

SANDOZ

ARCC

Principal Auditor Independence Policy

1. Services approval policy
2. Standards on hiring employees

05.12.2023

1.1 Services Approval policy

The Audit, Risk and Compliance Committee (ARCC) has adopted a general policy procedure to pre-approve non-assurance services to be provided by the principal independent auditor without obtaining specific pre-approval for each engagement. In addition, the IESBA's revised non-assurance service standard requires that all non-assurance services provided by the principal independent auditor to an audit client that is a public interest entity should be pre-approved by those charged with governance.

Under this procedure, the ARCC pre-approves the list of non-assurance services as listed in Appendix A. This pre-approved list of non-assurance services remains in effect until amended by the ARCC.

Appendix B lists audit and assurance related services which do not need to be assessed for independence.

This procedure applies to all Sandoz Group entities.

Specific approvals:

Unless a non-assurance service shall have received such general pre-approval, it will require specific approval by the ARCC and the concurrence must be provided to the auditor before an engagement letter contracting the non-assurance service is signed by management.

The ARCC hereby delegates to its Chair the authority to grant approval of services that are not on the pre-approved list.

The Chair shall report all approval decisions to the ARCC at or prior to its next scheduled meeting.

1.2 Concurrence

Under this approval policy, the ARCC understands that the provision of the non-assurance services listed in Appendix A by the independent auditor will not create a threat to the auditor's independence. Therefore, the independent auditor will not be required to obtain specific pre-approval for these services.

On an annual basis, the independent auditor shall inform the ARCC of all services provided under the general pre-approval policy.

All other non-assurance services not covered by this general pre-approval policy will require communication from the independent auditor and individual concurrence from the ARCC regarding:

- the provision of the non-assurance service and
- the conclusion that the provision of the non-assurance service will not create a threat to the auditor's independence, or that any identified threat is at an acceptable level or, if not, will be eliminated, or reduced to an acceptable level.

The concurrence of the ARCC will be formalized in the meeting minutes.

1.3 Policy Review

The ARCC will review this policy and update Appendix A whenever deemed necessary. In addition, the independent auditor may submit to the ARCC a request to amend or add to the terms of this approval policy or to update the general pre-approval list of non-assurance services as per Appendix A.

2.1 Standards on hiring employees from the Principal Independent Auditor

1. Sandoz' policy is not to employ or to engage current or former employees of its principal independent auditor, who worked on the Sandoz Group audit (being the audit of the consolidated financial statements of Sandoz AG) in a management position (being any grade between partner and manager within the principal external auditor's global network).
2. The hiring restriction applies for 3 years after the termination of the assignment to the Sandoz Group audit.
3. The Chair of the ARCC may grant an exception from the hiring restriction.
4. The Chair of the ARCC or the Chief Financial Officer of Sandoz must approve the hiring of a former employee of the principal independent auditor into Sandoz top leadership (STL) or higher position at Sandoz.
5. Termination of financial relationship (e.g. partner capital accounts and loans, pension, retirement accounts) is a required pre-condition of employment for any former employee of the principal independent auditor who worked on the Sandoz Group audit in a management position (being any grade between partner and manager within the principal external auditor's global network), regardless of the expiration of the look-back period or the level for which the person is hired.
6. No former employee of the principal independent auditor may be named an officer of Sandoz for three years after the termination of his or her employment with the principal independent auditor.

Appendix A- List of pre-approved non-assurance services:

The following specific types of other services are permissible by the ARCC:

- Review of compliance by Sandoz Group companies with local statutory regulations concerning incorporation of entities, constituent documentation (such as constitutions and articles of association) and lodgement of statutory filings with regulatory bodies.
- Review of suppliers' financial compliance to contractual obligations with the Sandoz Group e.g., supplier audits.
- Providing advice and recommendations in connection with the audit on the accounting treatment or disclosure requirements emanating from new or proposed rules, standards or interpretations by regulatory or standard setting bodies, including feedback to the client on draft responses to regulatory enquiries on the Sandoz Group's financial reports, or in connection with transactions or events.
- Translation of audited financial reports into another language for the purpose of filing with a national regulator or to satisfy other financial reporting requirements of a Group entity or affiliate.
- Assistance with financial due diligence investigations pertaining to potential business acquisitions and providing vendor assistance with respect to potential disposals and other major transactions and events (excluding financial statement related valuation services, appraisals or fairness opinions), including the review of financial statements and other financial data and records and discussions with counterparty finance and accounting personnel.

Appendix B- List of audit and assurance related services which do not require pre-approval:

AUDIT SERVICES

- Statutory audit engagements for Sandoz, the Group and each subsidiary and affiliate as required by applicable companies and securities legislation.
- Financial statement audit engagements for any Sandoz Group entity, incremental to the audit work required for the purpose of the consolidated financial statements, where required by applicable laws or regulations or as requested to meet internal management requirements for audited financial statements of nominated Sandoz Group entities (rationale/justification for increment to be documented by management).
- Recurring financial statement reviews of the Sandoz Group's quarterly or semi-annual, interim condensed consolidated financial statements.
- Audits of management certifications as to the adequacy of internal controls where such audits are mandated by applicable companies and securities legislation.
- Audit of controls relating to specific applications, including general computer controls in connection with new system implementations or updates.

AUDIT-RELATED/ASSURANCE SERVICES

- Audits of financial statements of Sandoz Group entities for the purpose of inclusion in prospectuses and other forms of offering documents relating to the issuance or registration of debt or equity securities of Sandoz Group entities.
- Conduct of agreed procedures to permit the issuance of comfort letters in connection with prospectuses and other forms of offering documents referred to above.
- Issuance of consents and comfort letters in connection with capital market transactions.
- Conduct of review or audit procedures to permit the issuance of an Independent Accountants Report that Sandoz may call for in connection with regulated market transactions.
- Audit reports on capital increase/decrease, or according to merger act (services required by law/regulation).
- ISAE Assurance Reports (ISAE 3000, ISAE 3402).
- Agreed-upon procedures, extended audit procedures and regulated attest engagements applied to selected financial and non-financial information or financial statements required to respond to or comply with financial, accounting or regulatory reporting matters, including audits of royalty, emissions and similar returns audits pursuant to audit clauses in third party contracts entered into by the Sandoz Group and its entities.
- Separate audits of pension and other employee benefit plans, generally as required by local law.
- The audit of selected financial information of Group entities in support of disposal and borrowing transactions.
- Closing balance sheet audits pertaining to acquisitions or disposals.
- Other assurance services provided by the principal independent auditor, but which are not directly related to or in support of the recurring Sandoz Group or statutory audit opinions. These services principally include contract audits and reviews, internal control reviews and assessments, and advice and recommendations with respect to Sandoz implementation of new accounting pronouncements.
- Debt compliance attestation.