ethos

Proxy Report

Novartis

Country	Switzerland
Meeting date	Tuesday, 22 February 2011 at 10:00
Meeting location	St. Jakobshalle, Basel
Meeting type	Annual General Meeting
Securities	ISIN CH0012005267, Telekurs 1200526

General Meeting Highlights

Under ITEM 4, an advisory vote of Novartis' remuneration system is requested for the first time. While the changes introduced in the remuneration system in 2010 address some of the issues raised by Ethos over the past years, Ethos still has several concerns regarding Novartis' remuneration system:

• the system (in particular the long term incentive plans) is not described in sufficient detail to allow an assessment of the effective variable remuneration paid against targeted levels;
• the number of conditional shares granted in 2010 under the Long-Term Performance Plan and their value in percentage of the participant's base salary have not been disclosed thereby preventing shareholders from determining the targeted value of the 2010 remuneration;
• the variable part of the remuneration is excessive compared to the fixed part. Moreover, 81% of the variable remuneration is based on a one-year performance period;
• the matching shares granted following the deferral of part of the annual short-term incentive do not include pre-defined performance conditions for vesting;
• Mr. Vasella, the company chairman and CEO since 1999, received upon relinquishing his CEO position in February 2010 a one-time contribution to his pension of CHF 12 million in the form of an insurance policy. Discretionary payments of such amount should not be allowed by the remuneration policy as they are not an appropriate use of shareholder funds. This is particularly true in light of Mr. Vasella's aggregate remuneration calculated at market value of CHF 161 million for the fiscal years 2006 to 2009.

For all these reasons, Ethos, in accordance with points 4.1.a and b of its voting guidelines recommends to OPPOSE.

Report Content

1. Voting Positions

Item	Proposal		Ethos voting position	Board's position
1	Approve Annual Report, Consolidated 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 Report	●	OPPOSE	FOR
5.1	Retirements		NON-VOTING	NON-VOTING
5.2	Re-elections			
5.2.1	Re-elect Ms. Ann Fudge (independent)		FOR	FOR
5.2.2	Re-elect Mr. Pierre Landolt (affiliated)		FOR	FOR
5.2.3	Re-elect Dr. Ulrich Lehner (independent)		FOR	FOR
5.3	Elect Dr. Enrico Vanni (independent)		FOR	FOR
6	Ratify Auditors		FOR	FOR

2. Proxy Analysis

1	Approve Annual Report, Consolidated 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 2010.

Alcon’s acquisition

Part of Novartis' strategy to rejuvenate its portfolio and diversify its revenue source (20% of the group sales are generated by two drugs in 2010) is to reinforce its Consumer Health Division, in particular in the lenses and lens care products, through the acquisition of Alcon. Novartis took over 77% of Alcon’s share capital from Nestlé for a total consideration price of USD 38.7 billion (25% taken over in 2009 and 52% in 2010). Following the initial full consolidation of Alcon on 25 August 2010, Novartis booked USD 17.9 billion of goodwill and USD 24.5 billion of intangible assets less USD 6.3 billion as value attributed to the 23% non-controlling interest. Minority shareholders have challenged the acquisition of the 23% remaining stake. Novartis was forced to raise its initial offer and on 15 December 2010 reached an agreement with the independent board members of Alcon. Minority shareholders are offered USD 12.9 billion mainly in the form of Novartis’ shares (2.8 Novartis shares per Alcon share and cash so that the total value paid per Alcon share is USD 168). The total acquisition price therefore amounts to USD 51.6 billion representing 7.18 times Alcon’s 2010 sales (USD 7.18 billion) and 23 times Alcon's 2010 net income. The full consolidation of Alcon has had a significant impact on the group's balance sheet. Non-current assets have increased by USD 34.8 billion consisting mostly of intangible assets (brands, marketing know-how and currently marketed products) and goodwill. This operation also reduced the amount of investments in associated companies by USD 10 billion. Similarly, the consolidation of Alcon and related financing for the additional 52% interest acquired in 2010 increased financial debt by USD 9 billion.

