

Novartis Pension Funds

Annual Report 2025



Purpose and Organization

The *Novartis Pension Fund 1* with 22838 insured members and retirees and assets worth CHF 13.6 billion is one of the largest autonomous pension organizations in Switzerland. It is joined by the *Novartis Pension Fund 2* with assets of CHF 613.2 million, and the *Management Pension Fund* with assets of CHF 452.3 million.

As the recently published 2025 Annual Reports show, the Novartis Pension Funds performed well in a challenging investment environment and are prepared for future

challenges. The number of active insured persons decreased, primarily due to the termination of the affiliation agreements with the Sandoz companies and the ongoing restructuring measures in the reporting year 2025. Given the number of employees affected, the Novartis Pensions Funds continue to pursue a so-called partial liquidation procedure in order to ensure equal treatment of the groups of leaving and remaining insured members.

Novartis Pension Fund 2 and Novartis Management Pension Fund – examples for an innovative approach

Even the highly regulated field of occupational pensions in Switzerland has leeway for flexible solutions. Besides offering insured members ways of tailoring their pension to meet their needs, these solutions also require them to take more personal responsibility. One example is the option to select the investment strategy in the non-mandatory area of pension arrangements. How this can work in practice is shown by the examples of the *Novartis Pension Fund 2* and the *Novartis Management Pension*

Fund, where various investment strategies with different risk/return profiles are offered for selection. Their performance ranged from 0.04% in the “low-risk” money market strategy to 5.91% in the «Equities 40» investment strategy. Overall, the performance of all strategies amounted to 3.84%. By the end of the year, around 43% (Novartis Pension Fund 2) and 21% (Novartis Management Pension Fund) of the participants had actively exercised their choice.

The Board of Trustees of the *Novartis Pension Fund 1* is made up equally of 7 employer’s and 7 employees’ representatives.

Organization Novartis Pension Fund 1 (as of December 31, 2025)

Board of Trustees

(Period of office from January 1, 2025 until December 31, 2028)

Management

Marco Armellini, Managing Director

Employer’s Representatives

Daniel Weiss (Chairperson)
Dr. Bertrand Bugnon
Isabelle Defond
Lukas Förtsch
Riet Grond
Ruth Schuchter
Chris Stöckli

Statutory Auditor

KPMG AG, Basel

Employees’ Representatives

Davide Lauditi (Deputy Chairperson)
Claudio Campestrin
Ralf Endres
Andrea Fedriga-Hägeli
Cornelia Gasser
Eliana Mussin
Sabrina Staub

Actuary

Libera AG, Zurich

Retirees’ Committee

Gilbert Fahrni, Reinach
Rudolf Haas, Basel
Daniel Linder, Basel

Statutory Inspectorate

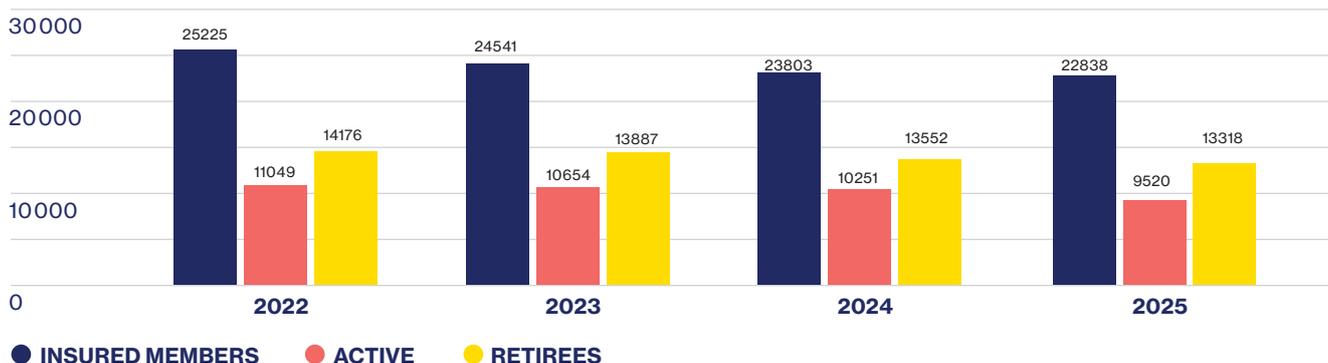
BVG- und Stiftungsaufsicht beider Basel (BSABB)
Eisengasse 8, 4001 Basel

Statistical Data

Let us start with some statistical data on *Novartis Pension Fund 1* as reported in the actuarial statement:

On 31 December 2025, there were 9 520 (previous year: 10 251) actively insured members compared with 13 318 (previous year: 13 552) retirees, of whom 8 487 had reached retirement age, 260 were drawing a disability

pension, and 4 067 were drawing a widow(er)'s pension or a life partner pension. Orphans' and children's pensions accounted for a further 504 current pensions. The average pension income amounted to CHF 39 902 (previous year: CHF 40 092).



