



Novartis Pension Funds

Annual Report 2024



Purpose and Organization

The *Novartis Pension Fund 1* with 23 803 insured members and retirees and assets worth CHF 13.4 billion is one of the largest autonomous pension organizations in Switzerland. It is joined by the *Novartis Pension Fund 2* with assets of CHF 621.5 million, and the *Management Pension Fund* with assets amounting to CHF 443.7 million.

As the recently published 2024 Annual Reports show, the Novartis pension funds performed well in a challenging investment environment and are prepared for future

challenges. This is not least with regard to the changes resulting from the *Sandoz spin-off* and the ongoing restructurings. Given the number of employees affected by these transactions, the Novartis Pensions Funds initiated a so-called partial liquidation in order to ensure equal treatment of the groups of leaving and remaining insured members. This means that not only the vested benefits but also a portion of the superannuation and fluctuation reserves will be transferred collectively to the new employers' pension funds, in due course.

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 1.29% in the “low-risk” money market strategy to 9.05% in the “Equities 40” investment strategy. Overall, the performance of all strategies amounted to 5.24%. By the end of the year, around 41% 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, 2024)

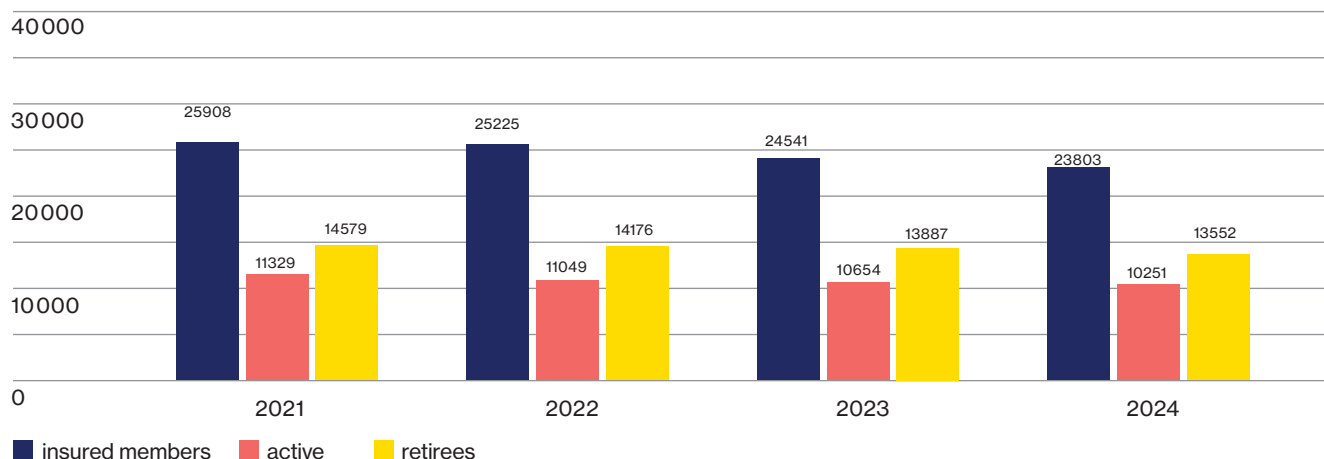
Board of Trustees (Period of office from January 1, 2021 until December 31, 2024)	Management Marco Armellini, Managing Director Dr. Markus Moser, Deputy Managing Director
Employer's Representatives Daniel Weiss (Chairperson) Dr. Bertrand Bugnon Isabelle Defond Riet Grond Dr. Matthias Leuenberger Dr. Christian Rehm Ruth Schuchter	Statutory Auditor KPMG AG, Basel
Employees' Representatives Davide Lauditi (Deputy Chairperson) Sarah Bardouille Claudio Campestrin Ralf Endres Andrea Fedriga-Hägeli Eliana Mussin Clarissa Vajna	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 2024, there were 10 251 (previous year: 10 654) actively insured members compared with 13 552 (previous year: 13 887) retirees, of whom 8 621 had reached retirement age, 281 were drawing a disability

pension, and 4 186 were drawing a widow(er)'s pension. Orphans' and children's pensions accounted for a further 464 current pensions. The average current pension income amounted to CHF 40 092 (previous year: CHF 40 281).



