

Novartis AG

To the shareholders of Novartis AG

Invitation to the Annual General Meeting

Date: Friday, March 2, 2018, 10.00 a.m. (doors open at 8.30 a.m.)

Place: St. Jakobshalle, Brüglingerstr. 19-21, 4052 Basel (entrance St. Jakobs-Strasse)

Basel, January 24, 2018

 **NOVARTIS**

Agenda

1 Approval of the Operating and Financial Review of Novartis AG, the Financial Statements of Novartis AG and the Group Consolidated Financial Statements for the 2017 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 2017 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	3,281,006,904
2017 net income of Novartis AG	CHF	8,427,115,178
Available earnings as per balance sheet	CHF	11,708,122,082

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

Gross dividend (before taxes and duties) of CHF 2.80 per dividend bearing share* of CHF 0.50 nominal value	CHF	-6,888,923,241
Balance to be carried forward	CHF	4,819,198,841

* 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 by the Annual General Meeting of shareholders, payment of the dividend will be made as from March 8, 2018. The last trading day with entitlement to receive the dividend is March 5, 2018.

As from March 6, 2018 the shares will be traded ex-dividend.

4 Reduction of Share Capital

The Annual General Meeting held on February 23, 2016 authorized the Board of Directors to repurchase up to a maximum of CHF 10 billion worth of shares under a seventh share repurchase program. In 2016, 10,270,000 shares (representing a nominal value of CHF 5,135,000) were repurchased, which were cancelled in 2017.

In 2017, a further 66,220,000 shares (representing a nominal value of CHF 33,110,000) were repurchased via the second trading line on SIX Swiss Exchange. The shares repurchased in 2017 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 fully covered even with the proposed reduction in share capital.

The Board of Directors proposes to the Annual 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 66,220,000 shares repurchased under the seventh share repurchase program in 2017, to reduce the share capital accordingly by CHF 33,110,000, from CHF 1,308,422,410 to CHF 1,275,312,410, 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 1,275,312,410, fully paid-in and divided into 2,550,624,820 registered shares. Each share has a nominal value of CHF 0.50.
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5 Votes on Compensation for the Members of the Board of Directors and the Executive Committee

The Board of Directors proposes to hold separate votes on the compensation of the Board of Directors and the Executive Committee at the 2018 Annual General Meeting. The enclosed brochure “Compensation Votes at the 2018 Annual General Meeting” sets out further details in relation to the proposed votes on compensation. The 2017 Compensation Report is available electronically under <https://www.novartis.com/annualreport2017>.

5.1 Binding Vote on the maximum aggregate amount of Compensation for Members of the Board of Directors from the 2018 Annual General Meeting to the 2019 Annual General Meeting

The Board of Directors proposes that shareholders approve the maximum aggregate amount of compensation for the members of the Board of Directors covering the period from the 2018 Annual General Meeting to the 2019 Annual General Meeting, i.e. CHF 8,190,000 (as further described in the enclosed brochure “Compensation Votes at the 2018 Annual General Meeting”).

5.2 Binding Vote on the maximum aggregate amount of Compensation for Members of the Executive Committee for the next Financial Year, i.e. 2019

The Board of Directors proposes that shareholders approve the maximum aggregate amount of compensation to be paid, promised or granted during, or in respect of, 2019 to the members of the Executive Committee, i.e. CHF 92,000,000 (as further described in the enclosed brochure “Compensation Votes at the 2018 Annual General Meeting”).

5.3 Advisory Vote on the 2017 Compensation Report

The Board of Directors proposes that shareholders endorse in an advisory vote the 2017 Compensation Report.

6 Re-elections of the Chairman and the Members of the Board of Directors

Pierre Landolt, Ph.D., has reached the age limit stipulated in the Articles of Incorporation and is therefore not standing for re-election. The Board of Directors sincerely thanks Pierre Landolt for his valuable contributions to the long-term and sustainable strategy of Novartis and his high level of personal commitment in the area of Corporate Responsibility.

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), Nancy C. Andrews, M.D., Ph.D., Dimitri Azar, M.D., Ton Buechner, Srikant Datar, Ph.D., Elizabeth Doherty, Ann Fudge, Frans van Houten, Andreas von Planta, Ph.D., Charles L. Sawyers, M.D., Enrico Vanni, Ph.D., and William T. Winters 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 (<https://www.novartis.com/annualreport2017>).

