

Basel, January 27, 2015

To the shareholders of Novartis AG

Notice of Annual General Meeting

Date: Friday, February 27, 2015, 10.00 a.m. (doors open at 8.30 a.m.)

Place: St. Jakobshalle, Basel (entrance Brüglingerstrasse/St. Jakobs-Strasse)

Agenda

1 Approval of the Annual Report of Novartis AG, the Financial Statements of Novartis AG and the Group Consolidated Financial Statements for the 2014 Financial Year

The Board of Directors proposes approval.

2 Discharge from Liability of the Members of the Board of Directors and the Executive Committee

The Board of Directors proposes discharge from liability for each of its members and for each of the members of the Executive Committee for the 2014 financial year (in a single vote for all members of the Board of Directors and of the Executive Committee).

3 Appropriation of Available Earnings of Novartis AG as per Balance Sheet and Declaration of Dividend

Balance brought forward	CHF	—
2014 net income of Novartis AG	CHF	7,478,506,586
Available earnings as per balance sheet	CHF	7,478,506,586

The Board of Directors proposes appropriation of the available earnings as per balance sheet as follows:

Gross (before taxes and duties) dividend of CHF 2.60 per dividend bearing share* of CHF 0.50 nominal value	CHF	-6,672,955,458
Balance to be carried forward	CHF	805,551,128

* No dividend will be declared on treasury shares held by Novartis AG and certain other treasury shares held by other Group companies.

Assuming that this proposal by the Board of Directors is approved, payment of the dividend will be made as from March 5, 2015. The last trading day with entitlement to receive the dividend is March 2, 2015. As from March 3, 2015 the shares will be traded ex-dividend.

4 Reduction of Share Capital

The Annual General Meeting held on February 26, 2008 authorized the Board of Directors to repurchase a maximum of CHF 10 billion worth of Novartis shares under a sixth share repurchase program. In 2009 and 2012, the Annual General Meetings of Novartis AG approved the cancellation of 6,000,000 shares (representing a nominal value of CHF 3,000,000) and the cancellation of 39,430,000 shares (representing a nominal value of CHF 19,715,000) respectively, all of which were previously repurchased under this program. On November 22, 2013, Novartis AG announced a further USD 5 billion share buyback also to be executed under the authorization of the sixth share repurchase program. Accordingly, in the financial years 2013 and 2014, a further 29,200,000 shares (representing a nominal value of CHF 14,600,000) were repurchased via the second trading line on SIX Swiss Exchange, leaving repurchases of up to CHF 5.3 billion still authorized under the program. The 29,200,000 shares repurchased in 2013 and 2014 are also to be cancelled and the share capital reduced accordingly. PricewaterhouseCoopers AG, the statutory auditor of Novartis AG, has confirmed in a special report prepared for the Annual General Meeting that, from today's perspective, the claims of creditors remain covered even with the proposed reduction in share capital.

The Board of Directors proposes to the General Meeting to state in accordance with the special report of PricewaterhouseCoopers AG that from today's perspective, the claims of creditors are fully covered even with the proposed reduction of the share capital, to cancel 29,200,000 shares repurchased under the sixth share repurchase program in the financial years 2013 and 2014, to reduce the share capital accordingly by CHF 14,600,000, from CHF 1,353,096,500 to CHF 1,338,496,500 through the cancellation of the said repurchased shares and to amend Article 4 paragraph 1 of the Articles of Incorporation as follows:

The share capital of the Company is CHF 1,338,496,500, fully paid-in and divided into 2,676,993,000 registered shares. Each share has a nominal value of CHF 0.50.

5 Revision of the Articles of Incorporation

The Board of Directors proposes to amend the Articles of Incorporation of Novartis AG to fulfill the requirements of both the Swiss Federal Ordinance Against Excessive Compensation in Public Corporations (OAEC) and current best corporate governance and compensation practices. For the text of the proposed revised Articles of Incorporation, please refer to the enclosed brochure "Report of the Board of Directors on the Revision of the Articles of Incorporation" (also published on our website www.novartis.com) and to the Swiss Official Gazette of Commerce (edition of February 2, 2015).

6 Votes on Compensation for the Members of the Board of Directors and the Executive Committee

Based on the revised Articles of Incorporation (or Article 31 paragraph 3 OAEC), the Board of Directors proposes to hold separate votes on the compensation of the Board of Directors and the Executive Committee at the 2015 Annual General Meeting. The enclosed brochure "Shareholder Information on the Compensation Votes at the 2015 Annual General Meeting" sets out further details in relation to the proposed votes on compensation. The 2014 Compensation Report is available electronically under <http://www.novartis.com/annualreport2014>.

6.1 Binding Vote on Total Compensation for Members of the Board of Directors from the 2015 Annual General Meeting to the 2016 Annual General Meeting

The Board of Directors proposes that shareholders approve the total maximum amount of compensation for the members of the Board of Directors covering the period from the 2015 Annual General Meeting to the 2016 Annual General Meeting, i.e. CHF 7,745,000 (as further described in the enclosed brochure).

6.2 Binding Vote on Total Compensation for Members of the Executive Committee for the next Financial Year, i.e. 2016

The Board of Directors proposes that shareholders approve the total maximum amount of compensation to be paid, promised or granted during, or in respect of 2016 to members of the Executive Committee, i.e. CHF 84,000,000 (as further described in the enclosed brochure).

6.3 Advisory Vote on the 2014 Compensation Report

The Board of Directors proposes that shareholders endorse in an advisory vote the 2014 Compensation Report.

7 Re-elections of the Chairman and the Members of the Board of Directors, Election to the Board of Directors

Ulrich Lehner, Ph.D., has decided not to stand for re-election at the 2015 Annual General Meeting. The Board of Directors sincerely thanks Ulrich Lehner for his many years of distinguished service and for his dedication and commitment to Novartis.

The Board of Directors proposes the re-election of Joerg Reinhardt, Ph.D. (also as Chairman of the Board of Directors in a single vote), Dimitri Azar, M.D., Verena A. Briner, M.D., Srikant Datar, Ph.D., Ann Fudge, Pierre Landolt, Ph.D., Andreas von Planta, Ph.D., Charles L. Sawyers, M.D., Enrico Vanni, Ph.D., and William T. Winters as well as the election of Nancy C. Andrews, M.D., Ph.D., as members of the Board of Directors, each until the end of the next Annual General Meeting. You will find information on the members of the Board of Directors in the Annual Report, Corporate Governance Report – Our Board of Directors (<http://www.novartis.com/annualreport2014>).

7.1 Re-election of Joerg Reinhardt, Ph.D., and re-election as Chairman of the Board of Directors (in a single vote)

7.2 Re-election of Dimitri Azar, M.D.

7.3 Re-election of Verena A. Briner, M.D.

7.4 Re-election of Srikant Datar, Ph.D.

7.5 Re-election of Ann Fudge

7.6 Re-election of Pierre Landolt, Ph.D.

7.7 Re-election of Andreas von Planta, Ph.D.

7.8 Re-election of Charles L. Sawyers, M.D.

7.9 Re-election of Enrico Vanni, Ph.D.

7.10 Re-election of William T. Winters

7.11 Election of Nancy C. Andrews, M.D., Ph.D.

Dr. Andrews holds a medical degree from Harvard Medical School and a Ph.D. in Biology from the Massachusetts Institute of Technology. She has been Dean of the Duke University School of Medicine and Vice Chancellor for Academic Affairs since 2007. Dr. Andrews currently serves on the Council of the Institute of Medicine of the National Academies and the Board of Directors of the American Academy of Arts and Sciences. She is independent from Novartis according to the independence criteria set forth by the Board of Directors.

8 Re-elections and Election to the Compensation Committee

The Board of Directors proposes the re-election of Srikant Datar, Ph.D., Ann Fudge, and Enrico Vanni, Ph.D., and the election of William T. Winters as members of the Compensation Committee, each until the end of the next Annual General Meeting. The Board of Directors intends to designate Enrico Vanni, Ph.D., as Chairman of the Compensation Committee again, subject to his re-election as a member of the Compensation Committee.

8.1 Re-election of Srikant Datar, Ph.D., as member of the Compensation Committee

8.2 Re-election of Ann Fudge as member of the Compensation Committee

8.3 Re-election of Enrico Vanni, Ph.D., as member of the Compensation Committee

8.4 Election of William T. Winters as member of the Compensation Committee

9 Re-election of the Statutory Auditor

The Board of Directors proposes the re-election of PricewaterhouseCoopers AG as statutory auditor of Novartis AG for the financial year starting on January 1, 2015.

10 Re-election of the Independent Proxy

The Board of Directors proposes the re-election of lic. iur. Peter Andreas Zahn, Attorney at Law, Basel, as Independent Proxy until the end of the next Annual General Meeting.

For the Board of Directors
The Chairman:

A handwritten signature in black ink, appearing to read 'J. Reinhardt', written in a cursive style.

Joerg Reinhardt, Ph.D.