Annual Statement for 2025

The investment strategy is aimed at achieving long-term security for the benefits of the pension plans, taking into account the concrete asset-liability status of the Fund, i.e. its actual financial situation as well as

the structure and likely development of its insured population. As a Pension Fund, we have to be able to guarantee the fulfilment of our long-term obligations at any time.

Change in fund value for the current business:

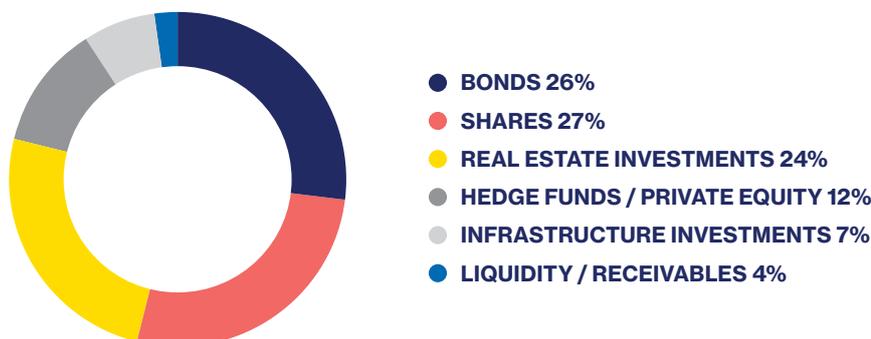
Income (CHF millions)	2025	2024
Employee contributions	108	112
Employer contributions	184	194
Joining fees and follow-up funding	116	122
Deposits on take-over of insured members	0	1
Earnings from investments	24	38
Realized gains from investments	550	82
Diverse		
Total income	982	549
Expenditure (CHF millions)	2025	2024
Pension payments	-548	-559
Lump-sum payments	-91	-64
Portable sums, home ownership payments	-376	-260
Administrative costs	-6	-5
Diverse	-10	-23
Total expenditure	-1031	-911
Net cash flow	-49	-362
Cumulative change in asset values	198	
Change in fund value	149	

Based on the result from cash flows (CHF –49 million) and taking into account the cumulative change in value of the assets (198 million), the overall increase in the Fund's value in 2025 amounted to CHF 149 million.

The following *Balance sheet* provides an overview of the assets of *Novartis Pension Fund 1* in terms of their market value.

Assets (CHF millions)	31.12.2025	31.12.2024
Liquidity deposits	588	285
Receivables	13	14
Bonds	3 456	3 589
Shares	3 732	3 610
Hedge funds and private equity	1 581	1 669
Infrastructure investments	957	916
Real estate investments	3 267	3 334
Currency overlay	55	-208
Collateral	-68	223
Total assets	13 581	13 432
Obligations and deferrals	-122	-78
Net fund value	13 459	13 354

The composition of assets breaks down as follows:



Liabilities (CHF millions)*	31.12.2025	31.12.2024
Actuarial reserve and technical accruals	10 847	11 188
Fluctuation reserves	1 725	1 947
Free funds	887	219
Total liabilities	13 459	13 354

* Not including obligations and deferrals

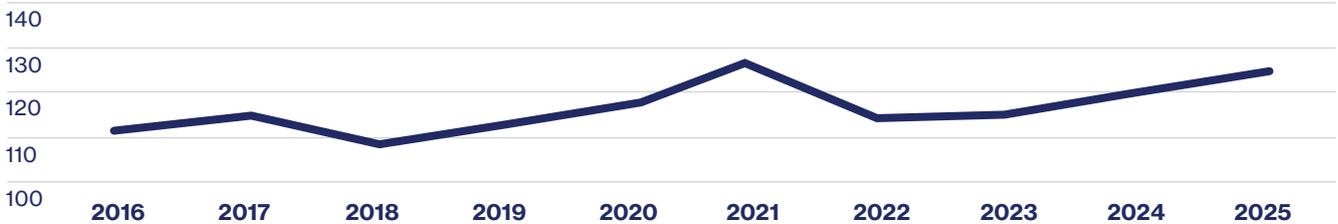
The assets are compared with the required *actuarial reserves* and technical accruals of CHF 10 847 million as per 31 December 2025, calculated in accordance with recognized actuarial principles. In addition to these liabilities, there are fluctuation reserves set aside for the market-specific risks associated with these assets so that the Pension Fund retains its ability to handle financial risk.