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

6.2 Re-election of Nancy C. Andrews, M.D., Ph.D.

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

6.4 Re-election of Ton Buechner

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

6.6 Re-election of Elizabeth Doherty

6.7 Re-election of Ann Fudge

6.8 Re-election of Frans van Houten

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

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

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

6.12 Re-election of William T. Winters

7 Re-elections to the Compensation Committee

The Board of Directors proposes the re-election of Srikant Datar, Ph.D., Ann Fudge, Enrico Vanni, Ph.D., and 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.

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

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

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

7.4 Re-election of William T. Winters as member of the Compensation Committee

8 Re-election of the Statutory Auditor

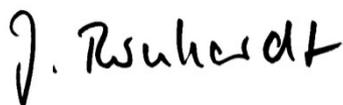
The Board of Directors proposes the re-election of PricewaterhouseCoopers AG as statutory auditor of Novartis AG for the financial year starting on January 1, 2018.

9 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 of Novartis AG until the end of the next Annual General Meeting.

For the Board of Directors

The Chairman:



Joerg Reinhardt, Ph.D.

(The original German text is binding)

Enclosures: - Registration form with reply envelopes
- Brochure "Compensation Votes at the 2018 Annual General Meeting"

Organizational notes

No Trading Restriction on Novartis Shares

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

Annual Report

The Annual Report for the 2017 financial year (including the operating and financial review of Novartis AG, the financial statements of Novartis AG, the Group's consolidated financial statements, the Compensation Report as well as the statutory auditor's reports) is available for inspection by shareholders at the Registered Office of the Company* and on the Company's website at <https://www.novartis.com/annualreport2017>. In addition, from January 29, 2018 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 invitation.

Tickets of Admission

Tickets of admission and voting materials will be sent from February 15 to 28, 2018 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 of Novartis AG registered with the right to vote on February 27, 2018.

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. This does not apply to family members acting as legal representatives.

Use of the Sherpany online platform

Novartis shareholders may use the Sherpany online platform and thus receive invitations to 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, partially in English and partially in French. 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.

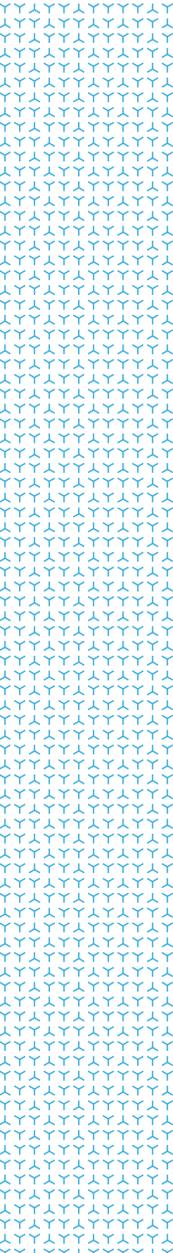
Mobile Phones

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



Compensation Votes

at the 2018 Annual General Meeting

Item 5 of the Agenda
(The original German text is binding)

Dear Shareholder,

Our mission is to discover new ways to improve and extend people's lives. We use science-based innovation to address some of society's most challenging healthcare issues. We discover and develop breakthrough treatments and find new ways to deliver them to as many people as possible. We also aim to provide a shareholder return that rewards those who invest their money, time and ideas in our company.

During 2017, the Compensation Committee reviewed the Executive Committee compensation system to ensure that it provides an appropriate framework for incentivizing management and effectively aligns executive and shareholder interests. In line with our commitment to transparency, the Compensation Committee also reviewed the way we are disclosing executive compensation in the Compensation Report.

As in prior years, in line with the Swiss Ordinance against Excessive Compensation in Listed Companies and our Articles of Incorporation, we are asking shareholders at the 2018 Annual General Meeting (AGM) to cast separate binding votes on two aggregate amounts of compensation, and an advisory (non-binding) vote on our 2017 Compensation Report as described in this brochure.

Vote 5.1: Binding Vote on the maximum aggregate amount of Compensation for Members of the Board of Directors from the 2018 Annual General Meeting to the 2019 Annual General Meeting

The Board of Directors proposes that shareholders approve the maximum aggregate amount of compensation for the members of the Board of Directors covering the period from the 2018 Annual General Meeting to the 2019 Annual General Meeting, i.e. CHF 8 190 000.

