

Basel, January 2022

Novartis Pension Funds

To the insured members of the Novartis Pension Funds

Dear Sir / Madam

Please accept our very best wishes for a happy and successful New Year. The new year has also brought about some changes in the regulations of the Pension Funds, which we would like to summarize briefly for you here.

Conversion Rate Adjustment

The adjustment of the conversion rate means an important change for Novartis Pension Fund 1. The aim was and is to ensure a financially sound and sustainable pension scheme for all Novartis associates in Switzerland, both now and in the future.

We already provided you with detailed information on this change. The presentations, webcasts and other information can be found on the homepage of the Novartis Pension Funds at www.pensionskassen-novartis.ch.

To provide you with a detailed picture of your pension situation, please find enclosed with this letter your personal pension insurance statement as of January 1st, 2022. The personal pension insurance statement shows you the current status of your pension benefits and contributions, calculated on the basis of the salary applicable on 1 January 2022 and also taking into account the total amount of any compensation credits.

Disability Insurance: new “stepless” pension system.

So far, the statutory Disability Insurance in Switzerland used four gradations of pension entitlements, namely a quarter pension for a degree of disability of 40%, a half pension (50%), a three-quarter pension (60%) and a full pension (70%). By introducing a more finely graduated pension system, the legislator wanted to create incentives for increased labor market participation of disabled insured persons. At the same time, this would result in a more realistic and comprehensible entitlement for the insured.

With a view to implementation, legislation was guided by the following principles:

- The method of assessing the degree of disability remains fundamentally unchanged.
- The determined degree of disability should in principle correspond to the resulting pension entitlement, whereby a degree of disability of 40% still results in (only) a quarter pension, in order not to increase the “cliff” between the degrees of disability of 39 and 40%.
- For degrees of 40–49%, the pension entitlement increases linearly from 25% to 47.5%, i.e., by 2.5 percentage points per degree > 40%.
- For a degree of disability between 50 and 69%, the percentage corresponds to the degree of disability.
- A degree of disability of ≥70% grants unchanged entitlement to a full pension.

Due to the close coordination between the 1st and 2nd pillar, it was imperative to implement these changes in the regulations of the Novartis pension funds, too, along with transitional provisions. Please find the updated versions of the regulations here: www.pensionskassen-novartis.ch/en/knowledge/downloads

New Climate Strategy

The new climate strategy, which becomes effective in 2022, seeks to align the investment activity of the Novartis Pension Fund 1 with the objective of the Paris Agreement, in line with the best available science. Capital allocation and stewardship will be employed to reduce greenhouse gas emissions financed by the Fund's equity, corporate bond, and real estate investments. Also, the Pension Fund will join the PRI Net Zero Asset Owner Alliance, an initiative of like-minded institutional investors under the umbrella of the United Nations Environment Programme Finance Initiative. Please find further details here: <https://www.pensionskassen-novartis.ch/en/pension-funds/news>. More information on the implementation of the climate strategy will follow in the course of the coming months.

Interest on pension assets in Novartis Pension Fund 1

We are pleased to let you know that the interest rate on your pension assets in the retirement plan and the savings plan of Novartis Pension Fund 1 for 2021 has been set at 4.0%. In the current year, a provisional interest rate of 0.5% applies.

If you need any further information, please don't hesitate to call on tel. +41 61 324 24 20.

Yours sincerely

NOVARTIS PENSION FUNDS

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