

Audit and Compliance Committee Pre-Approval Policy for use of services from the Principal Independent Auditor

1. Statement of Principles

The Audit and Compliance Committee (ACC) is required to pre-approve the audit and non-audit services performed by the principal independent auditor in order to assure that the provision of such services does not impair the principal independent auditor's independence. Unless a type of service to be provided by the principal independent auditor has received general pre-approval, it will require individual approval. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the ACC.

Appendix A to this Policy describes the Audit, Audit-related and Other Services that have the pre-approval of the ACC. The term of any pre-approval is 12 months from the date of pre-approval, unless the ACC specifically provides for a different period. The ACC will periodically revise the list of pre-approved services, based on subsequent determinations.

This pre-approval policy is only relevant for services requested from the principal independent external auditor. For services requested from any other accounting or consulting firms the regular sourcing guidelines apply.

2. Urgent Cases

The chair person of the ACC is authorized to approve permissible services in urgent cases. Such approvals have to be minuted at the next meeting of the ACC.

3. Audit Services

The annual Audit Services engagement terms and fees for the principal independent auditor will be subject to the specific pre-approval of the ACC. The ACC will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other matters.

In addition to the annual Audit Services engagement approved by the ACC, the ACC may grant pre-approval for other Audit Services, which are services that only the independent auditor reasonably can provide.

All other Audit Services not listed in Appendix A require specific pre-approval by the ACC.

4. Audit-Related Services

Audit-Related Services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are traditionally performed by the principal independent auditor. The ACC believes that the provision of Audit-Related Services does not impair the independence of the auditor, and pre-approves the Audit-Related Services listed in Appendix A.

All other Audit-Related Services not listed in Appendix A require specific pre-approval by the ACC.

5. Tax Services

The ACC believes that the principal independent auditor can provide Tax Services to the Company such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the ACC will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations.

All Tax Services listed in Appendix A require specific and individual pre-approval by the ACC.

6. All Other Services

Novartis will only engage its principal independent auditor where such auditor is especially well qualified for a particular piece of work. In addition, the principal independent auditor may not perform any non-audit services that are prohibited by the U.S. Securities and Exchange Commission, the U.S. Public Company Accounting Oversight Board, the UK Auditing Practices Board, the Swiss Federal Audit Oversight Authority and the Financial Market Supervisory Authority, or any other organisation to whose jurisdiction Novartis may be subject.

The ACC may grant pre-approval to other permissible non-audit services that it believes are routine and recurring services, and would not impair the independence of the auditor, such as the services listed in Appendix A.

A list of the SEC's prohibited non-audit services is attached to this policy as Appendix B. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

7. Pre-Approval Fee Levels

The ACC will establish pre-approval fee levels for audit and audit-related services to be provided by the principal independent auditor. In the event that the ACC has approved an estimated fee for a service, any invoice materially in excess of the estimated amount must be specifically approved by the ACC prior to payment. Any request to pay invoices in excess of the estimated amounts will include an explanation as to the reason for the extra charge.

8. Supporting Documentation

With respect to each proposed pre-approved service, the principal independent auditor will provide detailed back-up documentation, which on request will be provided to the ACC.

9. Procedures

Requests or applications to provide services that require separate approval by the ACC will be submitted to the ACC by both the principal independent auditor and the Novartis Chief Financial Officer or Head of Financial Reporting & Accounting, and must include a statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

Management shall regularly inform the ACC of the services performed by the principal independent auditor pursuant to this policy.

This Policy was approved by the ACC on October 22, 2014 .

Appendix A/1: Pre-approval Framework: Audit Services provided by Principal Independent Auditor

Recurring audit	Recurring financial statement audits to meet the stock exchange requirements of the Group and local statutory requirements.
Quarterly review	Recurring financial statement reviews of the Group's quarterly, interim condensed consolidated financial statements.
Audit of non-recurring transactions and implementation of new accounting policies	Services relating to capital raising activities (e.g. comfort letters and attestation services), regulatory filings, and other non-recurring audit work that can only be provided by the Group's primary independent auditor such as real-time assurance on the Group's application of new accounting principles. Also includes non-recurring incremental services required for completion of the Group or statutory audits, as well as the following services: (i) internal accounting and risk management control reviews; (ii) non-statutory audits; and (iii) project assurance/advice on business and accounting process improvement.
Audit of information systems and related control environment	Audit of controls relating to specific applications, including general computer controls in connection with new system implementations or updates.
Accounting for taxes and audit support	Assistance with accounting for income and other taxes and support of the audit function in reviewing tax provisions.

Appendix A/2: Pre-approval Framework: Audit-Related Services provided by Principal Independent Auditor

Acquisition or divestment due diligence and related audits	Assistance in financial due diligence, including review of financial statements, financial data and records, discussion with target's finance and accounting personnel. Also includes any audits and agreed-upon procedures required as a part of a purchase or sale agreement.
Audit of pension and other employee benefit plans	Separate audits of pension and other employee benefit plans, generally as required by local law.
Other audit-related services	Other assurance services provided by the principal independent auditor but which are not directly related to or in support of the recurring Group or statutory audit opinions. These services principally include contract audits and reviews, internal control reviews and assessments, assurance services on corporate responsibility reporting, and consultation regarding new accounting pronouncements.

Appendix A/3: Pre-approval Framework: Tax Services provided by Principal Independent Auditor

All Tax Services require specific and individual pre-approval by the ACC.

Tax Compliance	Services involving the preparation or review of original or amended tax returns for direct or indirect taxes, customs, duties, etc., including assisting or advising Company personnel with such matters.
Tax Audit Assistance	Services that involve assisting Company personnel with a review or a challenge by a federal, foreign or local tax authority of business tax returns previously filed by the Company.
Consultation and Advice on Business Tax Matters	Services involving advice and consultation on any business tax related issue, including but not limited to consultation on accounting for income taxes under IAS 12, R&D, transfer pricing, employment taxes, indirect taxes, customs, duties, pension plan matters, property taxes, expatriate tax matters, tax law changes, or any federal, foreign or local income tax matter.

Appendix A/4: Pre-approval Framework: Other Services provided by Principal Independent Auditor

All other services require specific and individual pre-approval by the ACC, with the exception of services such as access to publications, company specific training on emerging topics, annual HR service projects and electronic accounting and audit reference materials for which an annual pre-approval can be granted.

Appendix B: Prohibited Non-Audit Services provided by Principal Independent Auditor

- Bookkeeping or other services related to the accounting records or financial statements ¹⁾
- Financial information systems design and implementation ¹⁾
- Appraisal or valuation services, fairness opinions or contributions-in-kind reports ¹⁾
- Actuarial services ¹⁾
- Internal audit outsourcing services ¹⁾
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit
- Any service provided for a contingent fee
- Planning, marketing, or opining in favour of certain types of confidential or aggressive tax position transactions
- Tax services to individuals who perform a “financial reporting oversight role” (as defined by Public Company Accounting Oversight Board Rule 3501(f)(i)) (other than directors), or to family members of individuals in a financial reporting oversight role

¹⁾ Provisions of these non-audit services may be permitted if it is reasonable to conclude that the results of these services will not be subject to audit procedures and if specifically approved by the ACC.