

Charter

The Compensation Committee of Novartis AG

Mission Statement

Pay for performance is the guiding principle of the compensation strategy of Novartis AG and its affiliates (the “Group”). The Group aims to reward those associates who achieve competitive business results and exemplify our Group values. The compensation strategy strives to strengthen the performance-oriented culture and reinforce entrepreneurial behavior resulting in contributions that motivated and dedicated associates make to sustain superior business results.

The compensation committee (the “Compensation Committee”) reviews on behalf of and recommends to the board of directors (the “Board”) the Group compensation policies and programs in the light of this compensation strategy. The Compensation Committee also approves the employment contracts and the individual compensation for selected key executives and will perform such other tasks as may be delegated to it by the Board from time to time.

Organization

The Compensation Committee shall consist of three to four members of the Board. These members shall be independent in accordance with the independence criteria set forth in the Appendix.

The chairman of the Board and chief executive officer (the “Chairman/CEO”) shall not be a member of the Compensation Committee, but he may attend the sessions, except when his compensation is being discussed and determined.

The Board will designate one member of the Compensation Committee as its chairperson.

The Compensation Committee shall meet at least two times a year.

The Compensation Committee shall have the authority to retain and terminate any compensation consultant assisting in the evaluation of Board member or senior executive compensation, and shall have authority to approve the consultant’s fees and other retention terms. The Compensation Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

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

Roles and Responsibilities

The Compensation Committee shall have the following roles and responsibilities:

1. Recommend and periodically review the Group compensation policies and programs for approval by the Board.
2. Advise the Board on the compensation of Board members.
3. Approve the employment agreements (including substantive changes thereto and payments upon termination) for the Chairman/CEO and the executives mentioned under subparagraph (5) below.
4. Decide on the variable compensation including special awards for the Chairman/CEO for the past year based on the overall appraisal of his performance by the independent members of the Board and decide on the base salary and the total target compensation for the coming year based on all relevant factors, including his objectives relevant to his compensation and market data.
5. Decide – based on the achievement of financial and non-financial objectives – on the variable compensation including special awards of the members of the Executive Committee, global business unit heads, nominated key corporate executives and other executives with a target total compensation in excess of USD 2 million and decide on the base salary and target compensation for the new year taking into account relevant market data.
6. Inform the Board about policies, programs and key decisions as well as statistical comparisons of compensation levels at key competitors.
7. Review and reassess the adequacy of this charter annually and submit proposed changes to the Board for approval.
8. Conduct an annual self-evaluation of the Compensation Committee's performance.

Effective: 12 December 2007