(The original German text is binding)

Enclosures: - Registration form with reply envelopes
- Brochure "Report of the Board of Directors on the Revision of the Articles of Incorporation"
- Brochure "Shareholder Information on the Compensation Votes at the 2015 Annual General Meeting"

Organizational notes

No Trading Restriction on Novartis Shares

The registration of shareholders for voting purposes does not affect the trading of Novartis shares held by registered shareholders before, during or after a General Meeting.

Annual Report

The Annual Report (including the financial statements of Novartis AG and the Group's consolidated financial statements) and the Compensation Report for the 2014 financial year as well as the statutory auditor's reports on each one are available for inspection by shareholders at the Registered Office of the Company* and on the Company's website at <http://www.novartis.com/annualreport2014>. In addition, from February 6, 2015 a printed edition of the Annual Report will be sent to all registered shareholders who have requested one or who request one* after receiving this notice.

Tickets of Admission

Tickets of admission and voting materials will be sent from February 12 to 25, 2015 to shareholders who register for the Annual General Meeting. It will greatly facilitate the preparations for the meeting if the enclosed registration form is returned as early as possible. Voting rights may only be exercised for shares registered with the right to vote on the Record Date (February 24, 2015).

Appointment of Proxy

A shareholder of Novartis AG may only be represented by his or her legal representative, another shareholder with the right to vote or the Independent Proxy (lic. iur. Peter Andreas Zahn, Attorney at Law, St. Jakobs-Strasse 7, P.O. Box, 4091 Basel, Switzerland). Proxies may only be appointed for one General Meeting.

Please note that family members who are not themselves shareholders cannot be appointed as proxies.

Use of the Sherpany online platform

Novartis shareholders may use the Sherpany online platform and thus receive notices of future General Meetings exclusively by e-mail. By using the Sherpany online platform, shareholders may electronically order their ticket of admission, appoint a proxy or give their instructions to the Independent Proxy. Shareholders who are not yet registered on the Sherpany online platform may do so by contacting the Novartis Share Registry (Novartis AG, Share Registry, Forum 1-P.75, 4002 Basel, Switzerland, fax: +41 61 324 32 44, e-mail: share.registry@novartis.com).

Leaving the Annual General Meeting early

Shareholders who leave the Annual General Meeting early are requested to hand in their unused voting materials and the electronic voting unit on their way out.

Means of Transport

Shareholders are requested to use public transport since parking facilities at the St. Jakobshalle are limited.

Simultaneous Translations

The Annual General Meeting will be held partially in German and partially in English. Simultaneous translation into German, English and French will be available. Headsets will be provided in the foyer.

Speakers' Desk

Shareholders who wish to speak are requested to notify the speakers' desk (*Wortmeldeschalter*) near the podium before the Annual General Meeting begins.

Proposals from Shareholders on Agenda Items

Proposals from shareholders on agenda items are only permissible if they are put to the Annual General Meeting by the shareholders themselves or by an individual proxy acting on their behalf. The Independent Proxy cannot act as individual proxy in this sense.

Mobile Phones

Please switch off your mobile phones during the Annual General Meeting.

Webcast

The Annual General Meeting can be watched as a webcast on www.novartis.com.

*At the Office of the Corporate Secretary, Lichtstrasse 35, 4056 Basel, Switzerland



Report of the Board of Directors
on the Revision of the Articles
of Incorporation

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(The original German text is binding)

A. OVERVIEW

This report outlines the main amendments to the Articles of Incorporation that the Board of Directors proposes to the Novartis Shareholders at this Annual General Meeting. All references to functions and persons refer to both genders.

1. PRELIMINARY REMARKS

In March 2013, the Swiss people approved the Minder initiative, which brings about changes to the governance of public companies. The Swiss Federal Council has enacted an ordinance implementing the initiative (the Federal Ordinance Against Excessive Compensation in Public Corporations, the “Ordinance”), which came into effect on January 1, 2014, subject to certain transitional provisions. In compliance with such transitional provisions, the Board of Directors proposes to the Annual General Meeting of Shareholders a revision of the Articles of Incorporation which meets the requirements of both the Ordinance and current best corporate governance and compensation practices. The proposed amendments are in line with the mainstream of the amendments that other Swiss SMI companies have implemented during 2014, while also duly taking into account international practices in these areas.

The Ordinance requires, among other things, an annual binding Shareholders’ vote on the compensation of the members of the Board of Directors and the Executive Committee. Further, the Articles of Incorporation need to lay down the principal duties and powers of the Compensation Committee, the principles of performance-based compensation for members of the Board of Directors and the Executive Committee, and limitations regarding external mandates of and loans (if any) to members of the Board of Directors and of the Executive Committee.

This overview explains the most important proposed amendments to the Articles of Incorporation and is followed by a presentation of each proposed amendment compared to the existing provisions. References in this overview refer to the renumbered Articles of Incorporation as proposed by the Board of Directors.

2. PROXIES (ARTICLE 14)

Under the Ordinance, representation of Shareholders at the General Meeting of Shareholders by depositaries and by the Corporate Proxy is no longer permitted. Shareholders may be represented by their legal representative, another Shareholder (by written proxy) or the Independent Proxy (by written proxy or by electronic means). The proposed Article 14 paragraphs 1 and 2 empower the Board of Directors to implement these requirements.

3. POWERS OF THE GENERAL MEETING OF SHAREHOLDERS (ARTICLE 17)

Since the 2014 Annual General Meeting of Shareholders, the Ordinance has required the General Meeting of Shareholders to elect annually the members of the Board of Directors and its Chairman, the members of the Compensation Committee and the Independent Proxy. If the office of the Chairman is vacant, the Board of Directors shall appoint a substitute for a term of office extending until completion of the next Annual General Meeting (Article 21 paragraph 2). Similar provisions are proposed for vacancies on the Compensation Committee (Article 27 paragraph 3) and if the Company should not have an Independent Proxy (Article 14 paragraph 4). Further, as of the 2015 Annual General Meeting of Shareholders, the Shareholders have the power to approve the total maximum compensation amounts of the Board of Directors and the Executive Committee in two separate binding votes. The proposed Article 17 reflects these additional powers of the General Meeting of Shareholders.

4. BOARD OF DIRECTORS (ARTICLES 19 AND FF.)

The proposed amendments mainly reflect the fact that the General Meeting of Shareholders elects the members of the Board of Directors and its Chairman individually for a one-year term. The minimum number of members of the Board of Directors shall now be eight (instead of ten). Further amendments are being proposed to simplify the wording of these provisions.

5. COMPENSATION COMMITTEE (ARTICLE 27)

The members of the Compensation Committee are to be individually elected by the General Meeting of Shareholders for a one-year term. According to the Board regulations, only independent members of the Board of Directors may be elected. The proposed Article 27 also governs the number of members, the constitution and the organization of the Compensation Committee. Further, pursuant to the Ordinance, the Articles of Incorporation have to establish the main principles of the powers and duties of the Compensation Committee. The Board of Directors proposes in Article 27 that the Compensation Committee shall continue to support the Board of Directors, among other things, in developing the compensation strategy and the principles and design of compensation plans as well as in preparing the proposals of the Board of Directors regarding compensation to be submitted to the General Meeting. The Board of Directors may, by means of regulations, delegate further tasks to the Compensation Committee.

6. APPROVAL OF THE COMPENSATION OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE COMMITTEE BY THE GENERAL MEETING OF SHAREHOLDERS (ARTICLE 29)

Under the Ordinance, the General Meeting of Shareholders is required to separately approve each year the total maximum amounts of the Board of Directors' and the Executive Committee's compensation.

Article 29 provides that the total amount of compensation for the Board of Directors shall be approved for their following term of office. This ensures that the term of office of the members of the Board of Directors correlates with the period for which they are compensated.

The maximum amount of compensation of the Executive Committee shall be approved for the following financial year. This approach ensures that Novartis would have sufficient time to take appropriate measures in the event of a negative Shareholders' vote before being no longer in a position to pay out any salary to its Executive Committee members. Should the Shareholders not approve a proposed amount of compensation, the Board of Directors would be required to prepare another proposal, taking into account all relevant factors. The options for the Board of Directors shall be to either convene an Extraordinary General Meeting to submit a new compensation proposal, or to determine the compensation for the corresponding period on an interim basis, subject to approval at the next Annual General Meeting of Shareholders. It shall not be possible for the Board of Directors to present a new proposal at the same Annual General Meeting at which the shareholders rejected a proposed compensation amount.

The maximum compensation amount submitted for approval is likely to always be higher than the actual payout, as it must cover the potential total maximum payout in the event the maximum targets of each compensation plan are met. When determining the actual payout, the Board of Directors and the Compensation Committee are bound by compensation principles in the Articles of Incorporation and the respective compensation plans and policies.

In order to continue ensuring full transparency, Novartis will submit the Compensation Report annually to a separate, advisory vote of Shareholders on a retrospective basis. In the annual Compensation Report, the Board of Directors will account to Shareholders for the compensation paid out, promised or granted within the limitations set by the General Meeting of Shareholders, by the Articles of Incorporation and by applicable plans and policies.