Annual Statement for 2024

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 membership. 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:

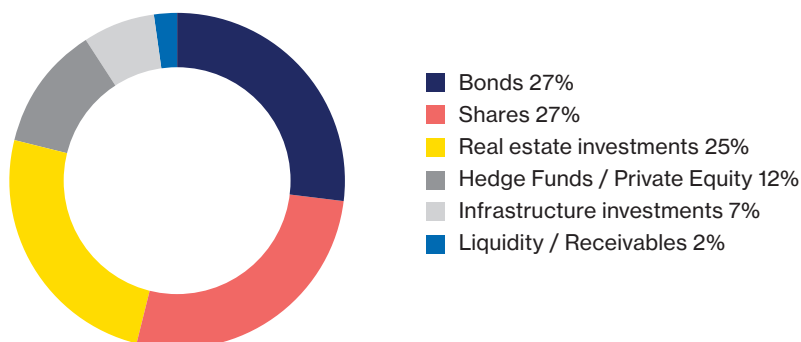
	2024	2023
Income (CHF millions)		
Employee contributions	112	113
Employer contributions	194	196
Joining fees and follow-up funding	122	117
Deposits on take-over of insured members	1	2
Earnings from investments	38	68
Realized gains from investments	82	444
Diverse	0	21
Total income	549	961
Expenditure (CHF millions)		
Pension payments	-559	-575
Lump-sum payments	-64	-45
Portable sums, home ownership payments	-260	-263
Administrative costs	-5	-5
Diverse	-23	0
Total expenditure	-911	-888
Net cash flow	-362	73
Cumulative change in asset values	711	
Change in fund value	349	

Based on the result from cash flows (CHF –362 million) and taking into account the cumulative change in value of the assets (711 million), the overall increase in the Fund's value in 2024 amounted to CHF 349 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)	31.12.2024	31.12.2023
Liquidity deposits	285	729
Receivables	14	14
Bonds	3 589	3 479
Shares	3 610	3 287
Hedge funds and private equity	1 669	1 588
Infrastructure investments	916	804
Real estate investments	3 334	3 144
Currency overlay	-208	240
Collateral	223	-202
Total assets	13 432	13 083
Obligations and deferrals	-78	-92
Net fund value	13 354	12 991

The composition of assets breaks down as follows:



Liabilities (CHF millions)*	31.12.2024	31.12.2023
Actuarial reserve and technical accruals	11 188	11 308
Fluctuation reserves	1 947	1 679
Free funds	219	4
Total liabilities	13 354	12 991

* Not including obligations and deferrals

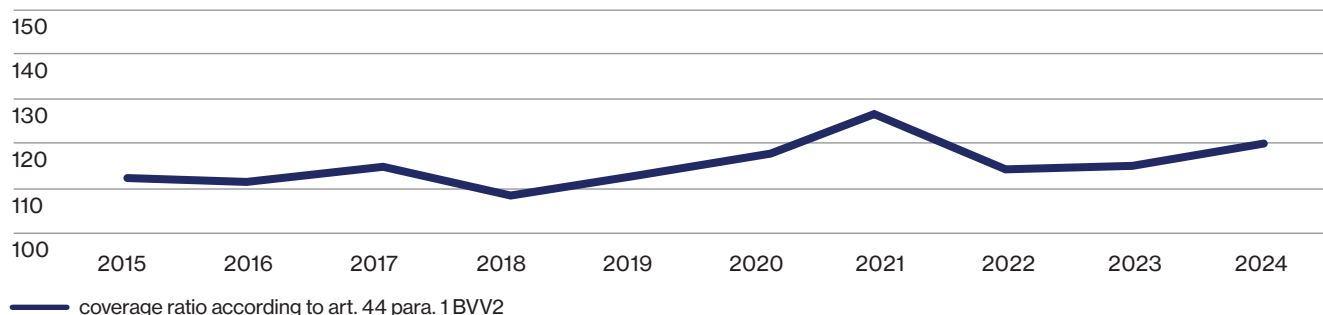
The assets are compared with the required *actuarial reserves* and technical accruals of CHF 11 188 million as per 31 December 2024, calculated in accordance with recognized actuarial principles. In addition to these liabilities, there are fluctuation reserves set aside for the market-specific risks associated with these assets so that the Pension Fund retains its ability to handle financial risk.

