ECGS
Expert Corporate Governance Service

Proxy Report

Novartis

Country	Switzerland
Meeting date	22 February 2013 10:00
Meeting location	St. Jakobshalle, Basel (entrance Brüglingerstrasse/St. Jakobs-Strasse)
Meeting type	Annual General Meeting
Securities	ISIN CH0012005267

General Meeting Highlights

This is a revision of the proxy report and voting recommendation issued by ECGS on the 18th of February 2013 for Novartis AGM to be held on Friday 22 February 2013.

ECGS announced on 18th of February 2013 that it intended to change its voting recommendation an oppose the discharge following the announcement of the non-compete contrat of Mr. Vasella (up to CHF 72 million for 6 years). On the 19th of February, Novartis announced that the Board of Directors and Dr. Daniel Vasella have agreed to cancel this non-compete agreement and all related conditional remuneration. ECGS therefore now recommends to approve the discharge and vote FOR ITEM 2.

Report Content

1. General Meeting Overview 2013

1.1 Voting positions

Item	Proposal		ECGS voting position	Board recommendation
1	Approve Annual Report, Financial Statements and Accounts		FOR	FOR
2	Discharge Board Members and Executive Management		FOR	FOR
3	Approve Allocation of Income and Dividend		FOR	FOR
4	Advisory Vote on the Remuneration System	●	OPPOSE	FOR
5	Elect Board Members			
5.1	Elect Prof. Dr. Verena Briner		FOR	FOR
5.2	Elect Dr. Jörg Reinhardt		FOR	FOR
5.3	Elect Prof. Dr. Charles Sawyers		FOR	FOR
5.4	Elect Mr. William Winters		FOR	FOR
6	Re-elect Auditors		FOR	FOR
B	Transact any Other Business	●	OPPOSE	

1.2 Voting results of the previous General Meeting 23 February 2012

Item	Proposal	% For	Result		ECGS voting position	Board recommendation
1	Approve Annual Report (including Remuneration Report), Financial Statements and Accounts	99 %	Accepted		*FOR*	*FOR*
2	Discharge Board Members and Executive Management	98 %	Accepted		*FOR*	*FOR*
3	Approve Allocation of Income and Dividend	100 %	Accepted		*FOR*	*FOR*
4	Reduce Share Capital via Cancellation of Shares	100 %	Accepted		*FOR*	*FOR*
5.1	(Re)-Elect Board Members		-			
5.1.1	Re-elect Prof. Dr. William Brody	87 %	Accepted	●	*OPPOSE*	*FOR*
5.1.2	Re-elect Prof. Dr. oec. Srikant Datar	89 %	Accepted	●	*OPPOSE*	*FOR*
5.1.3	Re-elect Dr. iur. Andreas von Planta	99 %	Accepted		*FOR*	*FOR*
5.1.4	Re-elect Dr. ing. Wendelin Wiedeking	97 %	Accepted		*FOR*	*FOR*
5.1.5	Re-elect Prof. Dr. med. Rolf Zinkernagel	97 %	Accepted		*FOR*	*FOR*
5.2	Elect Dr. Dimitri Azar	99 %	Accepted		*FOR*	*FOR*
6	Re-elect Auditors	99 %	Accepted		*FOR*	*FOR*

Attendance details:

The attendance rate at the 2012 AGM was 53% of the total share capital.

The votes were represented as follows:

- Independent proxy: 72%
- Corporate proxy: 20%
- Custodian banks/brokers: 0%
- Shareholders in the room: 8%

2. Proxy Analysis

1	Approve Annual Report, Financial Statements and Accounts	FOR

The board of directors requests shareholder approval of the company's annual report and of the annual and consolidated accounts for the fiscal year 2012.

Company performance in 2012 (see detailed figures in section 3.3 of this report)

- Total Revenues variation in 2012	-3.2%
- Total Revenues variation (3 years annualised)	3.8%
- Operating Margin 2012	20.3%
- Operating Margin 2011	18.8%
- Net Income variation	4.3%
- Return on Equity 2012	14.1%
- Return on Equity 2011	14.1%
- Total Shareholder Return (TSR)	11.2%
- 3-year TSR	16.5%

2012 Company Milestones

- During the year under review, Novartis sales slightly decreased to USD 56.6 billion (-3.2%) due to the patent expiration of Diovan, Novartis' second largest blockbuster with total sales of USD 4.4 billion (-22%) and increased price pressure on Novartis' drugs. The patent of Novartis' leading blockbuster, Glivec, with sales of USD 4.6 billion (same as last year), is expiring in 2013. Novartis' sales will therefore be negatively impacted in the coming years. Novartis continues its effort to rejuvenate its pipelines with one new drug becoming a blockbuster in 2012 (Gilenya => relapsing multiple sclerosis with USD 1.2 billion of sales) thereby increasing Novartis' blockbusters to 8 drugs. In addition, Novartis obtained 17 new approvals in 2012. Novartis' pipeline has over 200 projects in clinical development, including 138 in the Pharmaceuticals division. Over the next two years, Novartis anticipates 24 pivotal study readouts and up to 20 filings and 18 potential approvals in the Pharmaceuticals division. In terms of sales, innovative products continued to make a major contribution to the Group's overall revenues with recently launched products generating USD 16.3 billion or 29% of total net sales.
- In December 2012, Novartis' division Alcon received a FDA warning letter following an inspection at the LenSx laser manufacturing site. Alcon is fully collaborating with the FDA to ensure that the issues discovered are fully resolved. Novartis states that the items noted in the warning letter do not affect the safety or effectiveness of the product or impact its ability to sell the product. This however raises concerns since this case follows three similar cases announced in 2011 in the OTC and Animal Health division. Novartis mentions that it made progress towards remediation of the quality issues notified in 2011. However, the US manufacturing site at Lincoln (Nebraska), which was one of the targeted production site in 2011, could not make any shipments in 2012 thereby impacting the sales of the OTC and Animal Health division which dropped by 19% to USD 3.8 billion.
- Marketing expenses (25% of total sales) remain the second largest cost center behind the cost of goods sold (33% of total sales). Research and Development (USD 9.3 billion) represents 16% of total sales. For the Pharmaceuticals division, R&D cost is 21% of the sales. The significant decrease of the other expenses from USD 3.1 billion to USD 1.8 billion allowed the company to mitigate the decrease in sales and improve the operating margin (EBIT). Earnings before interest and taxes (EBIT) increased by USD 510 million (+5%) to USD 11.5 billion. Consolidated net income was up 4% to USD 9.6 billion representing a return on equity of 14.1%.

- On the balance sheet side, we note intangible assets and goodwill of USD 61.4 billion representing 89% of the total shareholders' equity. A large part of the goodwill and intangible assets is due to the acquisition of Alcon in 2010 for more than USD 50 billion.

We have no special concerns regarding the accuracy of the company's financial statements and accounts. The auditors' report is not qualified. As of 2008, Swiss company law requires the auditors to confirm the existence of the internal control. The auditors confirmed that an internal control system designed for the preparation of financial statements exists as of 31 December 2012. We recommend to vote FOR.