The *funding ratio* is calculated as the ratio of tied assets to free assets. Based on the statutory method of declaration in accordance with art. 44 para. 1 BVV 2, the funding ratio amounted to 124.1%. This means that the financial situation has been significantly strengthened compared to the previous year and that the fluctuation reserves are at their target level. Hence, the capacity of *Novartis Pension Fund 1* to manage financial risk is deemed unrestricted within the framework of its strategic asset

allocation. Also reflected in the funding ratio are the substantial increases of the actuarial reserves for pensions over the past years and the provisions made for financing compensation credits in the context of the

conversion rate adjustment enacted in January 2022. With all these measures, due account was taken of the low interest rate levels that have persisted for years and the continuously rising life expectancy.

Development of Funding ratio 2016–2025, in %



● COVERAGE RATIO ACCORDING TO ART. 44 PARA. 1 BVV2

Performance 2025

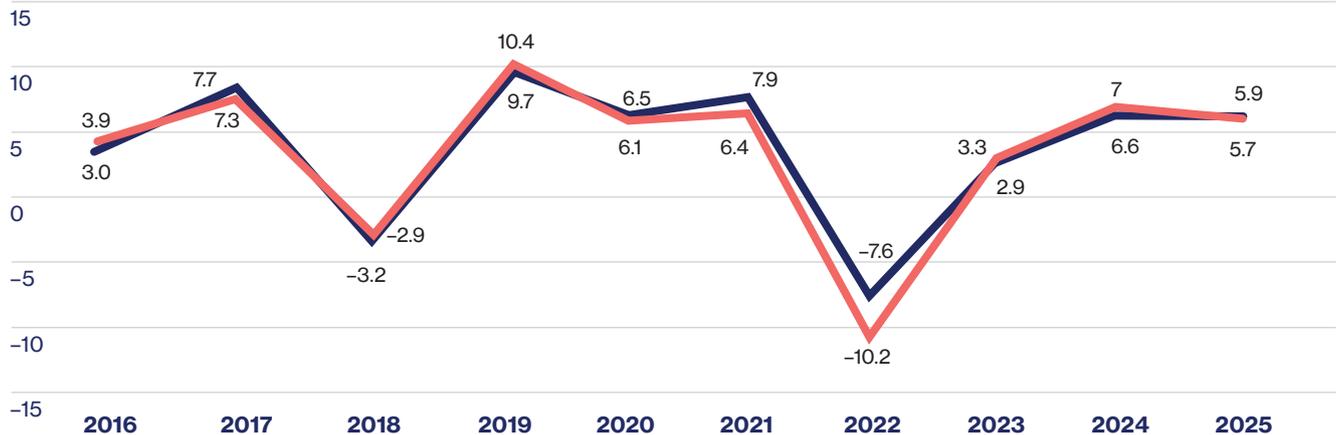
After a positive start to the year, financial markets faced erratic US trade policy and geopolitical tensions in the Middle East in 2025. The US tariff increases announced in April initially led to market declines, from which global stock markets recovered rapidly. Emerging markets in particular benefited from stable commodity prices and rising demand. In the third quarter, the European Central Bank (-50 bp) and the US Federal Reserve (-25 bp) cut interest rates, strengthening expectations of a “soft landing”. Robust corporate earnings, particularly in technology and industry, supported share prices. The SNB lowered its key interest rate to 0.5% in September and maintained this level until the end of the year. Despite this

easing, the Swiss franc strengthened significantly against the major currencies over the course of the year, driven by capital inflows and its role as a safe haven.

Overall, global growth remained solid. The S&P 500 rose by around 15%, the European STOXX 600 by 9%, the MSCI Emerging Markets by 12% and the TOPIX by 10%. Yields on 10-year US government bonds stabilised at around 4%, while corporate bonds benefited from tighter credit spreads. Despite geopolitical tensions, 2025 proved to be a year of resilience, supported by expansionary monetary policy and solid corporate momentum.

In this environment, equities performed best with a gain of 17.49%, followed by infrastructure (+6.08%), alternative investments (+4.58%), investments in real estate (+4.16%), bonds (+0.43%) and cash and cash equivalents (+0.13%), while foreign currencies (-4.06%) tended negatively.

Overall, the performance of *Pension Fund Novartis 1* amounted to 5.90%, outperforming the benchmark (5.71%) by 19 basis points.



● PERFORMANCE IN % ● BENCHMARK IN %

Would you like more information?

As a member of the Novartis Pension Funds, you may obtain the detailed Annual Report for 2025 from the Pension Fund Team.

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Basel, March 2026

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