

## Employee account and share deposit account administration regulations Novartis Pharma AG

### Objective and purpose

This Swiss Country Regulations applies to all persons with a Novartis employee account or a share deposit account for shares of Novartis AG (hereinafter called "Novartis shares") managed in Switzerland.

### Detailed description

#### 1. Types of account and share deposit account

1.1 Novartis Pharma AG (hereinafter called "administration") manages and administers employee accounts in Swiss francs (CHF) as well as share deposit accounts for shares of Novartis AG (hereinafter called "share deposit account").

The administration reserves the right to transfer the share deposit account and the administration of share deposit accounts to third parties holding a securities dealer or banking license.

1.2 The employee account is primarily intended to simplify payment transactions (in particular for salary payments) between employees and the employer. Employees can either leave the balance on the employee account or have it transferred in part or in whole at any time.

1.3 When opening the employee account, employees must provide the administration with a bank or post account.

1.4 A share deposit account managed by Novartis Pharma AG is referred to herein as an "internal share deposit account" or an "internal deposit account." If the administration of the internal deposit account is transferred to a third party, the share deposit account managed by a third party is referred to herein as an "external share deposit account" or an "external deposit account."

1.5 No guarantees have been provided for the employee accounts. Balances in the employee account are not privileged according to banking or insolvency laws. Novartis shares in internal share deposit accounts are not segregated

according to banking and stock exchange laws. Novartis Pharma AG bears sole liability for the employee account and the internal share deposit account. Where the share deposit account is administered by a third party, claims of the share deposit account holder or the administration against this party are hereby reserved.

## **2. Account and deposit account holders**

- 2.1 The administration opens an employee account for all active employees (incl. trainees, interns, doctoral students and in-house temporary staff (hereinafter called "employees") of Novartis companies in Switzerland, for pensioners (hereinafter called "pensioners"), and for widows/widowers and orphans (hereinafter jointly referred to as "surviving dependents"), who receive from a Novartis pension fund in Switzerland either pension benefits or any other monetary payments.
- 2.2. The administration manages a share deposit account for employees and pensioners if the relevant person acquires or has acquired Novartis shares or rights linked to Novartis shares through an employee share ownership plan.
- 2.3 For third-party individuals, employees from Novartis Group companies outside of Switzerland, family members or heirs of employees, or heirs of pensioners, no account will be opened or internal share deposit account managed.

If surviving dependents who receive from a Novartis pension fund in Switzerland pension benefits or some other monetary payment are allowed to open accounts, they are not entitled to any share deposit account.

- 2.4 Special regulations apply for International Assignees.

## **3. General Information on Employee Accounts**

- 3.1 The Monthly Finance Meeting of Novartis International AG, or any other responsible corporate body, respectively, specifies the credit and debit interest rate on the employee account based on the conditions of the money and capital markets. The credit and debit interest rates can be adjusted in light of prevailing market conditions.
- 3.2 The interest is credited to the employee account once annually at the end of the year. The interest payment is made after federal withholding taxes have been deducted.
- 3.3 Interest is paid on the balance of employee accounts as long as the employment relationship continues with the Novartis company in Switzerland or until pension benefits or other monetary payment is paid out by any Novartis pension fund. The interest payment is made pro rata temporis.

- 3.4 In principle there are no withdrawal limits (subject to Art. 9.2). The administration is allowed to apply withdrawal limits in exceptional cases.
- 3.5 At the end of the year, the administration provides every account holder (hereinafter “account holder”) with an interest and balance statement according to the requirements set forth by the Swiss tax authority.
- 3.6 Employees can view their account balance at any time via the Novartis Intranet or at any Novartis cash machine.
- 3.7 Unless otherwise specified in this regulation, in order to liquidate the employee account, the administration will transfer the account balance without further instruction to the most recently indicated bank or post account after the employment relationship was terminated.
- 3.8. Credit balances on the employee account cannot be pledged.