Vote 5.2: Binding Vote on the maximum aggregate amount of Compensation for Members of the Executive Committee for the next Financial Year, i.e. 2019

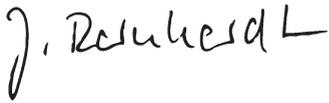
The Board of Directors proposes that shareholders approve the maximum aggregate amount of compensation to be paid, promised or granted during, or in respect of, 2019 to the members of the Executive Committee, i.e. CHF 92 000 000.

Vote 5.3: Advisory Vote on the 2017 Compensation Report

The Board of Directors proposes that shareholders endorse in an advisory vote the 2017 Compensation Report.

This brochure provides information on the three compensation-related votes. Further details regarding the compensation systems for our Board and Executive Committee members are set out in the Compensation Report of the 2017 Novartis Annual Report.

On behalf of the Novartis Board of Directors,



Joerg Reinhardt
Chairman, Board of Directors



Enrico Vanni
Vice Chairman, Board of Directors
Chairman, Compensation Committee

Vote 5.1

Binding Vote on the maximum aggregate amount of Compensation for Members of the Board of Directors from the 2018 Annual General Meeting to the 2019 Annual General Meeting, i.e. CHF 8 190 000

The annual compensation of the Chairman of the Board will remain unchanged for the fifth consecutive year.

Board and committee membership fees have remained unchanged since the reduction that took place at the 2014 AGM. The Board has decided to rebalance its fee structure from the 2018 AGM to better recognize the responsibilities and time commitment of the committees, both of which have increased as a result of the evolving governance and regulatory environment. In particular, developments in compensation governance requirements have, over the last few years, resulted in a greater number of interactions between the Compensation Committee and shareholders and other external stakeholders.

The Board membership fee will decrease, and the committee membership fees will increase. The Board took into consideration external benchmarking information in the Swiss market as well as independent advice. The change is cost-neutral for the company, as the new fee structure results in the same average fee per Board member, excluding the Chairman.

In addition, following a review of practices among our peer group companies, the share ownership requirement for Board members will be increased from 4 000 to 5 000 shares, effective from the 2018 AGM. Board members will have four years from appointment to reach the increased requirement. This minimum share ownership increase will strengthen the alignment of interests with those of shareholders. The shareholding requirement for the Chairman of the Board will remain unchanged at 30 000 shares.

Compensation of the Chairman of the Board of Directors

The annual compensation of our Chairman will be CHF 3.8 million for the period from the 2018 AGM to the 2019 AGM. The compensation will be paid 50% in cash and 50% in Novartis shares, as determined by an agreement entered into between the Chairman and the company in 2013. The Chairman decided to waive his contractual right to receive an annual compensation increase for this period equal to the average compensation increase for associates based in Switzerland.

Novartis does not contribute to funding company pension or insurance benefits for the Chairman.

Compensation of the members of the Board of Directors

Members of the Board receive only fixed compensation. They receive no variable or performance-based compensation, no share options and no additional fees for attending meetings. Board members do not receive any company pension or insurance benefits. The fees paid are at least 50% in Novartis shares (up to 100% at the option of each Board member) and the remainder in cash.

The compensation policy applicable to Board members reflects our governance structure and the responsibilities of the Board, in accordance with applicable laws and our own regulations. In addition, it aligns our aggregate Board compensation with the current levels of other large Swiss companies.

Compared to last year, the number of Board members (including the Chairman of the Board) will decrease from 13 to 12. Pierre Landolt will reach the age limit for Novartis Board membership specified in our Articles of Incorporation and is therefore not standing for re-election.

As previously mentioned, the Board and committee fees will be rebalanced for the period from the 2018 AGM to the 2019 AGM. The rebalanced fee levels are set out below in comparison to the fees for the period from the 2017 AGM to 2018 AGM.

CHF 000s	Fees for period from the 2017 AGM to the 2018 AGM	Fees for period from the 2018 AGM to the 2019 AGM
Chairman of the Board	3 800	3 800
Board member	300	280
Vice Chairman of the Board	50	50
Audit and Compliance Committee Chair ¹	120	130
Compensation Committee Chair ¹	60	90
Other Board Committee Chair ^{1,2}	60	70
Audit and Compliance Committee member ¹	60	70
Other Board Committee member ^{1,3}	30	40

¹ Additional committee fees for functions of Board members in committees, i.e. chairmanship/membership (not applicable for the Chairman)

² Applies to the Governance, Nomination and Corporate Responsibilities Committee; the Research & Development Committee; and the Risk Committee. The Chairman receives no additional committee fees for chairing the Research & Development Committee.