The merger is currently expected to be completed during the first half of 2011 and is conditional upon clearance of a registration statement by the US Securities and Exchange Commission and two-third affirmative votes by the shareholders of both Novartis and Alcon. An extraordinary general meeting will therefore have to be convened in the coming months (not yet announced). Novartis will have to offer 195'786'490 Novartis shares (7.4% of the share capital) to Alcon's minority shareholders plus an undefined cash payment which will depend on Novartis' share value. To avoid diluting shareholders by issuing new shares, Novartis intends to reactivate the CHF 10 billion buyback programme approved by the 2008 AGM but subsequently suspended in favour of debt repayment.

Financial year 2010

During the year under review, the sales increased by 14% to USD 50.6 billion of which USD 2.4 billion from the first consolidation of Alcon (consolidated into Novartis Group accounts since 25 August 2010). Without Alcon, Novartis' net sales increased by 9% to USD 48.2 billion driven by all 4 divisions. The company's pharmaceutical division, lead by the oncology franchise, increased sales by 7% to USD 30.5 billion. Novartis' two leading blockbusters, Diovan to treat Hypertension and Gleevec to treat Chronic myeloid leukemia, still account for 20.3% of the group's sales (22.5% last year). Diovan posted no growth in 2010 due to the increased competition from generic drugs. In fact, the patent for the active ingredient of Diovan (USD 6 billion of sales in 2010) expires in 2011 in the EU and in 2012 in US. However, the company remains confident in the potential of its pipeline. In 2010, recently launched products accounted for 21% of the group sales (16% last year). The merger with Alcon will add about USD 7 billion annual revenues and USD 2 billion net earnings (based on 2010 figures).

In 2010, the group's operating income grew by USD 1.5 billion (+15%) to USD 11.5 billion, representing 22.8% of the company's sales (a 22 basis point improvement on last year). Marketing and sales costs were up 11% to USD 13.3 billion while R&D expenses increased by 21% to USD 9 billion. The higher income from associates more than offset the increased financial costs (due to the financing of Alcon). As a result, the group net income grew 18% to USD 9.97 billion representing an unchanged return on equity of 15.7%.

The increased net income as well as lower working capital requirement boosted operating cash flows by 15.4% to USD 14 billion. The cash generated from operational activities was totally used for the investments made by the company, in particular the 52% additional interest in Alcon (USD 26.6 billion) and investments in property, plant and equipment for USD 1.7 billion. The investments were partially financed by the net proceeds of marketable securities of USD 12.6 billion.

Net cash provided by financing activities increased by USD 1.4 billion to USD 4.1 billion. The USD 8.3 billion proceeds from the bonds and commercial paper programmes were partially offset by the payment of the 2009 dividend of USD 4.5 billion. At year end, the company had USD 14.8 billion of net debt compared to a net liquidity of USD 3.4 billion last year. Shareholders' equity amounted to USD 69.8 billion representing 56% of the total balance sheet (59% last year).

Ethos has 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 express their opinion on the internal control. According to the auditors, the company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2010. Ethos, in accordance with its voting guidelines, recommends 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 2010.

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.

The auditor's reports are not qualified and Ethos is not aware of any revealed facts that would give reason to oppose the discharge. Ethos, in accordance with its voting guidelines, 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 2010 and its retained earnings) be allocated as follows:

At the disposal of the AGM	CHF	7'027'682'826
Payment of dividend	CHF	-5'452'130'559
Allocation to reserves	CHF	-1'575'552'267
Carry forward to statutory accounts	CHF	-

For the fiscal year under review, the board proposes to pay a dividend of CHF 2.20 per share (up from CHF 2.10 last year), corresponding to a payout ratio of 55% on the consolidated net income and a dividend yield (based on Novartis share price at year-end 2010) of 4%. The dividend is covered by the company's statutory retained earnings of CHF 7 billion (see above table), consolidated net income attributable to Novartis shareholders (USD 9.8 billion) and free cash flow before acquisition costs (USD 7.86 billion).