#### **4. Employee account credits**

- 4.1 Employee accounts are credited for the following:
  - salaries, allowances or other monetary payments that are part of the employment relationship. Payments are made after any social security contributions; withholding taxes, etc. have been deducted.
  - any benefits (pension or capital) from a Novartis pension fund for pensioners or surviving dependents
  - dividends or other monetary payments (e.g. capital repayments, proceeds from the sale of preemptive rights, etc.) arising out of Novartis shares held in the internal share deposit account
  - Proceeds from sales of Novartis shares sold from the internal Novartis share deposit account
  - Credits from the employer based on expense reports
- 4.2 Dividends, sales proceeds or other monetary payments arising out of Novartis shares (e.g. capital repayments, proceeds from the sale of preemptive rights, etc.) that are managed externally will be credited directly to the bank or post account of the employee or pensioner.
- 4.3 In principle (cash) deposits to employee accounts are prohibited. Credits to the employee account are done exclusively from the sources mentioned above. Inbound payments are, however, permissible for the compensation of negative balances or expense reports to be corrected or for the settlement of reverse transactions from transfers made in error or for the repayment of loans.
- 4.4 Salaries and pension benefits are credited on the respective notified salary or pension payment dates.

## 5. Employee account debits

Employee accounts are debited for the following:

- Cash withdrawals at the cash desk or the cash machine
- Transfer orders
- Social security contributions and withholding taxes for salary/bonus payments, or for receipt/allocation of Novartis shares
- Interest and amortization payments for loans from the Novartis pension funds or a Novartis company
- (Re)payments to a Novartis company (e.g. advance payment of expenses) or deposits to Novartis pension funds (e.g. purchases of pension benefits)
- Unjustified expense reports
- Unjustified withdrawals on the company credit card
- Hypothetical taxes as part of an international assignment
- Cancellations, erroneous entries, corrections

## 6. Transfer orders debiting the employee account

- 6.1 Subject to Art. 6.2, the account holder can carry out single payment orders or standing payments order debiting his/her account at any time.
- 6.2 Transfers from the employee account are only allowed to the following accounts:
- his/her own bank or post account carrying the name of the employee, pensioner or surviving dependent
  - an account with the credit card company for the payments made with the Novartis credit card
- 6.3 Transfer orders to an account according to Art. 6.2 can be for a certain amount or for the full account balance.
- 6.4 Transfer orders can be placed electronically via the Novartis Intranet or with forms, email or a letter to the administration. In case of a transfer to a new account, the order has to be made either via the Novartis Intranet or in writing, i.e. an original letter with a signature. The administration can require additional identification measures at any time.
- 6.5 The administration can reject transfer orders to certain countries, any unclear or incomplete orders or orders to banks that do not possess the standard accepted routing options.
- 6.6 The account holder bears the risk in the event of unclear or incomplete instructions as well as if the order contains errors or is delivered late.
- 6.7 Single payment orders are typically executed within three working days of the receipt of the request. Standing orders are executed once per month, typically with the value date on the 25th of the month.

- 6.8 The administration cannot guarantee execution on a specific day. The account holder is responsible for the timely submission of the order.
- 6.9 Any third-party costs or fees associated with the transfer (e.g. receiving bank) as well as any impact from currency fluctuations are at the account holder's expense.

## **7. Overdraft of employee accounts**

- 7.1 Transfer orders that overdraw the account balance are not allowed and will not be executed.
- 7.2 If a negative balance results from an obligatory debit (e.g. social security, withholding taxes for allocated shares), the account holder is obliged to settle the balance within six months.
- 7.3 Negative balances are subject to interest.
- 7.4 The "Advances, early withdrawals and loans" regulation is hereby reserved.

## **8. Power of attorney over employee accounts**

- 8.1 In general, only account holders themselves can manage, and dispose of, their employee account. The administration can accept a written power of attorney from the account holder for the employee account. The power of attorney does not apply to the internal share deposit account.
- 8.2. The account holder can grant a power of attorney to any representative of their choice for the submission of transfer orders according to Art. 6.2. To this end the account holder shall use the forms available for this purpose and observe any other formalities set forth by the administration. The administration can request a renewal of the power of attorney at any time.
- 8.3 If the account holder dies, any disposition of the employee account requires evidence of legitimate authorization which shall be based on legal inheritance documents.

## **9 Cash withdrawals from the employee account**

- 9.1 Only the account holder can make cash withdrawals from the employee account at Novartis cash machines or at the cash desk.
- 9.2 There are daily limits (currently set at CHF 15,000 respectively EUR 10,000) for cash withdrawals at cash machines or at the cash desk. Given sufficient prior notice, higher sums can be withdrawn at the cash desk. In any case, cash withdrawals must not exceed the balance of the employee account. The administration can adjust the cash withdrawal limits at any time.
- 9.3 Cash withdrawals are only possible in CHF or EUR. The administration specifies the exchange rate for EUR withdrawals.