³ Applies to the Compensation Committee; the Governance, Nomination and Corporate Responsibilities Committee; the Research & Development Committee; and the Risk Committee

The table below shows the requested amount of total compensation for the members of the Board of Directors, including the Chairman of the Board, for the period from the 2018 AGM to the 2019 AGM. The amount assumes that all proposed Board members (and Compensation Committee members) will be elected at the 2018 AGM.

The total compensation amount requested is lower than that of the prior term due to the lower count of Board members (decrease from 13 to 12 Board members). Following the rebalancing of the overall fee structure, the change is cost-neutral for the company, as the new fee structure results in the same average fee per Board member, excluding the Chairman.

CHF	Approved for: 2017 AGM – 2018 AGM	Requested for: 2018 AGM – 2019 AGM
Chairman of the Board	3 805 000	3 805 000
Other Board members	4 720 000	4 385 000 ¹
Total amount of compensation for the members of the Novartis Board of Directors	CHF 8 525 000	CHF 8 190 000²

¹ The amount will be payable in accordance with the fees for Board membership and the fees for committee chair and membership roles, as detailed on page 6.

² The total includes an estimated amount of CHF 20 000 mandatory employer contributions for all Board members payable by Novartis to Swiss governmental social security systems. This amount is out of estimated total employer contributions of approximately CHF 430 000, 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.

The Board of Directors recommends that shareholders approve the requested maximum aggregate amount of compensation of CHF 8.19 million, as set out above, for members of the Board of Directors from the 2018 AGM to the 2019 AGM

Vote 5.2

Binding Vote on the maximum aggregate amount of Compensation for Members of the Executive Committee for the next Financial Year, i.e. CHF 92 000 000 for 2019

To succeed in our mission, we need to attract and retain the best global talent. The Executive Committee compensation system enables us to meet this ambition. It is aligned with our business strategy as well as shareholders' interests, and it supports our aspiration to be one of the world's most successful healthcare companies.

Key features of our Executive Committee compensation system

In view of market developments since the current system was implemented in 2014, the Compensation Committee conducted a review of the Executive Committee compensation system and decided to make evolutionary changes to provide greater simplicity and further enhance the link between pay and performance. The changes take into account the constructive feedback from shareholders, and take effect from 2018 as follows:

- A simplified Annual Incentive balanced scorecard will apply, placing additional weighting on financial performance (60% weighting) and also focusing on key strategic objectives in the areas of innovation, access to healthcare, people and culture, data and digital (40% weighting). Values and Behaviors remain a key component of the Annual Incentive and are embedded in our culture. As such, members of the Executive Committee are expected to demonstrate these to the highest standard.
- The Long-Term Incentive plan LTRPP that is based on relative total shareholder return (TSR) compared to our peers will no longer permit payout below median ranking.

The compensation system of the members of the Executive Committee, which is outlined in the table below, has:

- A significant proportion of performance-based variable compensation, using performance measures that are directly taken from our business strategy.
- Two separate long-term plans, each subject to a three-year performance cycle; one is based on internal financial performance and innovation, and the other is based on relative total shareholder return measured against 15 global healthcare companies.
- No share options, matching grants or time-only vesting Long-Term Incentives.

	Fixed pay and benefits		Variable pay – performance-related		
	Annual base salary	Pension and other benefits	Annual Incentive	Long-term share awards	
				LTPP ¹	LTRPP ²
Purpose	Reflects responsibilities, experience and skill sets	Establishes a level of security for associates and their dependents tailored to local market practices and regulations	Rewards delivery of annual business priorities that tie into the long-term strategic objectives of the business	Rewards long-term shareholder value creation and innovation	
Form of payment	Cash	Country / individual specific	50% cash 50% equity ³ deferred for three years	Equity	
Performance cycle	–	–	One year	Three years	
Performance measures	–	–	Balanced scorecard comprising: <ul style="list-style-type: none"> • 60% financial targets • 40% key strategic objectives⁴ 	<ul style="list-style-type: none"> • Novartis Cash Value Added • Innovation milestones 	<ul style="list-style-type: none"> • Relative TSR vs. global sector peers⁵

¹ LTPP = Long-Term Performance Plan

² LTRPP = Long-Term Relative Performance Plan

³ Executive Committee members may elect to receive more of their Annual Incentive in equity instead of cash.

