



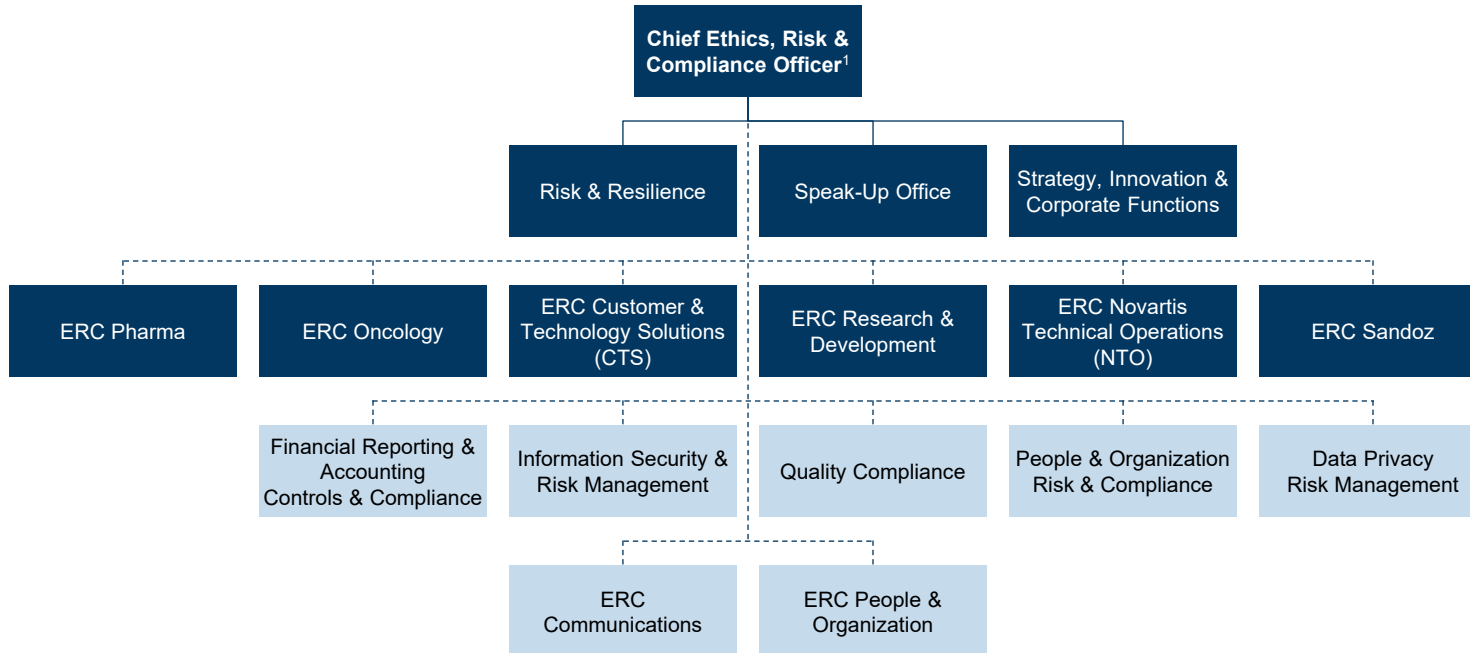
Ethics, Risk & Compliance

Novartis Enterprise Risk Management

January 2022

Novartis Enterprise Risk Management

Risk management is an essential part of our Ethics, Risk & Compliance organization (ERC)