- 9.4 Cash withdrawals at the cash desk and cash machines require a person to have access to the company site (Novartis badge or other access ID). If the general access authorization is missing, then the access rules for the respective site are applicable and the person concerned must identify him/herself at the gate.
- 9.5 Cash withdrawals at cash machines require a personal Novartis card associated with a personal PIN code. The PIN code is to be kept confidential and has to be kept separately from the card in any case. Any loss of the Novartis card needs to be reported immediately to the administration or the cash desk. As long as the card is not reported lost and could not be blocked, then any cash desk or cash machine withdrawal with the Novartis card will be at the expense of the employee account regardless of whether such withdrawal was duly authorized or not.
- 9.6 The administration reserves the right to completely block cash withdrawals subject to a three-month advance notice period. Transfer orders debiting the employee account in the purpose of Art. 6 are possible.

## **10 The share deposit account for Novartis shares**

- 10.1 Transfers of shares from external bank deposit accounts are not permitted.
- 10.2 Blocked employee Novartis shares must be kept in an internal or external share deposit account used specifically for this purpose. The respective employee share ownership plan or any other relevant contractual regulations determine whether the Novartis shares in the share deposit account are subject to a mandatory or voluntary vesting or blocking period as well as how and when the vesting period expires or can be lifted.
- 10.3 For Novartis shares held in an external deposit account, dividends and sale proceeds will be paid to a bank or post account, the details of which have to be given by the deposit account owner.
- 10.4 The rights to vote, and receive dividends, on the Novartis shares deposited lie with the deposit account holder in their capacity of shareholder.
- 10.5 The administration generates an annual statement of the deposit account balance of the internal share deposit account and the dividends received.
- 10.6 Novartis shares kept in an internal or in an external share deposit account cannot be pledged or used as collateral.
- 10.7 If the deposit account holder dies, any disposal of the internal share deposit account requires evidence of legitimate authorization which shall be based on legal inheritance documents. For the external share deposit account the relevant rules of the administrator of the external share deposit account apply.

## **11. Transfers and sales orders for shares in the internal Novartis share deposit account**

- 11.1 Freely disposable Novartis shares, i.e. those shares that are not subject to a vesting or blocking period, can be sold at any time by the deposit account holder or transferred to a private deposit account of the holder's choice. Proceeds from the sale of the Novartis shares that were held in the internal share deposit account are credited directly to the employee account.
- 11.2 Orders related to the internal share deposit account can be submitted electronically via the appropriate platform or through relevant form or letter sent to the administration. Orders that are not made via the Novartis Intranet require a signature from the deposit account holder.
- 11.3 Orders related to the internal share deposit account are executed within three working days of receipt of the order. Orders related to the internal share deposit account for a sale on a certain date cannot be accepted. The deposit account holder is responsible for compliance with insider trading regulations.
- 11.4 Sales related to the internal share deposit account are settled at the share price quoted by Novartis.
- 11.5 The administration can reject any unclear or incomplete orders or orders for transfers to share deposit accounts that do not possess the standard accepted routing options.
- 11.6 The share deposit account holder bears the risk in the event of unclear or incomplete instructions as well as if the order contains errors or is delivered late.
- 11.7 The administration charges no expenses or brokerage fees for managing the internal share deposit account, share transfers or the sale of Novartis shares.
- 11.8 The administration can freely decide how and by whom the share deposit accounts shall be managed. By taking part in a Novartis share ownership plan, or as a holder of Novartis shares kept in the internal share deposit account, the participant and deposit account holder acknowledges that, depending on the deposit setup established by the administration, any deposit account administration fee or transaction fees may have to be paid by the participant and share deposit account holder, respectively. The administration will provide the plan administrator with the required data and information. The management, transfer and sale of Novartis shares is regulated by the guidelines of the relevant administrator of the external share deposit account.

## **12. Liquidation of the employee account and the internal share deposit account upon termination of the employment relationship before retirement**

- 12.1 If an employee leaves a Novartis company in Switzerland (except in the case of retirement or disability), the internal share deposit account and the employee account will be closed.