2	Discharge Board Members and Executive Management	FOR

The board of directors requests shareholders to discharge its members as well as those of the executive management of their responsibilities for their management of the company for the fiscal year 2012.

In line with the Swiss Code of Obligations, shareholders are requested to release the members of the board of directors from liability for their activities during the fiscal year under review. Shareholders that grant the discharge lose their right to file claims against the members of the board of directors for activities carried out during the year relating to facts that have been disclosed to shareholders. Nevertheless, all shareholders maintain their rights to file claims for facts that have not been disclosed to shareholders when the discharge was granted.

Novartis is involved in several cases of environmental litigation and has constituted an environmental remediation provision of USD 1 billion. A substantial portion of the provision relates to the remediation of Basel regional landfills in the adjacent border areas in Switzerland, Germany and France following internal and external investigations completed during 2007. In the United States, Novartis has been named under federal legislation (the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended) as a potentially responsible party (PRP) in respect of certain sites. Novartis actively participates in, or monitors, the clean-up activities at the sites in which it is a PRP.

In addition, Novartis has provisions for product liabilities, governmental investigations and other legal matters amounting to USD 998 million at year-end 2012 (down from USD 1.1 billion at year-end 2011).

We note that in October 2012, the Swiss newspaper der Bund revealed that: "sixty-seven Italian doctors are facing corruption charges after allegedly being involved in a 'reward' scheme operated by Sandoz, the generics division of Novartis. Sandoz officials allegedly offered rewards to encourage doctors to prescribe more medication. Doctors were also reportedly given a 'bonus' of between € 500 and 1'000 for identifying new patients. The doctors targeted children and prescribed high doses of growth hormones that were well above the recommendations". We questioned Novartis about this affair and a company representative told us that Sandoz is not under investigation yet. Sandoz has already taken measures to improve control and took disciplinary actions against some employees. At Group level, Novartis has "Responsible Business Practices" with a section dedicated to marketing practices. Each division has its own policy depending on their business model but must comply with the group principles. The marketing practices stipulate that "any personal incentives to prescribe are prohibited".

Since the publication of the initial voting recommendation by ECGS, new information has been released regarding the departing chairman's non-compete contrat. The contract includes a non-compete clause stipulating that Mr. Vasella is entitled to remuneration of approx. CHF 12 million per year for a six-year period in order not to work for a competitor of the company and remain available for advisory services. As Mr. Vasella will retire from his chairmanship position, this contractual clause will take effect following this AGM.

The total amount to be paid by Novartis to Mr. Vasella can reach CHF 72 million. ECGS re-issued its voting position to oppose the discharge. The day after, Novartis announced that the Board of Directors and Mr. Daniel Vasella have agreed to cancel his non-compete agreement and all related conditional compensation. Therefore, in light of this changes, ECGS recommends to vote FOR.

3	Approve Allocation of Income and Dividend	FOR

The board of directors proposes that the amount at the disposal of the AGM (consisting of the holding company's income for the fiscal year 2012 and its retained earnings) be allocated as follows:

Net income 2012	CHF	5'141'036'034
Partial release from free reserves	CHF	853'513'441
At the disposal of the AGM (Holding company account)	CHF	5'994'566'475
Payment of dividend	CHF	-5'994'566'475
Allocation to reserves	CHF	-
Carry forward to statutory accounts	CHF	-

Key Indicators

Consolidated Net Income	CHF	9'505.00 million
Free Cash Flow (before dividend payment)	CHF	11'383 million
Dividend per Share	CHF	2.30 (2011: 2.25)
Payout Ratio	CHF	62.45%
Dividend Yield (based on the share price at year-end)	CHF	4%
Net Debt (Current and non-current debt - Cash and cash equivalents - Marketable securities)	CHF	11'600 million

Novartis has to release CHF 853 million from free reserves of the Holding company to pay the proposed dividend. As the free reserves of the Holding company are of CHF 32 billion, we consider that the amount released will not negatively impact the Holding company’s financial position. We recommend to vote FOR.

4	Advisory Vote on the Remuneration System	OPPOSE

The board of directors requests an advisory vote on the 2014 remuneration system of the CEO and the members of the executive management. In accordance with the articles of association, Novartis must request an advisory vote of the shareholders when significant changes are made to the remuneration structure but at least every three years. This practice will certainly change in the near future, following the entry into force of either the Minder Popular Initiative (to be voted by the Swiss people on 3 March 2013) or the Parliamentary counter proposal. The board has gone through an in-depth review of the current remuneration system and proposes a new system to be implemented as of 2014. The board therefore is now submitting this new system to the advisory vote of the shareholders. The new system is presented in detail in the invitation to this AGM, while the current system is still described in the 2012 annual report.

We commend the board's decision to review the current system. In fact, we have strongly criticised the system over the past, in particular because of the discretionary power of the board in determining the level of variable remuneration, the excessive payouts and a large number of different plans some of which with no performance conditions for vesting.

A) Changes implemented in the remuneration structure

Following the review of the remuneration system, the board will discontinue all current plans for the executive management as of 31 December 2013. The goal of the board is to pay competitive remuneration at the upper quartile performance level against its peer group for sustained high performance and at median for on-target performance. The new system will consist of the following elements:

- An annual base salary: the company gives no indication on the level setting process. Novartis discloses a pie chart where, for the company CEO, the base salary shall represent 19% of his total remuneration. Based on his 2012 base salary of CHF 2 million, it can be assumed that his targeted total remuneration is set at CHF 10.5 million.
- A short term incentive plan (STI): an on-target level of STI is set, expressed as a % of the base salary. Depending on the degree of achievement of different key performance indicators, the final level of awards will vary between 0% and 200% of the targeted grant. The performance indicators mentioned in the agenda of this AGM are: Financials for 25% (sales, operating income, net income and free cash flow); Growth for 25% (new product sales, key/emerging market sales, market share); Innovation for 20% (new approvals, filings, proofs of concept); Productivity for 10%; Quality assurance for 10% and People for 10% (turnover & retention, engagement, training & development, diversity & inclusion). 50% of the annual bonus (STI) must be taken in company shares that vest after three years. The company mentions the breakdown of the on-target level of remuneration for the company CEO, Mr. Joe Jimenez: his on-target annual STI will represent 27% of his on-target remuneration corresponding to 140% of his base salary (for on-target achievement of performance conditions). Based on the 2012 base salary of Mr. Jimenez, the targeted annual bonus for the CEO is CHF 2.8 million.
- Long-Term Performance Plan (LTPP): a long term incentive plan under which performance shares are annually distributed. The shares are definitively released to the beneficiary if certain performance conditions are met after three years (two absolute performance conditions). 75% of the final vesting will depend on the achievement of a financial performance condition (Novartis Economic Value Added, "NVA") and 25% on innovation (key R&D and product milestones and assessed patient & scientific impact). The final release of awards can reach 200% of the initial target. Novartis mentions that the target grant under the LTPP for the company CEO will represent 36% of his targeted remuneration. Based on Mr. Jimenez' 2012 base salary of CHF 2 million, this represents an annual targeted grant of Novartis shares worth CHF 3.7 million.
- Long-Term Relative Performance Plan (LTRPP): under this second long-term incentive plan, shares are definitively released to the beneficiary after three years depending on Novartis' relative Total Shareholder Return compared to a peer group of 11 leading Pharmaceuticals companies. The final level of awards can be 200% of the initial target. Novartis mentions that the target grant under the LTRPP for the company CEO will represent 18% of his targeted remuneration. Based on Mr. Jimenez' 2012 base salary of CHF 2 million, this corresponds to an annual targeted grant of Novartis shares worth CHF 1.9 million.