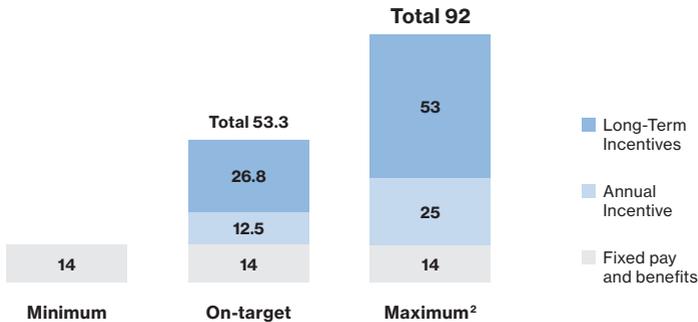
⁴ Key strategic objectives in the areas of innovation, access to healthcare, people and culture, data and digital. Values and Behaviors are also a key component of the Annual Incentive and are embedded in our culture. As such, members of the Executive Committee are expected to demonstrate these to the highest standard.

⁵ The anticipated peer group is consistent with our global healthcare peer group for performance cycles starting in 2017, and consists of AbbVie, Amgen, AstraZeneca, Biogen, Bristol-Myers Squibb, Celgene, Eli Lilly & Company, Gilead, GlaxoSmithKline, Johnson & Johnson, Merck & Co., Novo Nordisk, Pfizer, Roche and Sanofi.

Proposed maximum total compensation to be paid, promised or granted to members of the Executive Committee for the next Financial Year, i.e. 2019

The chart below presents the range from minimum to on-target to maximum total compensation for 2019. Shareholders are requested to approve the proposed 2019 maximum total compensation of CHF 92 000 000 for the 11 expected members of the Executive Committee.

(in CHF million)¹



¹ Some members are to be paid in USD. The exchange rate used is 1 CHF : 1.015 USD, and the proposed amount excludes any currency exchange rate fluctuation between the time of the release of this brochure and December 31, 2019. The on-target and maximum amounts also exclude any share price evolution and dividend equivalents earned over the three-year performance cycle.

² The proposed total maximum compensation amount includes service costs of pension and other benefits such as a company car, tax and financial planning services, as well as international assignment benefits where applicable in accordance with standard company policies. It also includes an amount of approximately CHF 55 000 for estimated mandatory employer contributions for all Executive Committee members payable by Novartis to Swiss governmental social security systems. This amount is out of estimated total employer contributions of approximately CHF 4 000 000, and provides a right to the maximum future insured government pension benefit for the Executive Committee member.

Further information on the minimum, on-target and maximum total compensation amounts is provided on the next page.

Minimum: Only fixed pay and benefits are payable. Variable compensation is not payable, assuming none of the performance targets have been met.

On-target: Fixed pay and benefits together with variable pay at 100% of target for both the Annual Incentive and Long-Term Incentives, assuming all members of the Executive Committee have met their performance targets on each incentive plan.

Maximum: The “maximum” amount assumes that all performance targets for both the Annual Incentive and Long-Term Incentives are at the maximum of 200%. The maximum payout at 200% of target for all Executive Committee members on an aggregated basis has never occurred at Novartis.

The value of long-term share awards is determined at the time the shares are granted (the number of shares is determined by dividing the value at grant by the share price on the grant date), and excludes any share price evolution over the vesting period and any dividends that are paid each year on shares or dividend equivalents that accrue during the vesting period on LTPP and LTRPP awards.

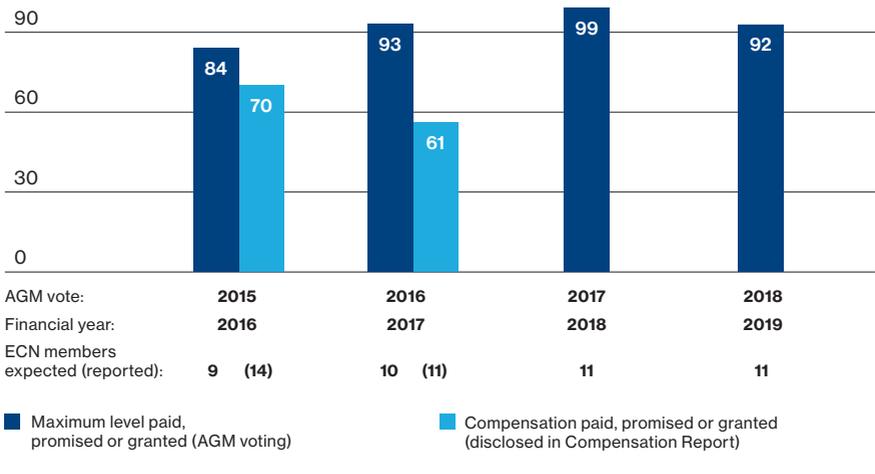
The Board of Directors recommends that shareholders approve the requested maximum aggregate amount of compensation of CHF 92 million, as set out above, for members of the Executive Committee for the 2019 financial year