7. ADDITIONAL AMOUNT (ARTICLE 30)

The approval of the maximum compensation amount for the Executive Committee will take place at each Annual General Meeting of Shareholders. However, given that the General Meeting of Shareholders approves the compensation of the members of the Executive Committee prospectively, it is necessary to provide for situations in which a person joins the Executive Committee or is promoted within the Executive Committee after the compensation has been approved. The new rules therefore provide that the Articles of Incorporation may determine an additional amount to fund compensation of such members of the Executive Committee during the compensation period(s) already approved. If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to cover the compensation of newly appointed or promoted Executive Committee members in such situations, Novartis may pay out compensation, in a total amount up to 40% of the total maximum aggregate amount last approved for the Executive Committee per compensation period, to newly appointed or promoted Executive Committee members.

8. GENERAL COMPENSATION PRINCIPLES (ARTICLES 31 – 32)

The Board of Directors proposes that the compensation of non-executive members of the Board of Directors shall be limited to fixed compensation elements. They shall receive no company contributions to any pension plan, no performance-related elements and no financial instruments (e.g. options).

In line with best practice, the members of the Executive Committee shall receive a fixed compensation and may also receive a variable, performance-related compensation award. Fixed compensation comprises the base salary and may include other elements and benefits such as contributions to pension plans. Variable compensation may be structured into short-term and long-term compensation elements. Short-term variable compensation elements shall be governed by performance metrics that take into account the performance of the Novartis Group and/or parts thereof, and/or individual targets (including performance against Novartis Values and Behaviors). Achievement of the performance metrics is generally measured during a one-year period. Long-term variable compensation elements are based on performance metrics that take into account strategic objectives of the Novartis Group (such as financial, innovation, Shareholder return and/or other metrics). Their achievement is generally measured during a period of not less than three years.

For both short-term and long-term variable compensation elements, the Board of Directors or, to the extent delegated to it, the Compensation Committee shall determine the target values as well as the maximum values that may be reached in case of overachievement. Variable compensation is subject to caps (as detailed in our 2014 Compensation Report). In line with current practice, plans and policies, the Board of Directors or the Compensation Committee shall determine appropriate grant, vesting, blocking, exercise and forfeiture conditions (e.g. vesting periods and/or sales restrictions).

The compensation actually paid, promised or granted within the total maximum amounts approved by the General Meeting of Shareholders has to be disclosed in a Compensation Report that complies with the Ordinance and is audited by the statutory auditors. The Compensation Report provides for disclosure regarding compensation of the Board of Directors and the Executive Committee: It discloses the compensation paid out to members of the Board of Directors and of the Executive Committee, the basic principles and elements of Novartis' compensation for its Board of Directors and the Executive Committee, and a description of the competent bodies and procedure for determining compensation. Thus, through the annual retrospective advisory vote on the Compensation Report (as provided in Article 29), Shareholders will be able to express their views in a detailed manner on compensation matters.

9. AGREEMENTS WITH MEMBERS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE COMMITTEE (ARTICLE 33)

The Ordinance requires that the Articles of Incorporation determine the maximum duration and notice period of agreements with members of the Board of Directors and the Executive Committee relating to their compensation.

For members of the Board of Directors, the duration and notice period may, in accordance with the Ordinance, not exceed one year. For Executive Committee members, the Board of Directors proposes a maximum duration (for fixed term agreements) or a maximum notice period (for agreements for an indefinite term) of 12 months. This ensures that Novartis may continue to protect itself from undesired and sudden changes on the Executive Committee due to short-term resignations. Further, the proposed provision allows Novartis to continue to enter into post-employment non-compete agreements with members of the Executive Committee if deemed appropriate (e.g. prohibition to work for a direct competitor). The duration of such a non-compete agreement may not exceed one year, and the annual consideration shall not exceed 100% of the total annual compensation (i.e. base salary and annual incentive) last paid to the relevant person.

10. MANDATES OUTSIDE OF THE NOVARTIS GROUP (ARTICLE 34)

The Ordinance requires that the Articles of Incorporation limit the number of mandates that members of the Board of Directors and of the Executive Committee may hold outside the Novartis Group.

The Board of Directors proposes that a member of the Board of Directors may not assume more than ten additional mandates in other companies, of which no more than four additional mandates in listed companies (chairmanships of the board of directors of other listed companies count as two mandates). Executive Committee members are limited to six additional mandates in other companies, of which no more than two shall be in other listed companies (none as chairman of the board of directors).

Since Novartis encourages the engagement of its Directors and Executive Committee members in scientific, cultural and social institutions and interest groups, up to ten such mandates may be assumed. Further, Novartis may have an interest, and request members of the Board of Directors and of the Executive Committee to join the boards of companies which are not controlled by Novartis (e.g. joint ventures). Therefore, members of the Board of Directors and of the Executive Committee may assume up to five such mandates at the request of Novartis. Mandates in group companies are neither limited by law nor by the proposed amended Articles of Incorporation.

11. LOANS (ARTICLE 35)

The Ordinance requires that the Articles of Incorporation determine the amount of loans, if any, granted to members of the Board of Directors and the Executive Committee. The Board of Directors proposes that no loan shall be granted to a member of the Board of Directors nor to a member of the Executive Committee. Currently, there are no loans outstanding to any member of the Board of Directors or the Executive Committee.

12. MISCELLANEOUS AMENDMENTS

The sentence added in Article 9 clarifies that the Shareholders are to be notified by publication in the Swiss Official Gazette of Commerce that the annual report and the reports of the auditors are available for inspection by the Shareholders at the registered office of the Company.

On January 1, 2013, revised accounting laws came into force subject to certain transitional provisions. The proposed amendments to Articles 17 and 36 implement this change of law. Further amendments clarify the Articles of Incorporation and ensure uniform terminology.

B. REVISIONS IN DETAIL

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SECTION 1 – CORPORATE NAME, REGISTERED OFFICE, PURPOSE AND DURATION

Existing version of Articles of Incorporation

Proposed amendments to Articles of Incorporation

Article 1 – Corporate Name, Registered Office

Under the Corporate name Novartis AG, Novartis SA, Novartis Inc. there exists a company limited by shares with its registered office in Basle.

Article 1 – Corporate Name, Registered Office

[Article unchanged]

Article 2 – Purpose

- 1 Purpose of the Company is to hold interests in enterprises in the area of health care or nutrition. The Company may also hold interests in enterprises in the areas of biology, chemistry, physics, information technology or related areas.
- 2 The Company may acquire, mortgage, liquidate or sell real estate and intellectual property rights in Switzerland or abroad.
- 3 In pursuing its purpose, the Company strives to create sustainable value.

Article 2 – Purpose

[Article unchanged]

Article 3 – Duration

The duration of the Company is unlimited.

Article 3 – Duration

[Article unchanged]

SECTION 2 – SHARE CAPITAL	
Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
<p>Article 4 – Share Capital</p> <p>1 The share capital of the Company is CHF 1 353 096 500, fully paid-in and divided into 2 706 193 000 registered shares. Each share has a nominal value of CHF 0.50.</p> <p>2 Upon resolution of the General Meeting of Shareholders registered shares may be converted into bearer shares and reversed bearer shares may be converted into registered shares.</p>	<p>Article 4 – Share Capital¹</p> <p>1 The share capital of the Company is CHF 1 338 496 500, fully paid-in and divided into 2 676 993 000 registered shares. Each share has a nominal value of CHF 0.50.</p> <p>2 [Paragraph unchanged]</p>
<p>Article 5 – Shareholders Register and Restrictions of Registration, Nominees</p> <p>1 The Company shall maintain a shareholders register showing the last names, first names, domicile, address and nationality (in the case of legal entities the registered office) of the holders or usufructuaries of registered shares.</p> <p>2 Upon request acquirers of registered shares are registered in the shareholders register as shareholders with the right to vote, provided that they declare explicitly to have acquired the registered shares in their own name and for their own account. Subject to the restrictions set forth in paragraph 6 of this article, no person or entity shall be registered with the right to vote for more than 2% of the registered share capital as set forth in the commercial register. This restriction of registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. All of the foregoing is subject to Article 685d paragraph 3 of the Swiss Code of Obligations.</p> <p>3 The Board of Directors may register nominees with the right to vote in the share register to the extent of up to 0.5% of the registered share capital as set forth in the commercial register. Registered shares held by a nominee that exceed this limit may be registered in the shareholders register if the nominee discloses the names, addresses and the number of shares of the persons for whose account it holds 0.5% or more of the registered share capital as set forth in the commercial register. Nominees within the meaning of this provision are persons who do not explicitly declare in the request for registration to hold the shares for their own account and with whom the Board of Directors has entered into a corresponding agreement.</p> <p>4 Corporate bodies and partnerships or other groups of persons or joint owners who are interrelated to one another through capital ownership, voting rights, uniform management or otherwise linked as well as individuals or corporate bodies and partnerships who act in concert to circumvent the regulations concerning the limitation of participation or the nominees (especially as syndicates), shall be treated as one single person or nominee within the meaning of paragraphs 2 and 3 of this article.</p> <p>5 After hearing the registered shareholder or nominee, the Board of Directors may cancel registrations in the shareholders register with retroactive effect as of the date of registration if the registration was effected based on false information. The respective shareholder or nominee shall be informed immediately of the cancellation of the registration.</p> <p>6 The Board of Directors shall specify the details and give the necessary orders concerning the adherence to the preceding regulations. In particular cases it may allow exemptions from the limitation for registration in the shareholders register or the regulation concerning nominees. It may delegate its duties.</p> <p>7 The limitation for registration in the shareholders register provided for in this article shall also apply to shares acquired or subscribed by the exercise of subscription, option or conversion rights.</p>	<p>Article 5 – Shareholders Register and Restrictions of Registration, Nominees</p> <p>[Article unchanged]</p>

¹ This amendment is subject to the approval of the General Meeting of Shareholders under Agenda Item 4 and the subsequent registration with the Commercial Registry of Basel.

Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
<p>Article 6 – Form of Shares</p> <p>1 Subject to paragraphs 2 and 4 of this article, the registered shares of the Company are issued as uncertificated securities (in terms of the Swiss Code of Obligations) and as book entry securities (in terms of the Book Entry Securities Act).</p> <p>2 The Company may withdraw shares issued as book entry securities from the custodian system (Verwahrungssystem).</p> <p>3 Provided that the shareholder is registered in the shareholders register, the shareholder may request from the Company a statement of his or her registered shares at any time.</p> <p>4 The shareholder has no right to the printing and delivery of certificates. The Company may, however, print and deliver certificates (individual share certificates, certificates or global certificates) for shares at any time. The Company may, with the consent of the shareholder, cancel issued certificates that are returned to the Company.</p>	<p>Article 6 – Form of Shares</p> <p>[Article unchanged]</p>
<p>Article 7 – (cancelled)</p>	<p>[Article cancelled]</p>
<p>Article 8 – Exercise of Rights</p> <p>1 The shares are not divisible. The Company accepts only one representative per share.</p> <p>2 The right to vote and the other rights associated with a registered share may only be exercised vis-à-vis the Company by a shareholder, usufructuary or nominee who is registered in the share register.</p>	<p>Article 7 – Exercise of Rights</p> <p>[Article unchanged]</p>

SECTION 3 – CORPORATE BODIES	
Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
A. GENERAL MEETING OF SHAREHOLDERS	A. GENERAL MEETING OF SHAREHOLDERS
Article 9 – Competence The General Meeting of Shareholders is the supreme body of the Company.	Article 8 – Competence [Article unchanged]
Article 10 – General Meetings a) Annual General Meeting of Shareholders The Annual General Meeting of Shareholders shall be held each year within six months after the close of the fiscal year of the Company; at the latest twenty days before the meeting the business report and the report of the auditors shall be made available for inspection by the shareholders at the registered office of the Company.	Article 9 – General Meetings a) Annual General Meeting of Shareholders The Annual General Meeting of Shareholders shall be held each year within six months after the close of the financial year of the Company; at the latest twenty days before the meeting the annual report and the reports of the auditors shall be made available for inspection by the Shareholders at the registered office of the Company. Notification thereof may be made by way of a publication in the publication organs set forth in Article 38 of these Articles of Incorporation.
Article 11 – b) Extraordinary General Meeting of Shareholders 1 Extraordinary General Meetings of Shareholders shall take place upon request of the Board of Directors or the Auditors. 2 Furthermore, Extraordinary General Meetings of Shareholders shall be convened upon resolution of a General Meeting of Shareholders or if it is required by one or more shareholders who are representing in the aggregate not less than one tenth of the share capital and submit a petition signed by such shareholder or shareholders specifying the items for the agenda and the proposals.	Article 10 – b) Extraordinary General Meeting of Shareholders [Article unchanged]
Article 12 – Convening of General Meetings of Shareholders 1 General Meetings of Shareholders shall be convened by the Board of Directors at the latest twenty days before the date of the meeting. The meeting shall be convened by way of a notice appearing once in the official publication organs of the Company. Registered shareholders may also be informed by mail. 2 The notice of a meeting shall state the items on the agenda and the proposals of the Board of Directors and as the case may be of the shareholders who demanded that a General Meeting of Shareholders be convened and, in case of elections, the names of the nominated candidates.	Article 11 – Convening of General Meetings of Shareholders [Article unchanged]
Article 13 – Agenda 1 One or more shareholders whose combined shareholdings represent an aggregate nominal value of at least 1 million Francs may demand that an item be included in the agenda of a General Meeting of Shareholders. Such a demand must be made in writing at the latest forty-five days before the meeting and shall specify the items and the proposals of such a shareholder. 2 No resolution shall be passed at a General Meeting of Shareholders on matters for which no proper notice was given. This provision shall not apply to proposals to convene an Extraordinary General Meeting of Shareholders or to initiate a special audit.	Article 12 – Agenda [Article unchanged]

Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
<p>Article 14 – Presiding Officer, Minutes, Vote counters</p> <p>1 The General Meeting of Shareholders shall take place at the registered office of the Company, unless the Board of Directors decides otherwise. The Chairman of the Board of Directors or in his absence a Vice-Chairman or any other member of the Board of Directors designated by the Board of Directors shall take the chair.</p> <p>2 The presiding officer shall appoint a secretary and the vote counters. The minutes shall be signed by the presiding officer and the secretary.</p>	<p>Article 13 – Presiding Officer, Minutes, Vote Counters [Article unchanged]</p>
<p>Article 15 – Proxies</p> <p>1 The Board of Directors shall provide for the rules regarding the participation and the representation at the General Meeting.</p> <p>2 A shareholder shall only be represented by his legal representative, another shareholder with the right to vote, the corporate proxy (Organvertreter), the independent proxy (unabhängiger Stimmrechtsvertreter) or by a depositary (Depotvertreter).</p>	<p>Article 14 – Proxies</p> <p>1 The Board of Directors may issue regulations regarding the participation and the representation at the General Meeting of Shareholders and may allow electronic proxies without qualified signatures.</p> <p>2 A shareholder shall only be represented by his legal representative, another shareholder with the right to vote, or the Independent Proxy (in German: unabhängiger Stimmrechtsvertreter).</p> <p>3 The General Meeting of Shareholders shall elect the Independent Proxy for a term of office lasting until completion of the next Annual General Meeting of Shareholders. Re-election is possible.</p> <p>4 If the Company does not have an Independent Proxy, the Board of Directors shall appoint the Independent Proxy for the next General Meeting of Shareholders.</p>
<p>Article 16 – Voting Rights Each share provides entitlement to one vote.</p>	<p>Article 15 – Voting Rights [Article unchanged]</p>
<p>Article 17 – Resolutions, Elections</p> <p>1 Unless the law requires otherwise, the General Meeting of Shareholders passes resolutions and elections with the majority of the votes validly represented.</p> <p>2 Resolutions and elections shall be taken either on a show of hands or by electronic voting, unless the General Meeting of Shareholders decides for, or the presiding officer orders, a secret ballot.</p> <p>3 The presiding officer may at any time order to repeat an election or resolution taken on a show of hands with a secret ballot, if he doubts the results of the vote. In this case, the preceding election or resolution taken on a show of hands is deemed not to have taken place.</p> <p>4 If no election has taken place at the first ballot and if there is more than one candidate, the presiding officer shall order a second ballot in which the relative majority shall be decisive.</p>	<p>Article 16 – Resolutions, Elections [Article unchanged]</p>

Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
<p>Article 18 – Powers of General Meeting</p> <p>1 The following powers shall be vested exclusively in the General Meeting:</p> <ul style="list-style-type: none"> a) to adopt and amend the Articles of Incorporation; b) to elect the members of the Board of Directors and the Auditors; c) to approve the annual report and the consolidated financial statements; d) to approve the annual financial statements and to decide on the allocation of profits shown on the balance sheet, in particular with regard to dividends; e) to discharge the members of the Board of Directors; f) to pass resolutions concerning all matters which by law or the Articles of Incorporation are reserved to the authority of the General Meeting. <p>2 The General Meeting holds a consultative vote on the Compensation System of Novartis. The vote takes place before every significant change to the Compensation System, but at least every third Annual General Meeting.</p>	<p>Article 17 – Powers of the General Meeting of Shareholders</p> <p>1 The following powers shall be vested exclusively in the General Meeting of Shareholders:</p> <ul style="list-style-type: none"> a) To adopt and amend the Articles of Incorporation; b) To elect and remove the members of the Board of Directors, the Chairman of the Board of Directors, the members of the Compensation Committee, the Independent Proxy and the Auditors; c) To approve the management report (if required) and the consolidated financial statements; d) To approve the financial statements and to decide on the appropriation of available earnings shown on the balance sheet, in particular with regard to dividends; e) To approve the aggregate amounts of compensation of the Board of Directors and the Executive Committee in accordance with Article 29 of these Articles of Incorporation; f) To grant discharge to the members of the Board of Directors and to the members of the Executive Committee; g) To decide on matters that are reserved by law or by the Articles of Incorporation to the General Meeting of Shareholders. <p>[Paragraph 2 deleted]</p>
<p>Article 19 – Special Quorum</p> <p>The approval of at least two-thirds of the votes represented is required for resolutions of the General Meeting of Shareholders on:</p> <ul style="list-style-type: none"> a) an alteration of the purpose of the Company; b) the creation of shares with increased voting powers; c) an implementation of restrictions on the transfer of registered shares and the removal of such restrictions; d) an authorised or conditional increase of the share capital; e) an increase of the share capital out of equity, by contribution in kind or for the purpose of an acquisition of property and the grant of special rights; f) a restriction or suspension of rights of option to subscribe; g) a change of location of the registered office of the Company; h) the dissolution of the Company. 	<p>Article 18 – Special Quorum</p> <p>[Article unchanged]</p>
B. BOARD OF DIRECTORS	B. BOARD OF DIRECTORS
<p>Article 20 – Number of Directors</p> <p>The Board of Directors shall consist of a minimum of 10 and a maximum of 16 members, all of which must be shareholders.</p>	<p>Article 19 – Number of Directors</p> <p>The Board of Directors shall consist of a minimum of 8 and a maximum of 16 members.</p>
<p>Article 21 – Term of Office</p> <p>1 The term of office for each member of the Board of Directors shall not exceed three years. A year within the meaning of this provision is the period between two Annual General Meetings of Shareholders. The term of office shall be determined for each member at the occasion of its election. The several terms of office shall be coordinated such that in each year approximately one third of all members of the Board of Directors shall be subject to re-election or election.</p> <p>2 In the case of replacement elections that occur during a term of office of a director, the successor shall assume expired shall be re-eligible subject to paragraph 3 hereinafter.</p> <p>3 The members of the Board of Directors shall automatically retire after the expiry of the seventieth year of age; the retirement shall become effective on the date of the next Annual General Meeting of Shareholders. The General Meeting may, under special circumstances, grant an exception from this rule and may elect a member of the Board of Directors for further terms of office of no more than three years at a time.</p>	<p>Article 20 – Term of Office</p> <p>1 The members of the Board of Directors and the Chairman of the Board of Directors shall be elected individually by the General Meeting of Shareholders for a term of office lasting until completion of the next Annual General Meeting of Shareholders.</p> <p>2 Members whose term of office has ended may be immediately re-elected, subject to paragraph 3 hereinafter.</p> <p>3 Individuals who have turned 70 years of age at the date of the General Meeting of Shareholders may no longer be elected as members of the Board of Directors. The General Meeting of Shareholders may, under special circumstances, grant exceptions to this rule.</p>

Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
<p>Article 22 – Organization, Remuneration</p> <p>1 The Board of Directors shall elect its Chairman and one or two Vice-Chairmen from among its members. It shall appoint a secretary, who need not be a member of the Board of Directors.</p> <p>2 The Board of Directors shall determine the remuneration of its members.</p>	<p>Article 21 – Organization</p> <p>1 The Board of Directors constitutes itself in compliance with legal requirements and taking into consideration the resolutions of the General Meeting of Shareholders. It shall elect one or two Vice-Chairmen. It shall appoint a secretary, who need not be a member of the Board of Directors.</p> <p>2 If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a new Chairman from amongst its members for the remaining term of office.</p>
<p>Article 23 – Convening of Meetings</p> <p>The Chairman shall convene meetings of the Board of Directors if and when the need arises or if a member so requires in writing.</p>	<p>Article 22 – Convening of Meetings</p> <p>[Article unchanged]</p>
<p>Article 24 – Resolutions</p> <p>1 For the Board of Directors to pass resolutions, at least a majority of its members must be present. No such quorum shall be required for resolutions of the Board of Directors providing for the confirmation of capital increases or for the amendment of the Articles of Incorporation in connection with increases of the share capital.</p> <p>2 The adoption of resolutions by the Board of Directors requires a majority of the votes cast. The Chairman shall not have the deciding vote.</p> <p>3 Resolutions may also be passed via teleconference, or, unless a member calls for an oral deliberation, in writing by way of a circular or electronic data transfer.</p>	<p>Article 23 – Resolutions</p> <p>[Article unchanged]</p>

Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
<p>Article 25 – Powers of the Board of Directors</p> <p>1 The Board of Directors has in particular the following non-delegable and inalienable duties:</p> <ul style="list-style-type: none"> a) the ultimate direction of the Company’s business and to give the necessary directives; b) the determination of the organisation of the Company; c) the administration of accounting, financial control and financial planning; d) the appointment and removal of the persons entrusted with the management and representation of the Company; e) the ultimate supervision of the persons entrusted with the management of the Company, specifically in view of their compliance with the law, the Articles of Incorporation, regulations and directives; f) the preparation of business reports and the Meetings of Shareholders and to carry out the resolutions adopted by the Meetings of Shareholders; g) the notification of the court if liabilities exceed assets; h) the adoption of resolutions concerning the increase of the share capital to the extent that such power is vested in the Board of Directors (Article 651 paragraph 4 CO), as well as resolutions concerning the confirmation of capital increases and respective amendments to the Articles of Incorporation; i) the examination of the professional qualifications of qualified auditors. <p>2 In addition, the Board of Directors can pass resolutions with respect to all matters which are not reserved to the authority of the General Meeting of Shareholders by law or by these Articles of Incorporation.</p>	<p>Article 24 – Powers of the Board of Directors</p> <p>1 The Board of Directors has in particular the following non-delegable and inalienable duties:</p> <ul style="list-style-type: none"> a) The ultimate direction of the Company’s business and issuing of the necessary directives; b) The determination of the organization of the Company; c) The determination of the principles of accounting, financial controlling and financial planning; d) The appointment and removal of the persons entrusted with the management and representation of the Company (including the CEO and the other members of the Executive Committee); e) The ultimate supervision of the persons entrusted with the management of the Company, specifically in view of their compliance with the law, Articles of Incorporation, regulations and directives; f) The preparation of the annual report and the compensation report in accordance with the provisions of the law and the Articles of Incorporation; g) The preparations for the General Meeting of Shareholders and carrying out of the resolutions of the General Meeting of Shareholders; h) The notification to the court in the event of over-indebtedness; and i) The adoption of resolutions concerning increases in share capital to the extent that such power is vested in the Board of Directors (Article 651 paragraph 4 of the Swiss Code of Obligations), as well as resolutions concerning the confirmation of capital increases and respective amendments to the Articles of Incorporation. <p>[Paragraph 2 unchanged]</p>
<p>Article 26 – Delegation of Powers</p> <p>The Board of Directors may, subject to article 25 hereof delegate the management of the Company in whole or in part to individual or several directors or to third persons (senior management) by virtue of promulgating regulations governing the internal organisation.</p>	<p>Article 25 – Delegation of Powers</p> <p>The Board of Directors may, within the limits of the law and the Articles of Incorporation, delegate the management of the Company in whole or in part to one or several of its members (including to ad hoc or permanent committees of the Board of Directors) or to third persons (Executive Committee).</p>
<p>Article 27 – Signature Power</p> <p>The Board of Directors shall designate those of its members as well as those third persons who shall have legal signatory power for the Company, and shall further determine the manner in which such persons may sign on behalf of the Company.</p>	<p>Article 26 – Signature Power</p> <p>[Article unchanged]</p>

Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
<p>[No corresponding current provisions]</p>	<p>Article 27 – Organization and Powers of the Compensation Committee</p> <ol style="list-style-type: none"> 1 The Compensation Committee shall consist of a minimum of 3 and a maximum of 5 members of the Board of Directors. 2 The members of the Compensation Committee shall be elected individually by the General Meeting of Shareholders for a term of office lasting until completion of the next Annual General Meeting of Shareholders. Members of the Compensation Committee whose term of office has expired shall be immediately eligible for re-election. 3 If there are vacancies on the Compensation Committee, the Board of Directors shall appoint substitutes for the remaining term of office. 4 The Board of Directors shall elect a chairman of the Compensation Committee. The Board of Directors shall, within the limits of the law and the Articles of Incorporation, define the organization of the Compensation Committee in regulations. 5 The Compensation Committee has the following powers: <ol style="list-style-type: none"> a) Develop a compensation strategy in line with the principles described in the Articles of Incorporation and submit it for approval to the Board of Directors; b) Propose to the Board of Directors the principles and structure of the compensation plans; c) Support the Board of Directors in preparing the proposals to the General Meeting of Shareholders regarding the compensation of the members of the Board of Directors and the Executive Committee; d) Submit the compensation report to the Board of Directors for approval; e) Inform the Board of Directors about policies, programs and key decisions as well as comparisons of compensation levels at key competitors; f) Regularly report to the Board of Directors on the decisions and deliberations of the Compensation Committee; g) Assume other responsibilities assigned to it by law, the Articles of Incorporation or by the Board of Directors. 6 The Board of Directors issues regulations to determine for which positions of the Board of Directors and of the Executive Committee the Compensation Committee shall submit proposals regarding compensation, and for which positions it shall determine the compensation in accordance with the Articles of Incorporation.
<p>C. AUDITORS</p>	<p>C. AUDITORS</p>
<p>Article 28 – Term, Powers and Duties The Auditors, who shall be elected by the General Meeting of Shareholders each year, shall have the powers and duties vested in them by law.</p>	<p>Article 28 – Term, Powers and Duties [Article unchanged]</p>