Estimates of the CEO target remuneration as of 2014

The calculations below are our estimates since the company has only disclosed the % of the targeted attribution under each remuneration component. The disclosed base salary of the CEO in 2012 was CHF 2 million. The company mentions that in 2014, the base salary will represent 19% of the total remuneration of the CEO. Based on the 2012 base salary, the targeted remuneration of the company CEO, upon achievement of all performance targets, would represent CHF 10.5 million.

Base salary (based on 2012 figures but not yet known for 2014)	CHF	2'000'000
Targeted annual bonus in cash (50% of the annual bonus)	CHF	1'400'000
Targeted annual bonus in shares (50% of the annual bonus)	CHF	1'400'000
Targeted remuneration under the long term performance share plan (LTPP) with absolute performance conditions	CHF	3'700'000
Targeted remuneration under the long term performance share plan (LTRPP) with relative performance conditions	CHF	1'900'000
Total targeted remuneration upon achievement of the performance criteria	CHF	10'500'000

According to the company, the new system is not aiming at reducing targeted remuneration, but making targets harder to achieve and to align Novartis' target pay with that of the median of the peer group.

The targeted variable remuneration represents 420% of the base salary (down from 495% in the current system). We note that if the company overachieves the performance targets set under each element of the variable remuneration, the final payment under each variable remuneration plan can reach 200% of the target. As a result, based on the above figures and assuming a constant share price, the total remuneration for the CEO can reach CHF 19'000'000. The variable remuneration would therefore represent 852% of the base salary (down from 990% in the current system).

B) Appraisal of the Remuneration System

We considers that the proposed system includes significant improvements with regard to the following aspects:

- Discontinuation of the matching share plan under which shares were granted upon continuing employment only;
- Discontinuation of the discretionary award plan under which extra remuneration in the form of shares could be granted at the remuneration committee's discretion;
- Discontinuation of the equity plan select under which a significant number of shares was granted based on a one-year performance period only and with the same performance criteria as for the short term incentive;
- Introduction of the obligation to defer 50% of the short term incentive into shares that vest after a three-year period (currently, the beneficiary is free to choose to take his annual bonus into cash, shares and/or options or a mix of each);

While we commend the changes made to the remuneration system, we consider that an important feature of Novartis' remuneration is not solved, in particular the level of remuneration paid to the company executive management, in particular the CEO. We commends Novartis' transparency in disclosing the targeted remuneration of the company CEO, but we regret that the on-target level of remuneration was not further reduced despite the introduction of stringent performance conditions. ECGS' limit for targeted variable remuneration is 150% of the base salary with a maximum potential level of 300% in case of outstanding financial performance measured over several years. The new remuneration system of Novartis is therefore still well beyond the ranges acceptable by ECGS.

Novartis measures the level of remuneration against a peer group of 11 large Pharmaceutical companies. We have concerns regarding this peer group. In fact, 7 of the companies included in it are based in the US. Several large European companies such as Bayer (CEO 2011 remuneration of EUR 5 million), Merck KGGA (CEO remuneration of EUR 5 million in 2011) or Novo Nordisk (CEO 2011 remuneration of CHF 3 million) are not included in the peer group. While we consider the peer group as adequate for performance measurement, we believe that a larger peer group should be used in setting total remuneration. Comparison against Swiss companies active in the industrial sector should also be considered when comparing certain functions of the top executive management. In Novartis' case, the CEO was recruited from Heinz, a food and beverage company. Novartis' designated chairman, Dr. Reinhardt (see item 5.2 of this AGM), is CEO of Bayer's Pharmaceutical division (Dr. Reinhardt is the former COO of Novartis who joined Bayer in 2010).

We also note that Dr. Vasella, who will become honorary chairman of the board, has a contract whereby he agreed to continue to make available his know-how to Novartis and to refrain from activities that compete with any business of Novartis for a multi-year period. Dr. Vasella will receive fair market compensation in return for his services and for complying with the restriction not to compete. We regret that the company refuses to disclose more precise information regarding the contract's lenght and corresponding fair market compensation.

C) Voting Recommendation

We are of the opinion that the remuneration system was substantially amended, taking into account most of our past concerns. However, the targeted and maximum level of variable remuneration remain excessive in our view. For this reason, we cannot endorse the proposed system despite all its positive features and recommend to OPPOSE.

5 Elect Board Members

The board of directors proposes to appoint 4 new board members for three-year terms. The nominees are Dr. Verena Briner (independent), Dr. Jörg Reinhardt (affiliated), Dr. Charles Sawyers (independent) and Mr. William Winters (independent). Novartis' current chairman, Dr. Daniel Vasella, has announced that he does not seek re-election and will leave the board of Novartis after the AGM, to become honorary chairman. Dr. Vasella will remain available for consultancy work for Novartis for which he will receive an undisclosed remuneration for an undisclosed time period. Ms. Marjorie Yang, board member since 2007 does not seek re-election for personal reasons. Dr. Reinhardt will succeed Dr. Vasella as chairman of the board on 1 August 2013. In fact, Dr. Reinhardt, currently CEO of Bayer Healthcare AG has to observe a six-months cooling period. During the transition, the vice chairman of the board, Dr. Ulrich Lehner, will chair the board on an ad-interim basis.

Main features of board composition after the general meeting (for more details, see section 5 of this report)

Board size	14
Combination of the functions of Chairman and CEO	No
% independent directors	78.6%
% executive directors	0%
% women directors	14.3%
Average age of directors	60.9
Average board tenure	5.8

The directors will be elected individually, which is in line with best practice standards in terms of corporate governance.

We consider the future composition of the board as adequate in terms of independence and mix of competencies. With only two women directors, we consider the female representation could still be improved. We also have concerns regarding the aggregate time commitments of several directors. In particular, the board's vice chairman and ad-interim chairman, Dr. Ulrich Lehner, holds too many directorships in our view. In addition to his mandate at Novartis, Dr. Lehner is chairman of Deutsche Telekom, member of the supervisory boards of E.ON, Henkel, Porsche Automobil and Thyssen Krupp.