As mentioned above, the acquisition of Alcon led Novartis to post at year-end 2010 a consolidated net debt (cash and marketable securities less current and non-current debts) of USD 14.8 billion (net cash position of USD 3.4 billion last year) which represents a net debt to EBITDA ratio of 1. Novartis current liquidity will be further impacted by the proposed dividend payment (payment date is set on the 1st of March 2011). The company however has USD 3.75 billion of additional available funding facilities (mainly via commercial paper).

Given the company's results, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4	Advisory vote on the Remuneration Report	OPPOSE

The board of directors requests an advisory vote of the remuneration system presented in the 2010 annual report. The remuneration report describes the remuneration policy and presents the remuneration paid to non-executive board members and members of the executive management. Section 4 of this report includes detailed information on Novartis' 2010 remuneration system and figures.

Ethos welcomes this proposal which is submitted for the first time at a Novartis AGM. In accordance with article 18 para. 2 of the articles of association, the general meeting will hold an advisory vote on the remuneration system of Novartis before every significant change to the system but at least every three years. This new paragraph was proposed by the board last year in response to a shareholder proposal filed by a group of Swiss investors led by Ethos requesting the company to hold an advisory vote on executive remuneration every year.

A) Description of the Structure and Level of Pay

A.1) Board Members

In February 2010, the functions of chairman and CEO were split. Mr. Vasella handed over his function of CEO to Mr. Jimenez to concentrate on the role of chairman. Mr. Vasella's remuneration structure was reviewed and as of February 2010, he will not receive variable remuneration anymore. According to his new contract, he is entitled to an annual fixed remuneration of which one third paid in cash and two thirds in unrestricted shares that he can block at his discretion for tax reasons. For his role as non-executive chairman for 11 months, Mr. Vasella received CHF 11 million (at market value at date of grant). In addition, in 2010, Mr. Vasella received CHF 2.1 million for one month as chairman and CEO (January 2010) and supplementary retirement benefits through a one-time payment of CHF 12 million in the form of an insurance policy. Mr. Vasella's total remuneration for 2010 therefore amounts to CHF 25.3 million.

The other 11 board members receive an annual board membership fee (CHF 350'000) and additional fees of varying amounts for committee chairmanship, committee membership and other functions reflecting their increased responsibilities. During the year under review, the board members (excluding Mr. Vasella) received an aggregate remuneration of CHF 6.4 million corresponding to an average remuneration of CHF 587'000 per member.

A.2) Members of Executive Management

Members of the executive management, including the CEO, have a base salary and can receive variable remuneration from four different remuneration plans:

- Short-term performance plan: The short-term performance plan is an annual bonus plan with a target level of 100% of base salary and a multiplier of between 0 and 2 depending on group (50%) and individual performance (50%). At his own discretion, the beneficiary can invest part of his bonus in Novartis shares blocked for 5 years (Leverage Share Savings Plan). At the end of the 5-year period, each share invested is matched with one additional share. The vesting of the additional share is not contingent upon achievement of pre-defined performance targets. Upon deferral of 100% of the bonus, the maximum potential variable remuneration under this plan could reach 400%.
- Equity Plan "Select": The Equity Plan "Select" is considered by the company as a long term incentive plan. Since the grant of shares and/or options depends on the past year's performance, Ethos considers this plan as an additional annual bonus. No information is provided on the performance conditions, targeted and maximum grant levels. The beneficiary can choose to receive shares, options or a combination of both.
- Long-Term Performance Plan (LTPP): The Long-Term Performance Plan is a long term incentive plan under which an undisclosed targeted amount of shares is granted. The final vesting of the shares, after a three-year performance period, ranges between 0 and 200% of the targeted grant depending on Novartis' Economic Value Added achieved during the period.
- Special Share Award: the Special Share Award plan is an additional bonus in the form of unrestricted shares granted at the board's entire discretion.

Novartis reports the remuneration of members of the executive management individually which is above Swiss law requirements. However, share-based payments are valued at tax value which significantly underestimates some of the grants. Ethos restated Novartis' figures to calculate share-based payments at market value (standard method of valuation).

