

American Swiss 70th Anniversary Gala Dinner

Good evening Ladies and Gentlemen, I am delighted to be here at the American Swiss 70th Anniversary Gala Dinner.

As an American leading a Swiss company, I have a privileged insight into our two countries. Every day I see the benefits that our close relationship brings, both to our people, and to the world. Our shared values and our cooperation makes our relationship a special one.

Above all, I believe what unites our great countries is a shared spirit of **innovation** and innovation is the theme I want to talk about with you today.

The US and Switzerland lead the world in innovation. We consistently sit together at the top of global innovation rankings. Switzerland, a country with few natural resources, has made innovation the foundation of its industry. The US is a country of firsts, and is a country defined by the new.

Both countries have contributed extraordinary innovations to the world. Direct democracy, space travel, super-conductors, the transistor, the computer mouse, particle accelerators not to mention, velcro, the common zipper, cellophane and of course my personal favorites - the cheeseburger and milk chocolate!

I'll leave you to wonder which country invented which. One revelation I will share however, is that although Switzerland may have a somewhat

conservative reputation internationally, ask yourselves what it says about a country that invented LSD and the Bobsled! A dangerous combination.

But you cannot deny the innovation here. I have seen the success of innovation in Switzerland and the US first hand and the reasons are similar. Our two countries are well recognized as “Sister Republics”. We share values of federal democracy, individual freedom and of a free market. We both have a well-educated, productive workforce, excellent protection of intellectual property, legal certainty and political stability. Both countries are open to the world’s talent. In the US, 1 in 7 people are from abroad - in Switzerland 1 in 4, with US citizens forming the 2nd largest group amongst Swiss company leaders.

This ability to innovate is critical for the future success of both countries. The world is undergoing dramatic change and nowhere is this felt more keenly than in my industry, which is healthcare. Powerful trends are changing the healthcare landscape.

Step back and think about how far medical innovation has brought us in the last century. It’s pretty amazing. From the earliest painkillers and antibiotics to the latest cancer breakthroughs, innovations have played a central role in the increased longevity and quality of human life.

In 1900 the average life expectancy in the US was 50 years of age. Today life expectancy surpasses 80. In some ways, we are a victim of our own success. As a result of the spectacular impact of modern medical science, we’re seeing a sea change in demographics. Over the

next decade we expect the global population to increase by 1 billion people. There will be half a billion more people over 50 years of age.

Think about that for a moment.

Think about what it means for health systems. For society.

Expensive chronic diseases are forecast to account for 70% of all illnesses. As the population ages, that is set to increase. We'll have a larger, older, sicker population. Unless health systems adapt to these demographic changes, healthcare spending, already under intense pressure, is forecast to double.

These changes are inevitable and the message is clear - doing more of the same is simply not an option. Not for healthcare systems and not for the pharmaceutical industry. The bar for success will be higher. Incremental innovation will not be enough. Rewards will go to true innovation and those who can innovate, will survive.

But innovation is hard. Most new ideas you try, will fail. Innovation takes commitment. That is why at my company, Novartis, I have made innovation the very foundation of our strategy. We believe that focusing on science – no matter what the market potential – will produce better long-term results for patients and the people who invest in our company.

By following the science, we have already created groundbreaking new treatments:

- For cancer patients, the first medication for a genetic mutation, for leukemia
- The first vaccine to protect all age groups against Meningitis B in Europe
- The first oral therapy for multiple sclerosis

And we continue to be an industry leader in R&D.

Last year, we spent USD 10 billion on R&D, which represents 17% of our net sales. To put that in context, the aerospace industry spends five percent, the auto industry spends four. As a result, we have a robust pipeline of potential new drugs, with the most self-originated drugs in the industry.

To achieve this level of innovation success, I believe it's important to take risks. Let me give you an example. We have an amazing new drug for heart failure called LCZ696.

At Novartis, we're not so innovative when it comes to our drug names!

Nonetheless, patients who take this drug are 20 percent less likely to die from cardiovascular causes and 21 percent less likely to be hospitalized. This is potentially a huge benefit for patients with heart failure.

But LCZ696 represents more than a decade of clinical research. We had seen competitors suffer serious setbacks trying to develop a drug in this area - skepticism was high, success not obvious and costs significant. Regardless, we took on the risks. We put together the largest heart failure clinical study ever, with more than 8,400 patients and today LCZ696 represents potentially one of the most important cardiology advances in the last decade.