We note that Novartis has a rule in its board's regulations that stipulates that if the members of its audit committee sits in more than two additional audit committees, then the corporate governance and nomination committee must review the ability of the director to effectively serve on the audit committee. We however note that among the 5 members of Novartis' audit committee, two sit in two or more external audit committees (Dr. Lehner and Prof. Dr. Srikant Datar).

5.1 Elect Prof. Dr. Verena Briner — FOR

The board proposes to newly appoint Prof. Dr. Verena Briner (Swiss, 62) for a 3-year term. Dr. Briner is considered independent. She is currently Chief Medical Officer and Head of department at the Lucerne Cantonal Hospital. Novartis has not disclosed and we are not aware of potential business connections between Novartis and the Lucerne Hospital that might impair Dr. Briner's independence.

We recommend to vote FOR.

5.2 Elect Dr. Jörg Reinhardt — FOR

The board proposes to newly appoint Dr. Jörg Reinhardt (German, 57) for a 3-year term. Dr. Reinhardt is also board member of Lonza, another Swiss listed company which has business connections with Novartis. Dr. Reinhardt is the designated chairman of the board. He will take office on 1 August 2013. He is currently CEO of Bayer's Healthcare division (since 2010). Dr. Reinhardt is a former top executive of Novartis (COO between 2008 and 31 January 2010), having spent a large part of his career in Sandoz. Dr. Reinhardt was one of the candidates to Dr. Vasella's succession as CEO of the company in 2010. The board finally decided to appoint Mr. Jimenez as company CEO triggering the departure of Dr. Reinhardt to Bayer.

As a former executive of Novartis, Dr. Reinhardt cannot be considered independent according to our guidelines. ECGS' cooling period for former executives is 5 years. Novartis has its own independence criteria for board members that include a cooling period of three years for former executives. Since Dr. Reinhardt left Novartis in January 2010, Novartis will consider Dr. Reinhardt as independent upon election.

We have also concerns regarding the potential conflict of interests due to Dr. Reinhardt sitting on the boards of Lonza and Novartis. We asked the question and Novartis replied that the question is being discussed at board level but that no decision had been taken yet.

Given that the board independence is sufficient, the election of an affiliated chairman can be accepted. We recommend to vote FOR.

5.3	Elect Prof. Dr. Charles Sawyers	FOR

The board proposes to newly appoint Prof. Dr. Charles Sawyers (US Citizen, 54) for a 3-year term. Although Novartis mentions that Dr. Sawyers co-developed Novartis' targeted cancer drug (Gleevec), we consider him independent. Dr. Charles Sawyers is chair of the Human Oncology and Pathogenesis Program at Memorial Sloan-Kettering Cancer Center in New York and Professor of Medicine and of Cell and Developmental Biology at the Graduate School of Medical Sciences at Weill-Cornell University. Dr. Sawyers is an internationally recognised cancer researcher.

In light of Dr. Sawyers' knowledge in one of the key business areas of Novartis (Oncology), we consider that the board will benefit from his competencies, in particular to further boost Novartis' innovation and R&D activities.

We recommend to vote FOR.

5.4	Elect Mr. William Winters	FOR

The board proposes to newly appoint Mr. William Winters (British, 52) for a 3-year term. Mr. Winters is considered independent by ECGS. Mr. Winters is CEO and Chairman of Renshaw Bay, London, an alternative asset management and advisory company founded in partnership with Mr. Johann Rupert's Reinet Investment and Lord Jacob Rothschild's RIT Capital Partners.

Mr. Winters is former Co-CEO of JP Morgan Investment Bank. We note that based on Thomson Reuters Data, JP Morgan investment bank was not one of the 5 top advisors of Novartis for M&A activities. We recommend to vote FOR.

6	Re-elect Auditors	FOR

The board of directors recommends that shareholders ratify the re-appointment of PricewaterhouseCoopers as the company's external auditors for a further one-year term.

Audit versus non-audit fees

Non-audit fees / Audit fees (2012)	10.3%
Non-audit fees / Audit fees (Three-year aggregate)	13.2%

The breakdown of fees paid to the external auditor is adequately disclosed (see section 3.4 of this report). In light of the amount of non-audit fees paid by the company to its external auditor, we have no reason to question the auditors' independence. We recommend to vote FOR.

B	Transact any Other Business	OPPOSE

Ethos recommends to oppose any unannounced additional proposals made during the AGM either by the board or by a shareholder. Ethos, in accordance with point 9.1 of its voting guidelines, recommends to OPPOSE.

3. Company Information

Before the General Meeting of 22 February 2013

3.1 General Information

Activities	Novartis is one of the world's largest pharmaceutical companies active in research and development as well as marketing of products. Operating through 360 independent affiliates in 140 countries, Novartis offers its products and services through its five divisions: Pharmaceuticals (57% of the 2012 group's net sales), Alcon (18%), Sandoz (15%), Consumer Health (7%) and Vaccines and Diagnostics (3%). Furthermore, Novartis holds a 33.3% stake in Roche, representing a market value of USD 10.9 billion at the end of 2012.
Corporate Social Responsibility	• Novartis addresses corporate responsibility in its 2012 annual report. The report focuses on the two pillars on which the company lays its sustainability strategy: “expanding access to healthcare” and “doing business responsibly”. The company’s reporting follows and uses the GRI guidelines (A+ application level) and contains a set of comprehensive key performance indicators. Furthermore, Novartis Corporate Citizenship reporting is externally verified by PricewaterhouseCoopers AG in accordance with the International Standard on Assurance Engagements (ISAE) 3000. • In its 2012 corporate responsibility report, Novartis highlights that its main goal in terms of sustainability is to expand access to its medicines by a maximum of patients. Access-to-healthcare programs at Novartis is targeting diseases such as malaria, leprosy, tuberculosis and cancer. In 2012, the company kept on developing its access-to-healthcare programs, reaching 101.4 million patients in need through contributions valued at USD 2.1 billion. • Novartis participated in the 2012 Swiss edition of the Carbon Disclosure Project and agreed to publicly disclose its responses.

3.2 Share Capital and Shareholder Relations

Description

The share capital consist of 2'706'193'000 registered shares with a nominal value of CHF 0.50.

The company has no authorised or conditional capital.

In 2012, Novartis reduced its share capital by CHF 19.7 million, by cancelling 39.43 million shares repurchased on the second trading line during 2011.

Registration with voting rights is limited to 2% for shareholders and shareholder unions. Nominee registration is limited to 0.5%, unless full disclosure of beneficial owners is made. Exceptions may be authorised by the board of directors. In 2012, the board of directors granted an exception to Norges Bank (Norway).

Holders of American Depositary Shares (ADS) may vote by instructing JPMorgan Chase Bank to exercise the voting rights attached to the registered shares underlying the ADS. JPMorgan Chase Bank, as depositary, may exercise the voting rights for deposited shares represented by ADS at its discretion to the extent that the holders of the ADS have not given instructions as to how such underlying shares should be voted.