For the year under review, the newly appointed CEO, Mr. Jimenez, received a total remuneration of CHF 12.9 million of which 86.8% is variable. The other 8 members of the executive management received an average remuneration of CHF 4.9 million (-24.7%) of which 80.3% is variable.

B) Main changes implemented in the remuneration structure

In 2010, the following changes were introduced to the executive remuneration structure:

- The part of remuneration under the Long-Term Performance Plan (with forward looking performance conditions for vesting) increased while the grants under the Equity Plan Select were reduced, thereby increasing the percentage of variable remuneration depending on long term performance.
- The vesting period under the Equity Plan "Select" was lengthened from two to three years (effective as of 2011).
- "Clawback" provisions were introduced in individual employment contracts of all executive committee members, as well as in incentive plans and award letters, allowing Novartis to hold back or seek to recover incentive remuneration where the payout has been proven to conflict with internal management standards, accounting procedures or a violation of law.

C) Ethos' Appraisal of the Remuneration System

C.1) Disclosure

- Shares granted to board members and members of the executive management were valued by the company at their tax value. For this reason, Novartis' figures regarding the board members' (domiciled in Switzerland) and executive management's remuneration are not comparable to those of its peers. Therefore, Ethos considers the company's remuneration disclosure to be inaccurate.
- Detailed information is only provided for one of the four incentive plans (short term performance plan). The company's disclosure does not allow an adequate assessment of the Equity Plan “Select” and of the Long-Term Performance Share Plan. For both plans, which account for 58% of total executive remuneration in 2010, the on-target level of award in percentage of base salary, the vesting scale and precise performance targets are not disclosed. When contacted, company's representatives told Ethos that the target grants under both plans are set as a fixed percentage of base salaries. The maximum amount can not exceed twice the targeted amounts. Ethos regrets that this information is not included in the description of the different plans and urges the company to disclose more information in next year's remuneration report.
- The target grants made in 2010 under the Long Term Performance Plan for the performance period 2011-2013 are not disclosed. The company only reports the final number of shares that vested in 2010 with respect to conditional grants made in 2008 for the performance period 2008-2010. It is therefore not possible to determine the target value of the remuneration and to confirm that the part of remuneration depending on future performance conditions has effectively been increased (one of the changes introduced by the board).
- The precise notice periods of members of the management are not disclosed. The company only mentions that employment contracts of executive committee members do not contain unusually long notice periods, change-of-control clauses or severance payments. Ethos would welcome more disclosure with regard to the precise length and clauses of executives' employment contracts. Company representatives confirmed that no working contract includes notice period in excess of 12 months.
- Ethos regrets that the rationale for granting an additional CHF 12 million one-time payment to the chairman of the board in the form of an insurance policy is not explained by the company.

C.2) Remuneration Structure: Board members

- The total remuneration of CHF 25.3 million granted to the chairman of the board (CHF 11.1 million as non-executive chairman for 11 months, CHF 12 million as supplementary retirement benefits and CHF 2.2 million for one month as chairman and CEO) is very high compared to market practice. The average level of remuneration of non-executive directors (CHF 587'000) exceeds the corresponding average for a non-executive director of a SMI-Index company (CHF 418'000 in 2009).

- Ethos considers that the additional one-off payment of CHF 12 million in the form of an insurance policy is excessive and that the remuneration system should not allow discretionary payments of such amount. When taking into consideration the fact that Mr. Vasella received from 2006 to 2009 an aggregate remuneration of CHF 161 million and that his current holdings of 3.2 million Novartis shares yield CHF 7.23 million dividend for 2010, such payment is not an appropriate use of company funds.