Switzerland and the US are at the heart of innovation efforts such as this.

Switzerland is where our company began and we still have a huge presence today. We generate only 1% of our sales there but spend over a third of our USD 10 billion R&D budget. We have almost 8,000 people from 100 countries on our Basel campus, of which 2,200 are scientists .

At the same time, we have invested heavily in the US, creating high-paying jobs, jobs in which top talent have the opportunity to work on the most promising breakthroughs in their fields.

We were one of the first multinational companies to build its global research headquarters in Cambridge, Massachusetts. Our cutting-edge work in cell and gene therapy is anchored in New Jersey. And Texas is the headquarters of our eye care division, Alcon. Almost 4,000, or 60%, of our scientists and clinicians are located in the US.

We have also made investments in strong partnerships with leading universities, with non-profit organizations, and with other companies in the US. These include:

- Attacking cancer: We are building a new research center on the University of Pennsylvania's campus, dedicated to finding ways to use the body's immune system to destroy cancer cells.
- Attacking diseases of aging: We are working with the Banner Institute to delay the emergence of Alzheimer's symptoms in people who are genetically predisposed to develop the disease.
- Innovating our manufacturing: We have a 10-year collaboration with MIT to transform the pharmaceutical manufacturing process, cutting production times, and dramatically improve quality.

At the same time, we are seeing increased innovation from unconventional sources, as technology companies start to expand into healthcare. We see these as opportunities to innovate.

For example, in July, we announced a collaboration with Google. We are the world's leading maker of contact lenses and with Google's expertise in electronics and miniaturization we are developing "smart lens" technology: contact lenses that have microchips so small they can be embedded in the lens, which will allow your eye to autofocus like a camera. This collaboration is unique in the industry, and is bringing together biology and technology in ways previously not imagined.

We are also committed to working with the US to ensure access to healthcare for all patients, regardless of their ability to pay. In 2014 Novartis Patient Assistance Programs provided more than \$540m in free medicine to 61,000 patients.

Of course, all this is only possible if the US and Switzerland develop public policies that encourage medical discovery and promote biopharmaceutical jobs. There are ways both countries can do more.

To make the US even more attractive to foreign investment, we should focus on a few areas:

- First, we need to ensure that reimbursement policies support and encourage medical innovation. The U.S. has the highest corporate tax rate of any of the 34 countries that make up the OECD, and continues to tax income on a global scale. Switzerland enjoys one of the lowest national rates and a territorial tax system. If the U.S. were to reform corporate tax rates, we would see increased investment in the U.S.
- Second, we need a strong, science-based regulatory system to approve new medical advances more quickly. For example, in simplifying regulation around the drug development process.
- Finally, the US must continue to protect intellectual property rights, even in the face of special interest groups who are trying to weaken it. IP protection is essential to continued investment in innovation.

With more than 300,000 jobs at stake, the continued growth and leadership of the U.S. biopharmaceutical industry cannot be taken for granted.

Similarly, Switzerland must protect its competitiveness in innovation.

- It must protect its spirit of open-mindedness and inclusion and resist attempts to limit immigration of new talent.

- It must preserve its bilateral treaties with the EU: to ensure free movement of workers; to avoid duplicative regulation by each EU country, and to avoid weakening of our research base by cutting researchers off from European projects.

The American Swiss Foundation plays a critical role in representing these views, and the values we must maintain to continue to be leaders in innovation.

A particular strength is how the American Swiss Foundation helps develop future leaders, through its 'Young Leaders Conference'. These young people bring with them fresh ideas and the courage to take risks. In fact, two members of my senior leadership team are alumni of the ASF young leaders program. Though I must confess, while I wouldn't dare call them old, they are not so young anymore!

To finish, I want to drive home the importance of what we do, by telling you a story about one of our young patients, Emily. Emily was diagnosed in May 2010 with Leukemia when she was 5 years old - and the condition turned out to be highly persistent, with multiple relapses. Then, in 2012, when it looked like further treatment would not be successful, Emily was treated with our new immuno-therapy for acute lymphoblastic leukemia called CART19 – The therapy worked, and Emily has been cancer free ever since. This is why innovation is so important - helping patients around the world live longer, healthier lives.

This is just one example of millions of people that benefit every day from the creativity, compassion and commitment to innovation embodied by the Swiss and American people. Thank you for listening.