- 12.2 Departing employees must inform the administration prior to the end of the employment contract where the balance of the employee account, and the Novartis shares held in the internal share deposit account, respectively, shall be transferred or, alternatively, in the case of Novartis shares, whether these shall be sold. If no information is provided to the administration within 30 days of the end of the employment relationship, the Novartis shares will be sold and the corresponding proceeds, together with the balance of the employee account, will be transferred to the existing bank account.
- 12.3 A transfer to a Novartis Group company outside of Switzerland is deemed to be a termination of the employment relationship for the purpose of this Art. 12 and triggers the closure of the employee account and the internal share deposit account.

**13. Liquidation of the employee account and the internal share deposit account upon death of the account holder when no claims against the Novartis pension funds exist**

- 13.1 If the account holder dies, and there are no claims against the Novartis pension funds, the internal share deposit account will automatically be liquidated through the sale of the Novartis shares, provided that the value of the Novartis shares does not exceed CHF 10,000. The proceeds from the sale will be credited to the employee account.
- 13.2 If the balance of the employee account (after liquidation of the internal share deposit account, if any) is not more than CHF 10,000, the balance including any final interest will be transferred to the most recently known bank account and the employee account will be closed.
- 13.3 If the balance of the employee account and/or the internal shares deposit account exceeds CHF 10,000, the administration will await instructions from legitimate heirs. The latter must demonstrate evidence of legitimate authorization in accordance with section 8.3 or 10.7. The legitimate heirs shall request the balancing and closure of the account and share deposit account as soon as possible, but no later than six months after the death of the account holder, or deposit account holder, respectively. Should this request not be made within this timeframe, the administration may sell the shares and transfers the proceeds together with the balance of the employee account to the known bank account. The administration reserves the right to take other measures.

**14. Continuation of the employee account and the internal share deposit account when claims against the Novartis pension funds exist**

- 14.1. If the employment relationship ends due to retirement, disability or death, the employee account will remain active for as long as the employee or his/her surviving dependents can claim any benefits from a Novartis pension fund. As the case may be, the account may be further administered under the name of the new account holder and with a new account number.

- 14.2 From November 30, 2017, Novartis can no longer administer Novartis shares of surviving dependents in an internal share deposit account. Novartis shares not sold by that time by the surviving dependents or not transferred to a private share deposit account indicated by the deposit account holder(s) may be sold by the administration subject to one month's prior notice, and the proceeds will be credited to the employee account or an account named by the surviving dependents. The administration reserves the right to take other measures.
- 14.3. No new share deposit accounts will be opened and administered for the surviving dependents.
- 14.4 The administration offers no guarantee for the execution of the sale of Novartis shares on a certain day. The deposit account holder is responsible for the timely submission of the sale or transfer order. Any costs or fees charged by third parties in conjunction with the deposit account service (e.g. commissions, brokerage fees, taxes and fees for a share transfer) as well as the impact of any share price fluctuations are at the deposit account holder's expense.

#### **15. Dormant accounts**

Accounts or internal share deposit accounts whose balances are less than CHF 5,000, which have been dormant for more than five years and which cannot be balanced because no bank account details are available, can be closed by the administration and the remaining balance will be transferred to a charity organization.

#### **16. International agreements, disclosure requirements**

If international agreements or the internal law of Switzerland provide for so-called "reporting obligations" (including the disclosure of the account holder's name and/or the current account balance or past account statements to national or international authorities), or introduce withholding obligations regarding asset balances or proceeds on the employee account or share deposit account, the administration will in general have recourse to the reporting procedures (subject to any alternative procedure communicated by the administration). Should such an agreement provide for a right of choice (reporting or withholding) regarding the settlement of the past, the administration will, if possible, grant this right of choice to the relevant account or deposit account holders.

#### **17. Interpretation / language versions**

Unless the context requires otherwise, the following interpretation rule applies: Words importing the singular also include the plural and vice versa; the masculine form includes the feminine form (and vice versa); the word "includes" is not to be interpreted as restrictive; headings and text formatting

are used for the purposes of better legibility and have no effect on the interpretation of these provisions.

These Regulations were written in German and English. In case of differences between the two versions, the German version shall take precedence.

## **18. Validity**

- 18.1 These regulations shall come into force on 1 September 2017. They shall entirely supersede and replace all preceding versions.
- 18.2 Changes to the interest rates, withdrawal limits or any other provisions of these regulations can be made at any time. The administration can communicate these changes to the account and share deposit account holders with notices posted at the cash desk, through internal notifications or through other appropriate means.

## **19. Place of jurisdiction**

These regulations are governed by Swiss law. The courts of Basel City shall have exclusive jurisdiction for all disputes arising out hereunder.