SECTION 4 – COMPENSATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE	
Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
[No corresponding current provisions]	<p>Article 29 – Approval of Compensation by the General Meeting of Shareholders</p> <p>1 The General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:</p> <ul style="list-style-type: none"> a) Compensation of the Board of Directors for the period until the next Annual General Meeting of Shareholders; and b) Compensation of the Executive Committee paid, promised or granted for the following financial year. <p>The Board of Directors may submit for approval by the General Meeting of Shareholders additional proposals relating to the same or different periods.</p> <p>2 If the General Meeting of Shareholders rejects the proposal of the Board of Directors for the total compensation of the Board of Directors and/or the Executive Committee, the decision on how to proceed shall reside with the Board of Directors. The options for the Board of Directors shall be to either convene an Extraordinary General Meeting to submit a new compensation proposal, or to determine the compensation for the corresponding period on an interim basis, subject to approval at the next Annual General Meeting of Shareholders.</p> <p>3 Notwithstanding the preceding paragraphs, the Company or companies controlled by it may pay out compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by a General Meeting of Shareholders.</p> <p>4 The Board of Directors shall submit the compensation report to an advisory vote of the General Meeting of Shareholders.</p>
[No corresponding current provisions]	<p>Article 30 – Additional Amount</p> <p>If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover the compensation of one or more members who become members of or are promoted within the Executive Committee during a compensation period for which the General Meeting of Shareholders has already approved the compensation of the Executive Committee, the Company or companies controlled by it shall be authorized to pay or grant to such member(s) an additional amount during the compensation period(s) already approved. The total additional amount for each relevant compensation period for which approval by the General Meeting of Shareholders has already been obtained shall not exceed (in full and not <i>pro rata temporis</i>) 40% of the aggregate amount of compensation of the Executive Committee last approved by the General Meeting of Shareholders per compensation period.</p>

Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
[No corresponding current provisions]	<p>Article 31 – General Compensation Principles</p> <ol style="list-style-type: none"> 1 Compensation of the non-executive members of the Board of Directors comprises fixed compensation elements only. In particular, non-executive members of the Board of Directors shall receive no company contributions to any pension plan, no performance-related elements and no financial instruments (e.g. options). 2 Compensation of the members of the Executive Committee comprises fixed and variable compensation elements. Fixed compensation comprises the base salary and may comprise other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation elements. 3 Compensation (to non-executive members of the Board of Directors and to members of the Executive Committee) may be paid or granted in the form of cash, shares, other benefits or in kind. Compensation to members of the Executive Committee may also be paid or granted in the form of financial instruments or similar units. Compensation may be paid by the Company or companies controlled by it. The Board of Directors determines the valuation of each compensation element on the basis of the principles that apply to the establishment of the compensation report.
[No corresponding current provisions]	<p>Article 32 – Variable Compensation</p> <ol style="list-style-type: none"> 1 The variable compensation paid or granted to the members of the Executive Committee in a certain year shall consist of compensation elements from short and long-term compensation plans (as defined in this Article 32). 2 The short-term compensation plans are based on performance metrics that take into account the performance of the Novartis Group and/or parts thereof, and/or individual targets. Achievements are generally measured based on the one-year period to which the short-term compensation relates. The short-term compensation pay-outs shall be subject to caps that may be expressed as predetermined multipliers of the respective target levels. 3 The long-term compensation plans are based on performance metrics that take into account strategic objectives of the Novartis Group (such as financial, innovation, Shareholder return and/or other metrics). Achievements are generally measured based on a period of not less than three years. The long-term compensation pay-outs shall be subject to caps that may be expressed as predetermined multipliers of the respective target levels. 4 The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics, target levels, and their achievement. 5 The Board of Directors or, to the extent delegated to it, the Compensation Committee determines grant, vesting, blocking, exercise and forfeiture conditions of the compensation; they may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture in the event of pre-defined events such as death, disability, retirement or termination of an employment or mandate agreement.

Existing version of Articles of Incorporation	Proposed amendments to Articles of Incorporation
[No corresponding current provisions]	<p>Article 33 – Agreements with Members of the Board of Directors and of the Executive Committee</p> <p>1 The Company or companies controlled by it may enter into agreements with members of the Board of Directors relating to their compensation for a fixed term of one year. The Company or companies controlled by it may enter into contracts of employment with members of the Executive Committee for a fixed term not exceeding one year or for an indefinite period of time with a notice period not exceeding 12 months.</p> <p>2 Contracts of employment with members of the Executive Committee may contain a prohibition of competition for the time after the end of employment for a duration of up to one year. The annual consideration for such prohibition shall not exceed the total annual compensation (i.e. base salary and annual incentive) last paid to such member of the Executive Committee.</p>
[No corresponding current provisions]	<p>Article 34 – Mandates outside of the Novartis Group</p> <p>1 No member of the Board of Directors may hold more than 10 additional mandates in other companies, of which no more than 4 additional mandates shall be in other listed companies. Chairmanships of the board of directors of other listed companies count as two mandates. Each of these mandates shall be subject to approval by the Board of Directors.</p> <p>2 No member of the Executive Committee may hold more than 6 additional mandates in other companies, of which no more than 2 additional mandates shall be in other listed companies. Each of these mandates shall be subject to approval by the Board of Directors. Members of the Executive Committee are not allowed to hold chairmanship of the board of directors of other listed companies.</p> <p>3 The following mandates are not subject to these limitations:</p> <ul style="list-style-type: none"> a) Mandates in companies which are controlled by the Company; b) Mandates which a member of the Board of Directors or of the Executive Committee holds at the request of the Company or companies controlled by it. No member of the Board of Directors or of the Executive Committee shall hold more than 5 such mandates; and c) Mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or of the Executive Committee shall hold more than 10 such mandates. <p>4 Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.</p> <p>5 The Board of Directors may issue regulations that may determine additional restrictions, taking into account the position of the respective member.</p>
[No corresponding current provisions]	<p>Article 35 – Loans</p> <p>No loans or credits shall be granted to the members of the Board of Directors or the Executive Committee.</p>

SECTION 5 – ANNUAL FINANCIAL STATEMENTS, CONSOLIDATED FINANCIAL STATEMENTS AND PROFIT ALLOCATION

Existing version of Articles of Incorporation

Proposed amendments to Articles of Incorporation

Article 29 – Fiscal Year

The Board of Directors shall prepare for each fiscal year as of 31 December a business report consisting of the annual financial statements (including profit and loss statements, balance sheet and notes to the financial statements), the annual report and the consolidated financial statements.

Article 36 – Financial Year

The Board of Directors shall prepare for each financial year as of 31 December an annual report consisting of financial statements with a management report if required and the consolidated financial statements.

Article 30 – Allocation of Profit shown on the Balance Sheet, Reserves

1 The allocation of the profit shown on the balance sheet shall be determined by the General Meeting of Shareholders subject to the legal provisions. The Board of Directors shall submit to the General Meeting of Shareholders its proposals.

2 In addition to statutory reserves additional reserves may be accrued.

3 Dividends which have not been claimed within five years after the due date fall back to the Company and shall be allocated to the general reserves.

Article 37 – Allocation of Profit shown on the Balance Sheet, Reserves

[Article unchanged]

SECTION 6 – PUBLICATIONS AND PLACE OF JURISDICTION

Existing version of Articles of Incorporation

Proposed amendments to Articles of Incorporation

Article 31 – Publications

Shareholder communications of the Company shall be made in the Swiss Official Gazette of Commerce. The Board of Directors may designate additional publication organs.

Article 38 – Publications

[Article unchanged]

Article 32 – Place of Jurisdiction

The place of jurisdiction for any disputes arising from or in connection with the shareholding in the Company shall be at the registered office of the Company.

Article 39 – Place of Jurisdiction

[Article unchanged]

Shareholder Information on
the Compensation Votes at the
2015 Annual General Meeting

Item 6 of the Agenda
(The original German text is binding)





Acute lymphoblastic leukemia (ALL) patient Emily Whitehead was the first person to undergo chimeric antigen receptor T-cell (CART) therapy, developed by the University of Pennsylvania and Novartis. Treated in 2012, aged 7, she remains clear of the disease.

Dear Shareholder,

At Novartis, our mission is to care and cure. We make innovative products to treat disease, ease suffering and enhance patients' quality of life. The Company also wants to provide superior returns to its shareholders and to be an employer of choice.