The *funding ratio* is computed 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 119.4%. 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 2015–2024, in %



Performance 2024

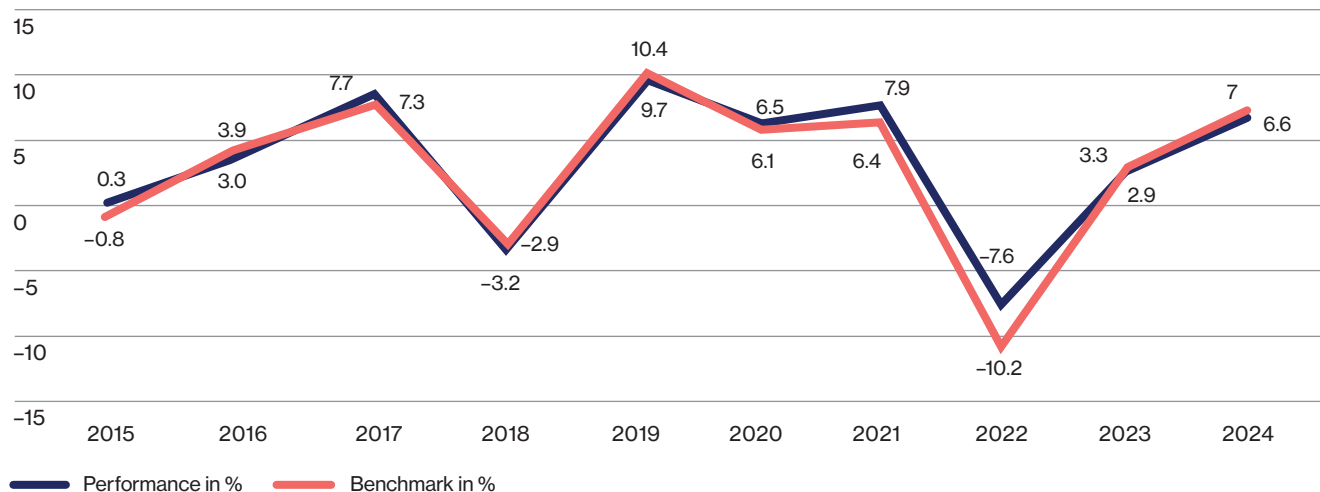
In the first quarter of the reporting year, equity markets performed well on the back of solid corporate earnings. Comparatively low local inflation allowed the Swiss National Bank (SNB) to make an unexpectedly sharp cut to its key interest rates, causing the Swiss franc to weaken against several foreign currencies. In the second quarter, encouraging inflation data in the US and the continued hype surrounding artificial intelligence provided further positive impetus for global equity markets, while lower inflation and economic data depressed US government bond yields. In the third quarter, a significant interest rate cut of 50 basis points by the US Federal Reserve and the associated easing of financial conditions to stabilize the US labor market set a positive tone for a “soft landing”. Global equities rose to a new all-time high, with the US

technology and cyclical sectors leading the way. In Switzerland, the SNB cut the key interest rate by a further 0.25 percentage points (to 1.0%).

Overall, 2024 was a strong year for investment returns as economic growth surprised on the upside and central banks began cutting interest rates. The S&P 500 index rose by 25%, the Japanese TOPIX index by 20%, the European STOXX 600 index by 10% and the MSCI Emerging Markets index by 8%. The 10-year US Treasury yield rose for the fourth consecutive year, setting the stage for weak returns on government bonds worldwide. Credit spreads tightened further and corporate bonds generated moderate returns.

In this environment, equities performed best with a gain of 15.78%, followed by real estate (+6.93%), infrastructure investments (+4.74%), foreign currencies (+4.32%), alternative investments (+2.03%) and cash and cash equivalents (+1.00%), while bonds (-1.85%) tended negatively.

Overall, the performance of *Pension Fund 1* amounted to 6.61%, trailing the benchmark (7.03%) by 42 basis points.



Would you like more information?

As a member of the Novartis Pension Funds, you may obtain the detailed Annual Report for 2024 from the Pension Fund Team.

Phone +41 61 529 36 23

E-mail: markus-pk.moser@novartis.com

Basel, March 2025

Markus Moser / Thierry Beck-Wissmann