On 31 December 2012 (no subsequent announcement on the SIX Swiss Exchange):

Shareholders:
- Capital Group Companies: 4.98% (voting rights limited to 2%)
- Novartis Foundation for Employee Participation: 4.0% with full voting rights
- Emasan AG: 3.3% with full voting rights
- BlackRock (USA): 3.02 % (voting rights limited to 2%)
- Norges Bank (Norway): 2.3% with full voting rights

Nominees:
- JPMorgan Chase Bank (USA): 11.4%
- The Bank of New York Mellon (USA): 5%, through its nominees Mellon Bank, USA (3.3%) and The Bank of New York Mellon Brussels, Belgium (1.7%)
- Nortrust Nominees (UK): 3.3%

ADS Depositary:
- JPMorgan Chase Bank (USA): 11.7% as depositary of ADS listed on the NYSE

Unregistered shares (with no voting rights): 25.27% (including 4.1% held by Novartis as treasuury shares)

3.3 Financials and Key Figures

Year end	31. December
Reporting standard	IFRS

		2012		2011		2010	
Sales	USD	56'673.00	million	58'566.00	million	50'624.00	million
EBIT	USD	11'511.00	million	10'998.00	million	11'526.00	million
Net income attributable to shareholders (without minority interests)	USD	9'505.00	million	9'113.00	million	9'794.00	million
Shareholders' equity	USD	69'093.00	million	65'844.00	million	63'196.00	million
Market capitalisation at year-end	CHF	155'471.00	million	147'440.00	million	144'937.00	million
Earnings per registered share (basic)	USD	3.93		3.83		4.28	
Dividend per registered share	CHF	2.30		2.25		2.20	
Payout ratio (on group net income)		62.45	%	66.38	%	49.40	%
Market value per registered share at year end	CHF	57.45		53.70		54.95	

Comments

The payout ratio was calculated using the average exchange rate CHF/USD of 1.067 in 2012.

3.4 External Auditor

Auditor

PricewaterhouseCoopers, since 1996

Fees

In USD	2012	2011	2010
Audit fees	28'960'000	30'060'000	23'675'000
Audit related fees	2'300'000	2'480'000	2'140'000
Non-audit fees	690'000	1'740'000	1'595'000
Total	**31'950'000**	**34'280'000**	**27'410'000**

Comments

Mr. Peter Kartscher, auditor in charge and Mr. Michael P. Nelligan, global relationship partner, began serving in their respective roles in 2009.

The audit and compliance committee ensures that the lead auditor changes at least every five years.

Audit related fees include fees for services such as acquisition due diligence, audits of pension and benefit plans, IT infrastructure control assessments, contractual audits of third-party arrangements, assurance services on corporate citizenship reporting and consultation regarding new accounting pronouncements.

Of the non-audit fees, USD 500'000 was paid for tax services and USD 190'000 for other services.

4. Remuneration Report

4.1 Global Remuneration Figures

A Members of the Executive Management

		2012 Number	2012 CHF	2011 Number	2011 CHF	Var.
Total number of persons (FTE)		11.0		10.6		
Cash	Fixed		10'466'058		9'401'375	11.3%
	Variable		3'148'167		3'563'758	-11.7%
Shares	Fixed	0	0	0	0	0.0%
	Variable	736'353	45'500'538	964'002	50'568'128	-10.0%
Options	Variable	0	0	0	0	0.0%
Other			3'244'042		4'335'449	-25.2%
Total			**62'358'805**		**67'868'710**	**-8.1%**
Highest paid executive			13'228'188		15'722'386	-15.9%
Average other executives			4'913'062		5'437'573	-9.7%

B Board Members (Outside Executive Management)

		2012 Number	2012 CHF	2011 Number	2011 CHF	Var.
Total number of persons (FTE)		12.0		10.8		
Cash	Fixed		6'563'250		7'921'442	-17.2%
	Variable		0		0	0.0%
Shares	Fixed	215'217	11'664'761	196'352	10'740'455	8.6%
	Variable	0	0	0	0	0.0%
Options	Variable	0	0	0	0	0.0%
Other			929'414		893'188	4.1%
Total			**19'157'425**		**19'555'085**	**-2.0%**
Highest paid non-executive			13'067'592		13'500'946	-3.2%
Average other non-executives			553'621		615'258	-10.0%

Comments

Members of the executive management:

The executive remuneration structure includes the following elements:
- Base salary
- Short-term incentives: two short term plans (see point 4.4.B of this report).
- Long-term incentive plan: restricted and performance shares (see point 4.4.C of this report).
- Pensions
- Other benefits

The highest paid member of the management was Mr. Jimenez (CEO) both in 2011 and 2012.

All shares are valued at their fair market value at date of grant, except for the performance shares which are valued at the end of the vesting period.

Non-executive board members:

Shares are valued at their fair market value at date of grant. The highest paid non-executive in both 2011 and 2012 is Dr. Vasella (chairman of the board).

For 2012, Dr. Vasella's remuneration as non-executive chairman is a fixed amount of CHF 12.4 million, indexed to the average remuneration increase for associates based in Switzerland. Of this amount, 1/3 is paid in cash and 2/3 in unrestricted shares.

The other non-executive board members receive fixed fees for board membership as well as committee chairmanship and membership. At least 50% of the fees must be taken in shares. The participants can choose the length of the blocking period.

4.2 Individual Remuneration Figures

Individual figures for 2012 (CHF)

A Members of the Executive Management

Name, Function	Cash Fixed	Cash Variable	Shares Fixed	Shares Variable	Options Variable	Other	Total
J. Jimenez, CEO	2'025'000	1'370'300	0	9'542'954	0	289'934	13'228'190
J. Symonds, CFO	916'667	0	0	4'171'600	0	178'952	5'267'219
J. Brokatzky-Geiger, Group	708'750	0	0	3'232'340	0	158'678	4'099'768
M. Fishman, Group	927'835	21'804	0	6'973'182	0	338'473	8'261'294
A. Oswald, Divisional	791'667	0	0	1'852'419	0	156'652	2'800'738
B. Mc Namara, Divisional	468'604	88'256	0	942'298	0	60'696	1'559'854
D. Epstein, Divisional	1'085'597	492'927	0	5'860'976	0	329'666	7'769'166
G. Gunn, Divisional	862'500	716'300	0	2'407'472	0	108'382	4'094'654
J. George, Divisional	791'667	220'000	0	1'846'310	0	167'344	3'025'321
K. Buehler, Divisional	1'048'110	190'157	0	5'237'875	0	446'097	6'922'239
N. Kelman, Divisional	96'328	48'423	0	0	0	850'670	995'421
F. Ehrat, OE	743'333	0	0	3'433'112	0	158'498	4'334'943

B Board Members (Outside Executive Management)

Name, Function	Cash Fixed	Cash Variable	Shares Fixed	Shares Variable	Options Variable	Other	Total
D. Vasella, Ch	4'110'750	0	8'241'815	0	0	715'027	13'067'590
U. Lehner, VCh	405'000	0	405'037	0	0	43'070	853'107
D. Azar, Mbr	140'000	0	210'025	0	0	0	350'025
W. Brody, Mbr	262'500	0	262'545	0	0	0	525'045
S. Datar, Mbr	360'000	0	360'051	0	0	0	720'051
A. Fudge, Mbr	225'000	0	225'038	0	0	0	450'038
P. Landolt, Mbr	0	0	400'050	0	0	23'977	424'027
E. Vanni, Mbr	255'000	0	255'011	0	0	30'150	540'161
A. von Planta, Mbr	280'000	0	280'051	0	0	29'023	589'074
W. Wiedeking, Mbr	0	0	500'049	0	0	29'607	529'656
M. Yang, Mbr	200'000	0	200'052	0	0	24'177	424'229
R. Zinkernagel, Mbr	325'000	0	325'037	0	0	34'383	684'420

Comments

On 1 March 2012, Mr. Mc Namara joined the executive management as Division Head of OTC, replacing Ms. Kelman who left on the same date. Their remuneration is disclosed pro-rata temporis.