¹ Member of Executive Committee of Novartis

Novartis Enterprise Risk Management

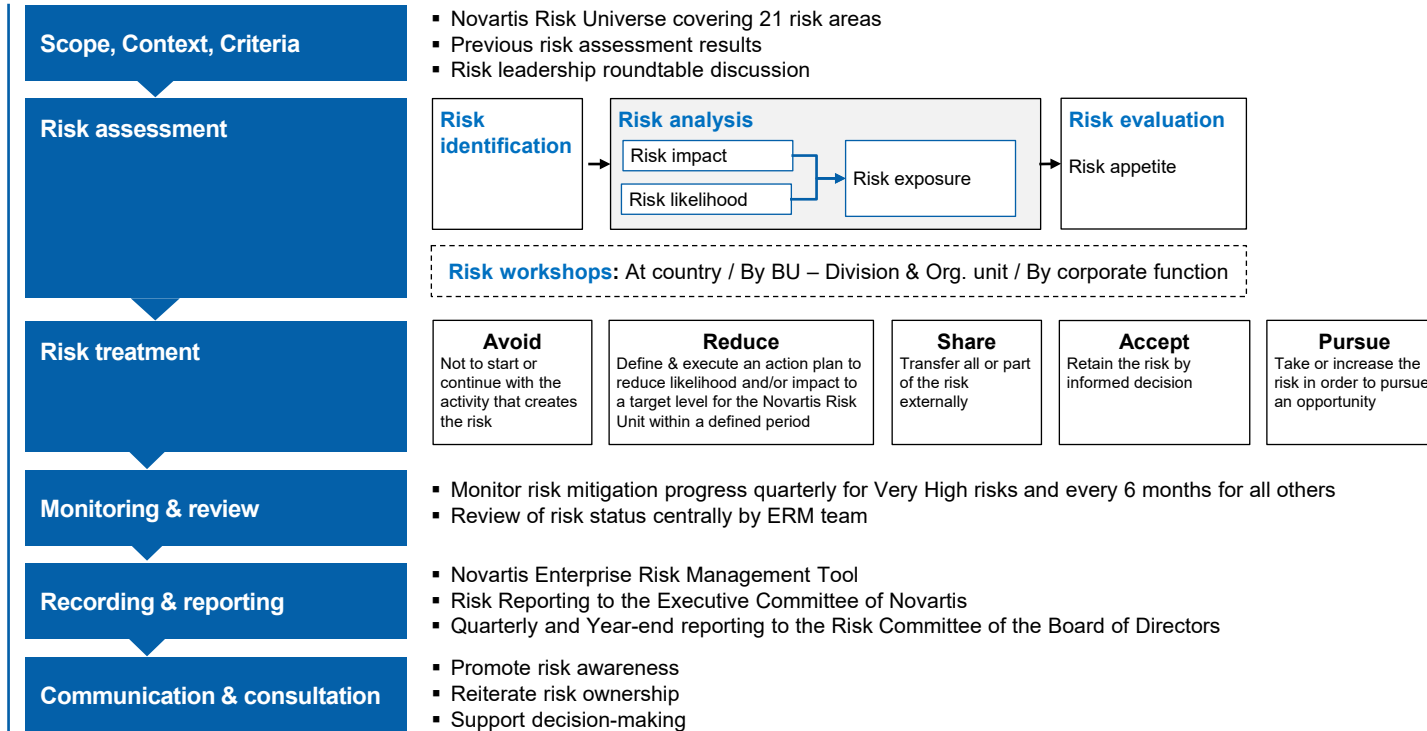
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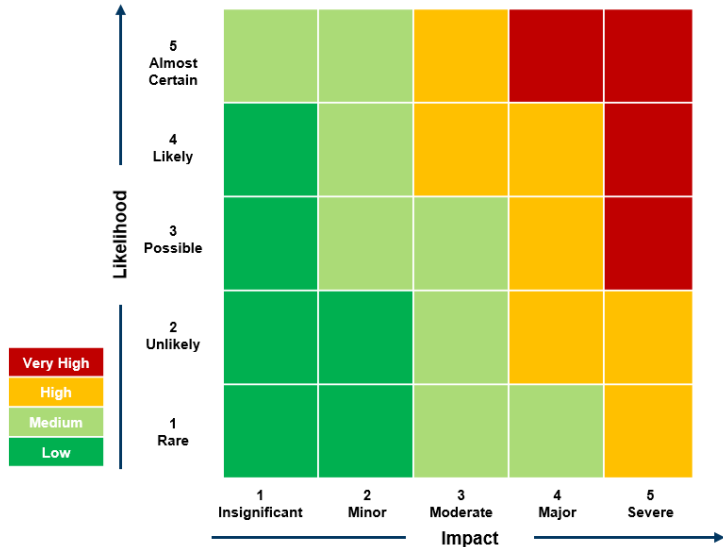
Our process to manage risks at Novartis



Novartis Enterprise Risk Management

Our evaluation method is a 5x5 matrix in combination with the Novartis Risk Compass that helps us to prioritize our risks and set the focus

5x5 Risk Matrix



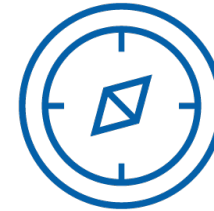
Novartis Risk Compass

Strategic Risks

Risks that are most consequential to Novartis ability to execute its strategy or achieve its business objectives

Emerging Risks

Identified risks that require close monitoring, which may evolve to a significant Operational or Strategic Risk



Operational Risks

Risks resulting from inadequate or failed internal processes and/or systems, employee errors or from external events

Awareness Topics

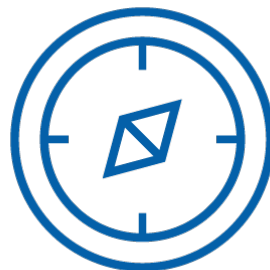
Trending topics that are not accounted by Novartis risk management yet, but have the potential to become a new risk

Novartis Risk Compass

Top risks in 2021

Strategic Risks

- 1. Key products and commercial priorities**
Failure to deliver key commercial priorities and successfully launch new products
- 2. Pricing, reimbursement and access**
Pricing and reimbursement pressure, including transparency and access to healthcare
- 3. Alliances, acquisitions and divestments**
Failure to identify external business opportunities or realize the expected benefits from our strategic acquisitions or divestments



Emerging Risks

- 1. Geopolitical and macroeconomic developments**
Impact of geo- and socio-political threats and macroeconomic developments
- 2. Tax laws and developments**
Changes in tax laws or their application
- 3. Intellectual property**
Expiry, assertion or loss of intellectual property protection

Operational Risks

- 1. Cybersecurity and IT systems**
Cybersecurity breaches and catastrophic loss of IT systems
- 2. Fragmented IT landscape and ERP / EDM implementation**
Fragmented business processes and unclear data ownership may impact future digital opportunities including the implementation of the new Enterprise Resource Planning (ERP) and Enterprise Data Management (EDM) governance
- 3. Talent management**
Inability to attract, integrate and retain key personnel and qualified individuals

Awareness Topics

- 1. Climate change**
Climate change and increased risk of major natural disasters
- 2. Changes in disease patterns, antimicrobial resistance and pandemics**
Antimicrobial resistance is a growing threat to public health, closely related to changes in disease patterns including possible future pandemics
- 3. Falsified medicines**
Impact on patient safety and harm to reputation of Novartis and our products