We are committed to continuously improving our engagement with shareholders regarding our compensation systems and practices. Swiss rules on Board and executive compensation related to the Minder Initiative now require Swiss-listed companies to hold separate binding votes on the compensation of Board members and Executive Committee members. Going forward, in line with these requirements and the proposed amendments to our Articles of Incorporation (see item 5 of the 2015 AGM notice), we are asking shareholders at the 2015 AGM to cast separate binding votes on two aggregate amounts of compensation, and an advisory (non-binding) vote on our compensation report as described below.

We believe that our chosen voting approaches with regard to the compensation for the members of the Board and the members of the Executive Committee are in the interests of the Company and of its shareholders, and that they reflect market standards. These voting approaches have been discussed with institutional shareholders and proxy advisors. They have the advantage of supporting attraction, motivation and retention of global talent by ensuring that compensation opportunities and systems for the Board and Executive Committee are approved up front through binding votes. They also allow the Board to obtain valuable feedback regarding our compensation practices, including how our shareholder approved maximum amounts are spent through the retrospective advisory vote on our compensation report.

VOTE 6.1: BINDING VOTE ON TOTAL COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS FROM THE 2015 ANNUAL GENERAL MEETING TO THE 2016 ANNUAL GENERAL MEETING

The Board of Directors proposes that shareholders approve the total maximum amount of compensation for the members of the Board of Directors covering the period from the 2015 Annual General Meeting to the 2016 Annual General Meeting, i.e. CHF 7 745 000.

VOTE 6.2: BINDING VOTE ON TOTAL COMPENSATION FOR MEMBERS OF THE EXECUTIVE COMMITTEE FOR THE NEXT FINANCIAL YEAR, I.E. 2016

The Board of Directors proposes that shareholders approve the total maximum amount of compensation to be paid, promised or granted during or in respect to 2016 to members of the Executive Committee, i.e. CHF 84 000 000.

VOTE 6.3: ADVISORY VOTE ON THE 2014 COMPENSATION REPORT

The Board of Directors proposes that shareholders endorse in an advisory vote the 2014 Compensation Report.

In line with the prospective voting approach proposed in our Articles of Incorporation (subject to shareholder approval at this AGM), there will be no binding prospective vote on the 2015 compensation of our Executive Committee. Instead, shareholders will be asked to endorse the 2015 Executive Committee compensation system, practices and payouts through an advisory vote on the 2015 Compensation Report, at the 2016 AGM.

This brochure provides information on the three compensation-related votes. Further details regarding our compensation systems for our Board and Executive Committee are contained in the Compensation Report in the 2014 Novartis Annual Report.

On behalf of the Novartis Board of Directors,



Joerg Reinhardt, Ph.D
Chairman, Board of Directors



Enrico Vanni, Ph.D.
Vice Chairman, Board of Directors
Chairman, Compensation Committee

VOTE 6.1

Binding Vote on Total Compensation for Members of the Board of Directors from the 2015 Annual General Meeting to the 2016 Annual General Meeting, i.e. CHF 7 745 000

COMPENSATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The annual compensation of our Chairman will be CHF 3.8 million from the 2015 AGM to the 2016 AGM (to be paid 50% in cash, 50% in Novartis shares), as determined by a contract entered into by the Board in 2013. In both 2014 and 2015, the Chairman decided to waive his right to receive an increase in annual compensation equal to the average compensation increase for Swiss associates. From the 2015 AGM, Novartis will no longer contribute to company pension or insurance benefits for the Chairman.

COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The compensation policy applicable to Board members (excluding the Chairman of the Board) is outlined below. It reflects our governance structure and the responsibilities of the Board, as per applicable laws and its own regulations, and it aligns our aggregate Board compensation to the current levels of other large Swiss companies. After a significant reduction at the 2014 AGM, the Board membership and Committee fees shall remain unchanged for the period from the 2015 AGM to the 2016 AGM.

Members of the Novartis Board of Directors receive only fixed compensation. They receive no variable, or performance-based compensation, no stock options and no additional fees for attending meetings. Board Members do not receive any company pension or insurance benefits.

The Board members' annual fees (excluding the Chairman), which are paid at least 50% in Novartis shares (up to 100% at the option of each Board member), are summarized below:

	Annual Fee (CHF 000)
Board member	300
Vice Chairman of the Board	50
Audit and Compliance Committee Chairman	120
Audit and Compliance Committee member	60
Other Board Committee Chairman ¹	60
Other Board Committee member ¹	30

¹ Applies to the Risk Committee, the Governance, Nomination and Corporate Responsibilities Committee, the Compensation Committee and the Research & Development Committee, excluding the Chairman of the Board, who receives no additional fee for chairing the Research and Development Committee.

PROPOSED TOTAL COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS FROM THE 2015 AGM TO THE 2016 AGM

The table below shows the total maximum amount of compensation (in Swiss Francs) to be paid to the members of the Novartis Board of Directors, including the Chairman, proposed for the period from the 2015 AGM to the 2016 AGM. It assumes that all proposed Board members (and Compensation Committee members) will be elected by the AGM.

Compensation for the members of the Novartis Board of Directors (2015 AGM–2016 AGM)	Total fixed compensation (CHF 000) ¹
Joerg Reinhardt, Chairman of the Board	3 805
Other 10 Board members to be paid in accordance with the annual fee structure above ²	3 940
Total maximum amount of compensation for the 11 members of the Novartis Board of Directors for the period from the 2015 AGM to the 2016 AGM²	CHF 7 745
¹ Includes an estimated amount of CHF 25 000 for mandatory employer contributions payable by Novartis to governmental social security systems. This amount is out of estimated total mandatory employer contributions of CHF 460 000, and provides a right to the maximum future insured government pension benefit for the Board member. These estimates exclude potential changes to governmental social security rates.	
² This figure includes fees for the additional Board responsibilities, as outlined on page 4.	

EVOLUTION OF TOTAL BOARD OF DIRECTORS COMPENSATION 2013 AGM–2015 AGM

	2013 AGM–2014 AGM	2014 AGM–2015 AGM ¹
Number of Board members (including the Chairman)	14	11
Compensation (CHF 000)		
Chairman of the Board	6 514 ²	3 945
Other members of the Board	6 317	4 027
Total	CHF 12 831	CHF 7 972
¹ Includes the estimated compensation to be paid until the 2015 AGM. It excludes an amount of mandatory employer social security contributions of CHF 24 411. This amount provides a right to the maximum future insured government benefit for the members of the Board. This is out of an estimated mandatory total of CHF 480 000 payable by Novartis to the Swiss governmental social security system.		
² This amount includes the full value of the compensation for lost entitlements with Joerg Reinhardt's previous employer (EUR 2 665 051). It also includes the compensation paid to Ulrich Lehner for the period he was Chairman ad-interim (CHF 883 287).		

The change in total Board compensation over the three years is mainly due to the compensation for loss of entitlements with Joerg Reinhardt's previous employer (reported in the period 2013 AGM–2014 AGM) and a reduction in Board and Committee fees since the 2014 AGM. Additional information regarding compensation for the Board may be viewed in the 2014 Compensation Report on pages 116–118. Page 118 of the 2014 Compensation Report shows a reconciliation of the amount paid to Board members for the period from the 2014 AGM to the 2015 AGM (CHF 7 972 063), to the amount endorsed by the shareholders of the 2014 AGM for the corresponding period (CHF 8 022 000). The amount paid is within the maximum amount endorsed.

VOTE 6.2

Binding Vote on Total Compensation for Members of the Executive Committee for the next financial year, i.e. CHF 84 000 000 for 2016

To attract and retain key talent, it is important for us to offer compensation that is competitive compared to global market levels. In line with our pay for performance philosophy, members of the Executive Committee who achieve their objectives are generally awarded target compensation at a level around the median level of comparable roles at the twelve companies in our healthcare peer group¹. In the event of under- or over-performance, the actual compensation may be lower or higher than the benchmark median.

KEY FEATURES OF OUR 2016 EXECUTIVE COMMITTEE COMPENSATION SYSTEM

- Performance measures aligned directly to our business strategy
- All variable compensation is performance-based
- Annual Incentive format is an integrated balanced scorecard that considers performance holistically against Group and divisional financial targets, individual objectives and a strong focus on the revised Novartis Values and Behaviors
- The total long-term incentive has two separate plans, which are each subject to a three-year performance period: one based on our internal financial performance and results in innovation; the other based on our relative Total Shareholder Return measured against 12 other companies that form our healthcare peer group
- Simplified program: No share options, matching grants, discretionary awards or time-only vesting long-term incentives²

The Executive Committee compensation system has the full support of our Board. We believe it will provide a competitive advantage to Novartis in the marketplace for executive talent, it is aligned with shareholders' interests and it will support our aspiration to be the world's most respected and successful healthcare company.

¹ Peer group consists of Abbott, AbbVie, Amgen, AstraZeneca, Bristol-Myers Squibb, Eli Lilly & Company, GlaxoSmithKline, Johnson & Johnson, Merck & Co., Pfizer, Roche and Sanofi-Aventis.