The above table does not include a contractual payment of USD 1'263'223 to Ms. N. Kelman related to a non-compete agreement, which will be paid in 2013.

In addition to the above, a payment of CHF 1'156'414 was made to a former member of the executive management, including CHF 1'125'000 related to a non-compete agreement.

4.3 Best Practice Checklist

A Members of the Executive Management

Company practice	Each member's remuneration disclosed separately	Ok
	All pay components disclosed separately (salary, bonus, LTI, pension)	Ok
	Accrual principle applied	Ok
	Performance criteria for short term incentive adequately disclosed	Ok
	% of annual bonus depending on individual criteria disclosed	Ok
	Performance criteria for the vesting of long term incentive adequately disclosed	Ok
	Shares granted valued at fair market value	Ok
	Options granted valued at fair market value	Not relevant
	Peer group's companies disclosed	Ok
	Notice period disclosed	Ok
	Notice period not exceeding one year (base salary and target bonus)	Ok
	Notice period is not extended upon change of control	Ok

B Board Members (Outside Executive Management)

Company practice	Non-executive directors' fees partly paid in shares	Ok
	Non-executive directors do not receive options	Ok
	Non-executive directors do not receive performance based remuneration	Ok
	Minimum stock ownership requirements exist for non-executive board members	Ok

Comments

Non executive board members are required to own at least 5'000 Novartis shares within 3 years after joining the board of directors.

4.4 Remuneration Structure (Executives)

A Remuneration Breakdown

Breakdown	Base salary	Short-term incentives	Long-term incentives	Pensions / Other
Of highest paid executive	15.3%	46.6%	35.9%	2.2%
Of other executives	17.2%	47.2%	29.6%	6.0%

B Short-term Incentives

Short-term incentives in % of base salary	On target	Maximum	Actual
Of highest paid executive	260.0%	520.0%	304.6%
Of other executives	NA	NA	274.9%

Performance criteria mentioned:

Net sales, operating income, free cash flow, market share, innovation, people management and organisational development and ongoing efforts to optimise organisational effectiveness and productivity.

Description of short-term incentives:

Novartis has two short-term remuneration plans:

1) Annual incentive (which can be taken in either cash or shares): The annual incentive depends on group (see above) and individual performance criteria. The on-target annual incentive for the CEO is 60% of the base salary. In order to determine the final payout, the on-target percentage is multiplied by a group performance multiplier (that ranges between 0 and 1.5) and by an individual performance multiplier (that ranges between 0 and 1.5). The combination of the two performance multipliers is subject to a cap of 200% of the target incentive. Therefore, the maximum award under this plan is 120% of base salary for the CEO. In 2012, 29 top executives were invited to invest their annual incentive in a "Leveraged Share Savings Plan" (LSSP, see section 4.4.C of this report), whereby they can convert their cash bonus into shares at market value blocked for 5 years. These shares will be automatically matched with 1 additional share at the end of the blocking period. No additional performance conditions need to be met in order to receive the matching shares.

2) The Novartis Equity Plan "Select" (which can be taken in shares and/or options): Under the "Select" equity plan, a certain number of shares is granted annually depending on the employee's performance, potential and group or business area performance. The shares granted for 2012 have a three-year vesting period. The on-target grant for the CEO is 200% of the base salary while the maximum award is 400% of the base salary. Novartis considers this plan as a long term incentive plan. However, given that the awards are based on the past year's performance, Ethos has classified the shares/options granted under this plan as short term incentive plan.

C Long-term Incentives

Incentive	Plan 1	Plan 2	Plan 3
Type of awards	Performance Shares	Matching shares	-
Fair value at grant date disclosed	Yes	Yes	-
Blocking period	None	3-5 years	-
Performance period	3 years	None	-
Sale restriction after performance period	None	NR	-
Absolute performance criteria for vesting	Yes	No	-
Relative performance criteria for vesting	No	No	-
Initial grant for the highest paid (in% of the base salary)	175%	120% (1)	-
Minimum final grant (in % of initial grant)	0%	100%	-
Maximum final grant (in % of initial grant)	200%	100%	-

Comments

Plan 1
This plan is the performance share plan under which conditional shares are granted annually and tested against the company's "Economic Value Added" (EVA) over a three-year performance cycle. The initial grant for the CEO is 175% of his base salary. Depending on the EVA achieved, between 0% and 200% of the conditional award will be granted at the end of the performance period. Therefore, the maximum award at the end of the performance period can reach up to 350% of the base salary (assuming a constant share price).

Plan 2
Plan 2 is the matching shares received under the Leveraged Share Savings Plan (LSSP) or the Equity Share Ownership Plan (ESOP). Under this plan, participants may invest part or all their annual incentive in shares blocked for 5 years (LSPP) or 3 years (ESOP). If still employed at the end of the blocking period, the beneficiary will receive one matching share for each share initially invested through the annual incentive (LSPP) or one matching share for every two shares initially invested (ESOP).

(1) Assuming full investment of the annual incentive in shares and a maximum annual incentive of 120% (see also 4.4.B) .

