

## Appendix

### Independence Criteria for the Board of Directors and its Committees

#### Independence of the members of the Board of Directors

The Corporate Governance and Nomination Committee (“CGNC”) annually submits to the full Board of Directors a proposal concerning the determination of the independent status of the Board members (“Director”). For purposes of such assessment, the CGNC considers all relevant facts and circumstances of which it is aware. The majority of Directors and any member of the Audit and Compliance Committee (“ACC Director”) shall meet the independence criteria set forth below.

In order to be considered independent, a Director shall not have any material relationship with Novartis AG and any of its subsidiaries (“Novartis”) other than his/her service as a director.

#### I. Material Relationships

##### 1. A Director will not be considered independent if

- the Director or his/her immediate family member (“Family Member”)<sup>1</sup> owns more than 10% of the stock of Novartis AG;
- the Director has received direct compensation (other than for former service as an interim Chairman or CEO or other executive officer) of more than USD 120 000 p.a. (other than dividends or Board/Board Committee fees and retirement or deferred pay for prior service, provided such compensation is not contingent in any way on continued service) from Novartis within the last 3 years;
- a Family Member has received direct compensation of more than USD 120 000 p.a. (other than compensation received for service as an employee other than an executive officer) from Novartis within the last 3 years;
- the Director is, or has been within the last three years, an employee of Novartis;
- a Family Member is, or has been within the last three years, an executive officer of Novartis;

<sup>1</sup> Family Member includes a person’s spouse, parents, children, stepchildren, siblings, mother-, father-, brothers-, sisters-, sons- and daughters-in-law and anyone (other than domestic employees) who shares such person’s home.

- the Director is a current partner or employee of the auditor of Novartis (“Auditor”);
- a Family Member is a partner of the Auditor or is an employee of the Auditor and works on Novartis’ audit;
- the Director or a Family Member is a former partner or employee of the Auditor who personally worked on Novartis’ audit during the last 3 years;
- the Director or a Family Member is, or has been within the last three years, employed as an executive officer of an enterprise while any of Novartis’ present executive officers serves or has served on that enterprise’s compensation committee;
- an enterprise has made payments to or received payments from Novartis for goods, property or services in an amount that exceeds, in any of the last 3 fiscal years, the greater of USD 1 million or 2% of the enterprise’s consolidated gross revenues, and
  - the Director is a board member or employee of that enterprise or holds more than 10% of the shares in that enterprise; or
  - a Family Member is a board member or executive officer or holds more than 10% of the shares in that enterprise.

*2. In addition to the independence criteria set above, an ACC Director shall not be considered independent if*

- the ACC Director or his/her spouse, minor child, minor stepchild or child or stepchild sharing the ACC Directors’ home accepts any salary or consulting, advisory or other compensatory fee (other than Board/Board Committee compensation) from Novartis;
- the ACC Director is a partner, a member, an officer such as a managing director, executive officer or occupies a similar position in an enterprise that provides advisory services such as accounting, legal, investment banking or financial advisory services to Novartis.

If an ACC Director simultaneously serves on the audit committees of more than 2 public companies other than Novartis, then the CGNC must determine that such simultaneous service would not impair the ability of such Director to effectively serve on the ACC.

## II. Immaterial Relationships

Unless the CGNC concludes in its assessment to the contrary, a relationship is presumed not to impair the independence of a Director if

- the Director or a Family Member received from Novartis, during the last fiscal year, personal benefits (other than the coverage of travel expenses incurred by a Family Member in connection with meetings of the Board of Directors) having an aggregate value of less than USD 5 000;
- a Family Member is an employee but not an executive officer of Novartis, unless the Family Member is an ACC Director's spouse, minor child, minor stepchild or child or stepchild sharing the ACC Director's home;
- the Director or a Family Member holds less than 10% interest in any legal entity that has a relationship with Novartis;
- the Director or a Family Member is a board member of a legal entity and that legal entity has made payments to or received payments from Novartis for goods, property or services in an amount that did not exceed, in any of the last 3 fiscal years, the greater of USD 1 million or 2% of the legal entity's consolidated gross revenues;
- the Director or a Family Member is a board member or executive officer of a non-profit organization and Novartis' contributions to such organization did not exceed, in any of the last 3 fiscal years, the greater of USD 1 million or 2% of the organization's consolidated gross revenues;
- a legal entity in which the Director or a Family Member is director, executive officer or employee has been indebted to Novartis in connection with a transaction in the ordinary course of business or in an amount that did not exceed USD 100 000 during the last fiscal year;
- the Director or a Family Member serves on the board of another enterprise at which an executive officer or another board member of Novartis also serves as board member.

The enumeration of relationships mentioned in this Section II is merely exemplary. The fact that a particular relationship is not listed does not mean that the relationship affects the independence of a Director.