² Excludes any payment that may be required for loss of entitlements with a previous employer for any external new hire to the Executive Committee.

The compensation of the Executive Committee members for 2016 may be summarized as follows:

TOTAL EXECUTIVE COMMITTEE COMPENSATION					
	Fixed compensation and benefits		Variable compensation		
	Annual base compensation	Pension and other benefits	Annual Incentive (AI)	Long Term Performance Plan (LTPP)	Long Term Relative Performance Plan (LTRPP)
Purpose	Reflects the associates responsibilities, job characteristics, experience and skill set	Establishes a level of security for associates and their dependents tailored to local market practice and regulations	Rewards performance against key short-term targets and values and behaviors	Rewards long-term shareholder value creation and long-term innovation	Rewards relative total shareholder return
Performance period			1 year (2016)	3 years (2016–2018)	3 years (2016–2018)
Performance measurement			Based on a payout matrix made up of: <ul style="list-style-type: none"> — Individual balanced scorecard, including financial targets and individual objectives — Assessed Novartis Values and Behaviors 	3 year forward looking targets <ul style="list-style-type: none"> — 75% Novartis Group Cash Value Added (NCVA) — 25% divisional Long-Term innovation milestones 	3 year relative Total Shareholder Return (TSR) versus our peer group of 12 healthcare companies ¹
Delivery (at the end of the performance period for variable compensation)	Cash	Country specific	50% cash 50% deferred equity ² (3 year holding of restricted shares/restricted share units)	Equity (includes dividend equivalents)	Equity (includes dividend equivalents)

¹ Peer group consists of Abbott, AbbVie, Amgen, AstraZeneca, Bristol-Myers Squibb, Eli Lilly & Company, GlaxoSmithKline, Johnson & Johnson, Merck & Co., Pfizer, Roche and Sanofi-Aventis.
² Executive Committee members may elect to receive more of their Annual Incentive in shares instead of cash.

COMMUNICATION OF TARGETS AND ACHIEVEMENTS

Novartis strives for transparency in the relationship between company performance and pay.

Internal financial, innovation and individual targets under the Annual Incentive plan and the LTPP are considered confidential at the time of setting. This is because communicating such targets would allow substantial insight into Novartis' forward-looking strategies and therefore would place the company at a competitive disadvantage. In order to ensure transparency whilst avoiding competitive risk, they will be disclosed to shareholders together with the achievements against such targets under both plans at the end of each performance cycle.

PROPOSED TOTAL MAXIMUM COMPENSATION TO BE PAID, PROMISED OR GRANTED TO MEMBERS OF THE EXECUTIVE COMMITTEE FOR THE NEXT FINANCIAL YEAR, I.E. 2016

The table below presents a breakdown of the expected minimum, target and maximum 2016 total compensation for the nine expected members of the Executive Committee (in Swiss Francs).

Novartis is currently undergoing a transformation that will result in a portfolio of three commercial divisions. Subject to the closing of the transactions, the Executive Committee will consist of nine members. Shareholders are being asked to vote on the total compensation assuming that the transformation is completed prior to January 1, 2016.

Amounts in CHF millions ¹	Fixed compensation		Variable compensation			Total compensation
	Annual Base Compensation	Pension and Other Benefits ²	Annual Incentive ³	LTPP ⁴	LTRPP ⁴	
Fixed amount ⁵ (minimum)	9.5	5.5	0.0	0.0	0.0	15.0
Target amount ⁵ (if 100% of target reached)	9.5	5.5	11.5	16.0	7.0	49.5
Maximum amount requested to AGM⁵ (If 200% of target reached)	9.5	5.5	23.0	32.0	14.0	CHF 84.0

¹ Some members are foreseen to be paid in USD. Exchange rate used is 1 CHF: 1.094 USD and the amounts proposed exclude any currency exchange rate fluctuation between the time of the release of this brochure and December 31, 2016.

² Includes service costs of pension, post-retirement healthcare benefits. It also includes an amount of CHF 50 000 for estimated mandatory employer contributions payable by Novartis to governmental social security systems. This amount is out of estimated mandatory total employer contributions of CHF 8 000 000, and provides a right to the maximum future insured government pension benefit for the Executive Committee member. It also includes any other perquisites and benefits in kind, such as a company car or tax and financial planning services. Finally, it includes international assignment benefits where applicable in accordance with company standard policies (e.g. housing, international health insurance, children's school fees and an estimated amount of tax equalization of CHF 3 000 000).

³ Page 7 of this brochure includes a summary of the Annual incentive. The value of the portion paid in deferred equity is determined at the time the shares are granted, and excludes any share price evolution over the vesting period, and dividends that are paid each year on the shares.

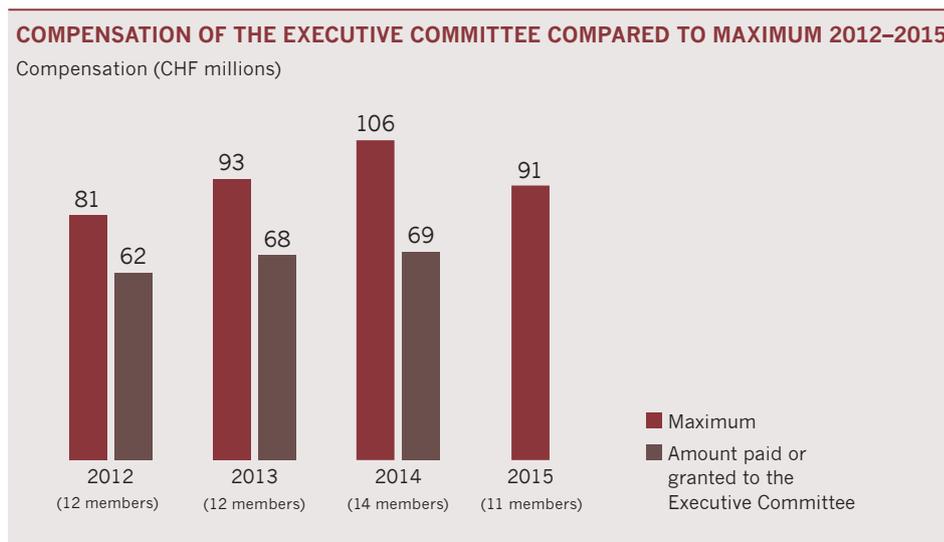
⁴ The value of the Long Term Incentives, LTPP and LTRPP, is determined at the grant date and is divided by the share price on that date to determine a number of Performance Share Units (PSUs) which are subject to three year performance vesting. The value mentioned here assumes maximum performance vesting (capped at 200% of target number of PSUs originally granted). This value excludes any change in share price over the vesting period, as well as dividend equivalents that are reinvested in additional PSUs and paid at vesting to the extent that performance conditions have been met.

⁵ Includes budget for merit increases.

At the time of publishing this brochure (January 27, 2015), the Executive Committee consists of a total of eleven members. The proposed compensation for the Executive Committee (above) is based on nine members and excludes the compensation of two members, who are currently division heads foreseen to leave the Executive Committee of Novartis, following the divestment of their divisions. Should there be an unexpected delay in these divestments, leaving either one or two additional divisions within the Group by the end of 2015, we will request your support for an incremental amount to compensate the heads of these divisions at the 2016 AGM.

Target compensation will be reached if members of the Executive Committee members reach an average payout of 100% in all incentive plans.

The maximum amount of compensation requested to the AGM will only be reached if all members of the Executive Committee reach a payout of 200% in all incentive plans. This would require all targets to be exceptionally exceeded, and Novartis to be positioned number one out of our peer group for relative total shareholder return, while also providing shareholders with an excellent return on their investment in Novartis. To date, this level of payout for all Executive Committee members on an aggregate basis has never occurred at Novartis.



Year over year changes in total compensation are impacted mainly by the number of Executive Committee members, each member's target compensation, and Company and individual performance during the relevant performance cycles. In addition, the compensation system changed between 2013 and 2014, as did the reporting methodology of Long-Term Incentives in the Compensation Report.

Additional information regarding compensation for the Executive Committee may be viewed in the 2014 Compensation Report on pages 102–115.

VOTE 6.3

Advisory vote on the 2014 Compensation Report

The purpose of our Compensation Report is to clearly inform shareholders regarding our Board and Executive Committee compensation systems, policies and practices.

In addition, it provides transparency regarding the relationship between the company performance against our 2014 Group targets, and the actual compensation paid to our Executive Committee.

We request that shareholders endorse in an advisory vote the 2014 Novartis Compensation Report, which is available electronically on our website at the following address:

<http://www.novartis.com/downloads/investors/reports/annual-report-2014-compensation-report-en.pdf>

NOVARTIS MISSION

Our mission is to care and cure. We want to discover, develop and successfully market innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life.

We also want to provide a shareholder return that reflects outstanding performance and to adequately reward those who invest their money, their time and their ideas in our company.

