets today as part of our mission to drive access to medicines. However we are reviewing our market footprint on an ongoing basis to ensure we are operating as effectively and efficiently as possible.
- Where we do not see a potential to grow our business sustainably, we will analyze options. This is part of our approach to make tough choices and focus on markets where we can grow the business over the mid-term horizon.

11. Will should Sandoz associates do now?

- What is most important at this point is that we all stay fully focused on our day jobs and do everything we can to bring Sandoz back to a position of stronger growth.
- Under the heading of “Grow, grow, grow”, we are pursuing our Going for Growth agenda and aim to drive volumes and market shares in 2022.

12. Where can I learn more about the Novartis changes?

- Please take a look at the Transforming for Growth hub which will be updated on a regular basis.