4.5 Remuneration and Financial Performance

A Change in Remuneration 2011/2012

Highest paid executive	-15.9%
Average other executives	-9.7%
Highest paid non-executive	-3.2%
Average other non-executives	-10.0%

B Change in Financial Performance 2011/2012

Sales	-3.2%
Operating income	4.7%
Net income	4.3%
Total shareholder return	11.2%

4.6 Share and Option Holdings

A Members of the Executive Management

Name	Function	17.01.2013 Shares	17.01.2013 Options	19.01.2012 Shares	19.01.2012 Options
J. Jimenez	CEO	565'007	709'342	461'487	709'342
J. Symonds	CFO	202'375	54'348	144'829	54'348
J. Brokatzky-Geiger	Group	268'498	331'157	232'858	331'157
M. Fishman	Group	439'946	604'129	435'071	772'019
A. Oswald	Divisional	150'810	5'633	135'713	5'633
B. Mc Namara	Divisional	41'160	88'005	NA	NA
D. Epstein	Divisional	319'532	0	279'395	267'777
G. Gunn	Divisional	267'468	94'371	251'459	94'371
J. George	Divisional	137'666	256'375	109'525	256'375
K. Buehler	Divisional	502'859	605'877	445'287	782'485
N. Kelman	Divisional	NA	NA	97'906	0
F. Ehrat	OE	52'616	0	9'132	0
Total		**2'947'937**	**2'749'237**	**2'602'662**	**3'273'507**

B Board Members (Outside Executive Management)

Name	Function	17.01.2013 Shares	17.01.2013 Options	19.01.2012 Shares	19.01.2012 Options
D. Vasella	Ch	3'170'729	1'633'290	3'306'730	2'433'290
U. Lehner	VCh	34'363	0	22'193	0
D. Azar	Mbr	5'743	0	NA	NA
W. Brody	Mbr	18'420	0	10'532	0
S. Datar	Mbr	31'080	0	20'263	0
A. Fudge	Mbr	13'769	0	7'008	0
P. Landolt	Mbr	52'356	0	40'442	0
E. Vanni	Mbr	12'501	0	4'839	0
A. von Planta	Mbr	121'334	0	111'628	0
W. Wiedeking	Mbr	260'286	0	40'901	0
M. Yang	Mbr	18'000	0	18'000	0
R. Zinkernagel	Mbr	45'948	0	34'683	0
Total		**3'784'529**	**1'633'290**	**3'617'219**	**2'433'290**

5. Board of Directors

Composition after the General Meeting of 22 February 2013

Committee	Executive	Affiliated non-executive	Independent non-executive	Total
Board of Directors	0	3	11	14
Audit committee	0	0	5	5
Nomination committee	0	2	3	5
Remuneration committee	0	0	4	4
Chairman’s committee	0	0	2	2
Risk committee	0	0	5	5

Election procedure for directors	Individual
Mandate duration	3 years
Mandatory age limit	70 years
Number of board meetings during the past year	9 (97% average attendance)
Number of audit committee meetings during the past year	6 (97% attendance)
Number of remuneration committee meetings during the past year	6 (93% attendance)
Number of nomination committee meetings during the past year	3 (100% attendance)
Number of chairman's committee meetings during the past year	5 (100% attendance)
Number of risk committee meetings during the past year	4 (100% attendance)
Individual attendance rate at board meetings disclosed	

- Dr. Daniel Vasella (chairman of the board and of the chairman's committee) and Ms. Marjorie Yang (member of the board and of the remuneration committee) will not stand for re-election at the 2013 AGM. The chairman's committee and the remuneration committee will therefore be recomposed after the AGM.

- Dr. Jörg Reinhardt, who will be proposed for election at this AGM, will succeed Dr. Vasella as non executive chairman, effective on 1 August 2013. During the transition period, the vice-chairman Prof. Dr. Ulrich Lehner will lead the board on an ad interim basis. In addition, Dr. Verena Briner, Dr. Charles Sawyers and Mr. William Winters will also be proposed for election at this AGM.

- As of 31.12.2012, Novartis considered Dr. Vasella as the sole non-independent director. According to the board, the activities delegated to Dr. Zinkernagel (Scientific Advisory board of the Novartis Institute for Tropical diseases) and to Dr. Brody (board of directors of the Genomics Institute of the Novartis Research Foundation) are supervisory and do not affect Dr. Zinkernagel's or Dr. Brody's independence as board members. In line with its voting guidelines, Ethos cannot consider Messrs. Landolt and Zinkernagel as independent due to their presence in Novartis' board for more than 12 years. In addition, Mr. Landolt, is chairman of Emasan AG, an important shareholder of the company. Finally, Ethos also considers Dr. Reinhardt, designated chairman, as non independent as he was COO of Novartis until January 2010 and has spent a big part of his career with Sandoz.

- Ethos notes that several directors have heavy aggregate time commitments. We believe that directors should be able to devote sufficient time to the company in case of exceptional circumstances and to attend meetings on short-notice.

- All relevant internal corporate governance regulations are available on Novartis' website.

- The board of directors includes 2 women.

Prof. h.c. Dr. rer. pol. Ulrich Lehner

Independent — Chairman

Nationality	German
Age	67
Director since / term ends	2002 / 2014
Committee memberships	– Audit committee – Nomination committee, Chairman – Remuneration committee – Chairman’s committee – Risk committee
Main activity	none
Directorships	– Deutsche Telekom (Germany), Chairman – E.ON (Germany), Member – Henkel (Germany), Member – Porsche Automobil Holding (Germany), Member – ThyssenKrupp (Germany), Member – Henkel Management AG (Germany), Member – Dr. August Oetker KG (Germany), Member
Comments	CEO of Henkel (2000-2008). CFO of Henkel (1995-2000). Honorary Professor at the University of Munster (Germany). Certified accountant.

Dr. Dimitri Azar

Independent	Member	

Nationality	US Citizen
Age	54
Director since / term ends	2012 / 2015
Committee memberships	none
Main activity	– University of Illinois at Chicago (USA), College of Medicine, Dean
Other relevant mandates	– American Ophthalmological Association (USA), Member – Chicago Ophthalmological Society (USA), Member – Association of Research in Vision and Ophthalmology (USA), Member
Comments	Ophthalmologic surgeon. Professor of Ophthalmology, Bioengineering and Pharmacology at the University of Illinois at Chicago (USA).

Prof. Dr. Verena Briner

Independent	Member	New Nominee

Nationality	Swiss
Age	62
Director since / term ends	2013 / 2016
Committee memberships	none
Main activity	– Lucerne Cantonal hospital, Department of Medicine, Chief Medical Officer and Head of department
Other relevant mandates	– Swiss Society of Internal Medicine, Member – Foundation for the Development of Internal Medicine in Europe, Member – Swiss Academy of Medical Sciences, Member – Centre for Technology Assessment TA-SWISS, sounding group, Member – Patient Safety Foundation, Member – SGIM-Foundation , Member
Comments	Professor on internal medicine at the University of Basel. Specialist in Internal Medicine and Nephrology.

Prof. Dr. William R. Brody	
Independent	Member
Nationality	US Citizen
Age	69
Director since / term ends	2009 / 2014
Committee memberships	– Remuneration committee
Main activity	– Salk Institute for Biological studies (USA), President
Directorships	– IBM (USA), Member – Mutual Funds Boards of T. Rowe Price (USA), Member – Kool Smiles Inc. (USA), Member
Comments	President of Johns Hopkins University (1996-2009).

Prof. Dr. oec. Srikant Datar	
Independent	Member
Nationality	US Citizen
Age	60
Director since / term ends	2003 / 2015
Committee memberships	– Audit committee, Chairman – Remuneration committee – Chairman's committee – Risk committee
Main activity	– Harvard Business School, Arthur Lowes Dickinson Professor
Directorships	– ICF International (USA), Member – HCL Technologies (India), Member – Stryker Corporation (USA), Member
Comments	Dr. Datar has worked with many corporations, including GM, Mellon Bank, General Chemicals, Solectron, TRW, VISA, AT&T, Boeing and DuPont on field-based projects in management accounting. Chartered Accountant.

