

## Charter

### The Audit and Compliance Committee of Novartis AG

#### Mission Statement

The audit and compliance committee (the “ACC”) will assist the board of directors (the “Board”) in monitoring (1) the integrity of the financial statements of Novartis AG (the “Company”) and its affiliated companies (the “Group”), (2) the external auditor’s qualifications and independence, (3) the performance of the Group’s internal audit function and external auditors, and (4) the compliance by the Group with legal and regulatory requirements.

#### Organization

The ACC shall consist of a minimum of three members of the Board. The Board will designate one member of the ACC as its chairperson.

The members of the ACC shall be independent in accordance with the independence criteria set forth in the Appendix.

Each member of the ACC must be financially literate, as such qualification is interpreted by the Board in its business judgment. At least one member shall be an “audit committee financial expert.” Such member has (1) an understanding of generally accepted accounting principles and financial statements, (2) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Group’s financial statements, or experience actively supervising one or more persons engaged in such activities, (4) an understanding of internal control over financial reporting, and (5) an understanding of audit committee functions.

The ACC shall meet no less than four times a year. The ACC shall meet periodically in separate executive sessions with management, the internal auditors and, but not less frequently than quarterly, the external auditor, and have such other direct and independent interaction with such persons from time to time as the members of the ACC deem appropriate.

The ACC may invite to its meetings Company management, internal auditors, external auditors, and such other persons as the ACC deems appropriate in order to carry out its responsibilities. The ACC shall exclude from its meetings anyone with a personal interest in the matters to be discussed.

The ACC shall regularly report to the Board on decisions and deliberations of the ACC.

The Chairman of the ACC shall coordinate the work of his committee with the Chairman of the Risk Committee to the extent appropriate.

The ACC shall have the authority to retain independent counsel and other advisers, and to conduct or authorize investigations into any matters within the scope of its responsibilities.

The Company shall provide for appropriate funding, as determined by the ACC, for payment of compensation to the external auditors and any outside advisors engaged by the ACC.

### Responsibilities

The ACC has the following roles and responsibilities:

#### *Regarding External Auditors*

1. Evaluate the qualifications, performance and independence of the external auditors, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal auditors.
2. Ensure rotation of the audit partners of the external auditors at least every five years. Consider whether, in order to ensure continuing auditor independence, it is appropriate to adopt a policy of rotating the external auditing firm on a regular basis. Set policies for the Company's hiring of employees or former employees of the external auditors.
3. On behalf of the Board, which has fully delegated this task to the ACC, (1) select and nominate the external auditors for election by the meeting of the shareholders (pursuant to mandatory Swiss company law), and (2) be directly responsible for the supervision and compensation of the external auditors (including the resolution of any disagreement between man-

agement and the external auditors regarding financial reporting). The external auditors shall report directly to the ACC.

4. On behalf of the Board, which has fully delegated this task to the ACC, pre-approve all auditing services, internal control-related services and non-audit services permitted under applicable statutory law, regulations and listing requirements to be performed for the Group by its external auditor. The ACC shall establish and maintain the necessary approval procedures.
5. Obtain and review a report from the external auditors at least annually regarding (1) the external auditors' internal quality-control procedures, (2) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (3) any steps taken to deal with any such issues, and (4) all relationships between the external auditors and the Group.
6. Discuss with the external auditors the results of their audits, any unusual items or disclosures contained in the audits and the matters required by the US Statement on Auditing Standards No. 61, as revised, including the following:
  - the initial selection of and changes in significant accounting policies;
  - the methods used to account for significant or unusual transactions and the effects of significant accounting policies in controversial or emerging areas;
  - the process utilized by management to formulate significant accounting estimates and the basis for the auditors' conclusions regarding the reasonableness of these estimates;
  - audit findings and recommendations, including audit adjustments that either individually or in the aggregate have a significant effect on the audit;
  - the auditors' responsibility for other information presented with the audit results, such as a management report on financial status;
  - any disagreements with management, whether or not satisfactorily resolved, concerning matters that individually or in the aggregate may be significant to the Company's or the Group's financial status or the auditors' report;
  - significant matters that were the subject of consultations with other accountants;

- significant issues discussed with management with regard to the initial or recurring retention of the auditor; and
- any serious difficulties encountered in dealing with management during the performance of the audit.

#### *Regarding Internal Auditors*

7. Review periodically the adequacy of the organizational structure, budget and appointment and replacement of the senior internal auditing executives.
8. Review the significant reports to management prepared by the internal audit department and management's responses.
9. Discuss with the external auditor and management the internal audit department's responsibilities, staffing and any recommended changes in the planned scope of the internal audit.

#### *Regarding Financial Reporting*

10. Review and discuss with management and the external auditors the Company's and Group's quarterly and annual financial statements (including the sections on Operating and Financial Review and Prospects) to consider significant financial reporting issues and judgments made in connection with the preparation of the Company's and Group's financial statements, including any significant changes in the Company's or Group's selection or application of accounting principles.
11. On behalf of the Board, which has fully delegated this task to the ACC, review and approve the Company's and Group's quarterly financial statements for the first three quarters of each calendar year and the corresponding financial results releases. The Board remains responsible for the approval of the annual financial statements of the Company and the Group and of the corresponding financial results releases.

#### *Regarding Compliance with Laws*

12. Review major issues regarding the status of the Company's compliance with laws and regulations, as well as major legislative and regulatory developments that may have significant impact on the Company.

13. Review the processes and procedures for management's monitoring of compliance with local laws. To this end, the ACC will obtain and review reports submitted at least annually by those persons the ACC has designated as responsible for compliance with laws.

#### *Regarding Compliance with Policies*

14. Review compliance by management of the Company with those Company policies designated by the Board from time to time, including policies on ethical business standards. To this end, the ACC will obtain and review reports submitted at least annually by each of those persons the ACC has designated as responsible for implementation of and compliance with such policies and give guidance and direction on how the policies are to be administered.
15. Supervise the Company's participation in the UN Global Compact. To this end, the ACC will review periodic reports submitted by those persons the ACC has designated as responsible for implementation of the Company's participation in the UN Global Compact and compliance of the Company with its undertakings with respect to the UN Global Compact.

#### *Other*

16. Review the financial literacy of each ACC member to determine whether he or she meets the applicable legal standards and propose to the Board the appropriate determination and its disclosure.
17. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Group regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Group of concerns regarding questionable accounting or auditing matters.
18. Review disclosures made by the chief executive officer and chief financial officer regarding compliance with their certification obligations, including the Company's disclosure controls and procedures and internal controls for financial reporting and evaluations thereof.

19. Review such other matters in relation to the Group's accounting, auditing, financial reporting and compliance with law and policies as the ACC may, in its own discretion, deem desirable in connection with the review functions described above.
20. Annually review and reassess the adequacy of this charter and submit proposed changes to the Board for approval.
21. Conduct an annual self-evaluation of the ACC's performance.

#### Limitation of ACC's Role

While the ACC has the responsibilities and powers set forth in this charter, it is not the duty of the ACC to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditor.

Effective: 11 April 2011