Evolution of Executive Committee compensation

The chart below shows the maximum amounts approved by shareholders from the 2015 AGM to the 2017 AGM, or to be approved at the 2018 AGM. In addition, it shows for comparison purposes the compensation paid, promised or granted to the members of the Executive Committee for the 2017 and 2016 financial years, reported on pages 135 and 136 of the 2017 Compensation Report.

Evolution of ECN compensation chart

(in CHF million)



Further information on the compensation paid, promised or granted to the members of the Executive Committee for 2017 of CHF 61 million is provided on the next page.

The CHF 61 million paid, promised or granted to the 11 members of the Executive Committee for the 2017 financial year, which is shown in the previous chart, includes the following:

- Annual base salary, pension benefits and other compensation paid during 2017 (CHF 15.3 million).
- The Annual Incentive earned for the 2017 performance year (CHF 17.5 million).
- The Long-Term Incentives granted at target for the 2017-2019 performance cycles (CHF 28.2 million at target), which will only vest to the extent that performance conditions are met. The final payout, which will only be known at the end of the three-year cycle, can vary from 0–200% of target and will also be impacted by share price changes and accrued dividend equivalents.

Vote 5.3

Advisory Vote on the 2017 Compensation Report

The purpose of the Compensation Report is to clearly inform shareholders about our Board and Executive Committee compensation systems, policies and practices, and the compensation paid to members of the Board of Directors and the Executive Committee. The advisory vote gives shareholders the opportunity to express their views on the compensation disclosures as well as the executive compensation programs and systems, as described in the 2017 Compensation Report.

During the year, we engaged in dialogue with many of our major shareholders and proxy advisors to gather feedback on our compensation systems and disclosures. Through these discussions, we addressed the concerns of some shareholders who opposed the 2016 Compensation Report at the 2017 AGM.

The 2017 Compensation Report contains enhanced disclosures to provide greater transparency to shareholders, including the following:

- Prospective disclosure of the target compensation for the CEO and the other Executive Committee members, as well as the policy outlining our approach to setting compensation of newly appointed Executive Committee members.
- Realized compensation for the CEO and, for the first time, on an aggregated basis, the other members of the Executive Committee.
- An interim update on the one-off three-year performance award granted in 2016 to the Alcon CEO for the 2016-2018 performance cycle.

The 2017 Compensation Report also provides details on the changes made to the Executive Committee compensation system from 2018, to better align with business strategy and developing governance practices, including the following:

- The performance condition for the Long-Term Relative Performance Plan has been made more stringent and, from the 2018-2020 performance cycle onwards, Executive Committee members will receive no payout if relative total shareholder return is below the median of the companies in our global healthcare peer group.
- Revised Long-Term Incentive plan rules for retiring Executive Committee members.

Communication of targets and realized compensation

To enable shareholders to assess the link between company performance and compensation, Novartis is committed to full disclosure in the Compensation Report of the targets and achievements at the end of each performance cycle for the Annual Incentive and Long-Term Incentives – including judgment used in assessing actual performance versus targets. In line with this principle, the targets and realized compensation of the CEO and the other Executive Committee members for performance cycles that concluded in 2017 can be found on pages 128-133 of the 2017 Compensation Report. This approach is proposed to our shareholders given that disclosing our short- and long-term targets under our compensation programs before the end of the relevant performance cycle would give substantial insight into the company's confidential, forward-looking strategies and could therefore place the company and its shareholders at a competitive disadvantage.

The Board of Directors recommends that shareholders endorse in an advisory vote the 2017 Compensation Report, which is available electronically on our website at the following address: www.novartis.com/annualreport2017

Novartis mission

Our mission is to discover new ways to improve and extend people's lives. We use science-based innovation to address some of society's most challenging healthcare issues. We discover and develop breakthrough treatments and find new ways to deliver them to as many people as possible. We also aim to provide a shareholder return that rewards those who invest their money, time and ideas in our company.