Ann M. Fudge

Independent	Member
Nationality	US Citizen
Age	62
Director since / term ends	2008 / 2014
Committee memberships	– Nomination committee – Risk committee
Main activity	none
Directorships	– General Electric (USA), Member – Unilever N.V. (Netherlands), Member – Unilever PLC (United Kingdom), Member – Buzzient Inc. (USA), Member – Infosys (India), Member
Other relevant mandates	– Gates Foundation, U.S. Programs Advisory Panel (USA), Chairwoman – Rockefeller Foundation (USA), Trustee – Brookings (USA), Trustee – US Council on Foreign Relations (USA), Member – Harvard University Corporation Committee on Finance (USA), Member
Comments	Former Chairwoman and CEO of Young & Rubicam Brands (USA) (2003-2006).

Pierre Landolt

Affiliated	Member
Nationality	Swiss
Age	66
Director since / term ends	1996 / 2014
Committee memberships	– Nomination committee
Affiliation	– Important shareholder or its representative – Board membership exceeding time limit for independence Representative of Emasan AG, important shareholder of the company.
Main activity	– Banque Landolt & Cie, Associate Partner
Directorships	– AxialPar Ltda (Brazil), Chairman – Emasan AG, Chairman – Vaucher Manufacture Fleurier SA, Chairman – Moco Agropecuaria Ltda (Brazil), Chairman – Watch Around SA, Chairman – Parmigiani Fleurier SA, Vice Chairman – EcoCarbone SA (France), Member – Amazentis SA, Member and Co-Founder
Other relevant mandates	– Sandoz Family Foundation, Chairman – Montreux Jazz Festival Foundation, Vice Chairman – Instituto Estrela de Fomento ao Microcrédito (Brazil), Chairman – Instituto Fazenda Tamanduá (Brazil), Chairman
Comments	Chairman of CITCO Group (1995-2005).

Dr. Jörg Reinhardt

Affiliated | Member | New Nominee

Nationality	German
Age	57
Director since / term ends	2013 / 2016
Committee memberships	none
Affiliation	– Former executive COO of Novartis until January 2010.
Main activity	– Bayer Healthcare AG (Germany), CEO
Directorships	– Lonza, Member
Other relevant mandates	– International Federation of Pharmaceutical Manufacturers and Associations (IFPMA), Member
Comments	If elected at the 2013 AGM, Dr. Reinhardt would step down as CEO of Bayer Pharmaceuticals prior to 1 August 2013 (date of his appointment as chairman of Novartis). COO of Novartis (2008-2010). Former Global Head of Pharma Development and CEO of the Vaccines & Diagnostics Division at Sandoz.

Prof. Dr. Charles L. Sawyers

Independent | Member | New Nominee

Nationality	US Citizen
Age	54
Director since / term ends	2013 / 2016
Committee memberships	none
Main activity	– Weill-Cornell University (US), Graduate School of Medical Sciences, Professor
Other relevant mandates	– Memorial Sloan-Kettering Cancer Center (US), Human Oncology and Pathogenesis Program, Chairman – American Association for Cancer Research, Chairman – President Obama's National Cancer Adviroy Board (US), Member – US National Academy of Sciences, Member
Comments	Cancer researcher. Co-developer of Novartis' cancer drug, Glivec. Investigator of the Howard Hughes Medical Institute.

Dr. Enrico Vanni

Independent	Member
Nationality	Swiss
Age	62
Director since / term ends	2011 / 2014
Committee memberships	– Audit committee – Remuneration committee, Chairman
Main activity	– Independent, Consultant
Directorships	– Denzler & Partners, Member – Banque Privée BCP (Suisse) SA, Member – Eclosion2 SA, Member

Dr. iur. Andreas von Planta

Independent	Member
Nationality	Swiss
Age	58
Director since / term ends	2006 / 2015
Committee memberships	– Audit committee – Nomination committee – Risk committee, Chairman
Main activity	– Lenz & Staehelin Law Firm, Partner
Directorships	– Nationale Suisse Assurances, Chairman – Holcim, Member – Générale-Beaulieu Holding SA, Chairman – AP Moller Finance SA, Vice Chairman – HSBC Private Banking Holdings (Suisse) SA, Member – Raymond Weil SA, Member – Burberry (Suisse) SA, Member – TOTSA - Total Oil Trading SA, Member – CSSA - Chartering and Shipping Services SA, Member
Other relevant mandates	– SIX Swiss Exchange, Regulatory Board, Chairman – Swiss Review of Business Law, Board of Editors, Member

Dr. ing. Wendelin Wiedeking

Independent | Member

Nationality	German
Age	61
Director since / term ends	2003 / 2015
Committee memberships	– Audit committee – Risk committee
Main activity	none
Directorships	– Vialino AG, Chairman
Comments	CEO of Porsche until July 2009.

William Winters

Independent | Member | New Nominee

Nationality	British
Age	52
Director since / term ends	2013 / 2016
Committee memberships	none
Main activity	– Renshaw Bay (UK), CEO
Directorships	– Renshaw Bay (UK), Chairman
Other relevant mandates	– International Rescue Committee (US), Member – Colgate university (US), Member – Young Vic Theatre (UK), Member – The Print Room (UK), Member
Comments	Co-CEO of JPMorgan Investment Bank (2003-2010).

Prof. Dr. med. Rolf M. Zinkernagel

Affiliated	Member
Nationality	Swiss
Age	69
Director since / term ends	1999 / 2014
Committee memberships	– Nomination committee
Affiliation	– Board membership exceeding time limit for independence
Main activity	none
Other relevant mandates	– Novimmune, Scientific Advisory Board, Member – Bio-Alliance AG (Germany), Scientific Advisory Board, Member – Aravis General Partner Ltd. (Caymand Islands), Scientific Advisory Board, Member – X-biotech (Canada), Scientific Advisory Board, Member – MannKind (USA), Scientific Advisory Board, Member – Biomedical Sciences (Singapour), International Advisory Council, Member – Cancevir, Scientific Advisory Board, Member – Telormedix, Scientific Advisory Board, Member
Comments	Professor and Director of the Institute of Experimental Immunology at the University of Zurich (1992-2008). Nobel Prize for medicine (immunology) in 1996.

Report issued:

19 February 2013

Analyst:

Vincent Kaufmann

About ECGS

ECGS provides independent governance advice to institutional investors with Pan-European and Global portfolios. ECGS is the only proxy adviser operating according to a partnership approach, building on local market expertise. The analyses are based on ECGS principles reflecting high international standards of corporate governance while taking into account local governance codes and market practices. ECGS is a joint venture between the following partners: DSW (Germany), Ethos (Switzerland), Proxinvest (France, Managing Partner) and Shareholder Support (Netherlands).

Frequently used abbreviations

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
NA	Not available
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
OE	Other Executive Function
Ex-	Former

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Disclaimer

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