C.3) Remuneration structure: members of the executive management

- The remuneration structure of Novartis' executive management is not in line with best practice standards and Ethos' 2011 voting guidelines. 80% of the equity based remuneration is measured over a one year performance and not to the achievement of performance conditions measured over several years. Ethos welcomes the fact that the board decided to increase the proportion of variable remuneration with forward looking conditions. However, due to Novartis' insufficient disclosure, the effectiveness of the measure cannot be verified (see above).
- Ethos regrets that the matching shares offered upon deferral of the annual bonus do not include absolute and relative performance conditions for vesting. The matching shares potentially double the annual bonus without further performance testing (only the share price fluctuation).
- Ethos' 2011 voting guidelines recommend that, in principle, the total on-target variable remuneration (including short term and long term incentives) should not exceed 50% of the total remuneration. Higher variable remuneration could potentially be accepted if bonuses and equity-based awards are deferred and final outcomes are triggered by the achievement of performance conditions measured over several years. As mentioned above, the average variable remuneration of the members of the executive management exceeds 80% and most of the variable remuneration depends on the performance measured over one year. Novartis' disclosure, as well as the important number of plans running in parallel, do not allow to determine the aggregate targeted variable remuneration.
- Ethos considers that participants in the various equity plans have too much discretion regarding the type of award they opt to receive and the length of the blocking period they accept for tax optimisation purposes.

(D) Ethos' Recommendation

While the changes introduced by the board address some of the concerns raised by Ethos over the past years (shift towards long term remuneration based on future performance as well as lengthening of the vesting period under the Equity Plan Select), Ethos still has the following concerns regarding Novartis' remuneration system:

- the system (in particular the long term incentive plans) is not described in sufficient detail to allow an assessment of the effective variable remuneration paid against targeted levels;
- the number of conditional shares granted in 2010 under the Long Term Performance Plan and their value in percentage of the participant's base salary has not been disclosed thereby preventing shareholders from determining the targeted value of the 2010 remuneration;
- the variable part of the remuneration is excessive compared to the fixed part. Moreover, 81% of the 2010 variable remuneration is based on a one-year performance period;
- participants in the various incentive plans have too much discretion regarding the type of awards they opt to receive and the length of the blocking period they choose for tax optimisation purposes;
- the board has entire discretion in granting special awards;
- the matching shares granted following the deferral of part of the annual short-term incentive do not include pre-defined performance conditions for vesting;
- Mr. Vasella, the company chairman and CEO since 1999, received upon relinquishing his CEO position in February 2010 a one-off contribution to his pension of CHF 12 million in the form of an insurance policy. Discretionary payments of such amount should not be allowed by the remuneration system as they are not an appropriate use of shareholder funds. This is particularly true in light of Mr. Vasella's aggregate remuneration of CHF 161 million for the fiscal years 2006 to 2009.

For all these reasons, Ethos, in accordance with point 4.1.a and b of its voting guidelines, recommends to OPPOSE.

5.1	Retirements	NON-VOTING

Messrs. Hans-Joerg Rudloff and Alexandre Jetzer-Chung do not seek re-election having reached the statutory age limit of 70. Mr. Rudloff being member of several key committees, the committees will be re-composed after the AGM. Since only one new director is proposed for election (Dr. Enrico Vanni, see item 5.3), the board's size will decrease to 11 directors of whom 8 independent and 3 affiliated.

This is a non-voting item.

5.2	Re-elections

The board proposes to re-elect Ms. Anne Fudge, Mr. Landolt and Dr. Lehner for another three-year term each. Re-elections are staggered so that at least one third of the directors are put to re-election every year.

Elections are conducted on an individual basis.

5.2.1 Re-elect Ms. Ann Fudge (independent) — FOR

The board proposes to re-elect Ms. Ann Fudge (US Citizen, 60) for a further three-year term. Ms. Fudge was elected to Novartis board in 2008 and currently sits on the nomination committee. She is considered independent by the company and by Ethos.

She is also director of General Electric and Unilever. From 2003 to 2006, Ms. Ann Fudge was chairwoman and CEO of Young & Rubicam Brands, a marketing communications company. Before that, she served as President of the Beverages, Desserts & Post division of Kraft Foods (USA). As former chairman and CEO of a global marketing communications company, the board considers that Ms Fudge brings leadership and marketing experience to the board.

Ethos, in accordance with its voting guidelines, recommends to vote FOR.

5.2.2 Re-elect Mr. Pierre Landolt (affiliated) — FOR

The board proposes to re-elect Mr. Pierre Landolt (Swiss, 64) for another three-year term. Mr. Landolt is considered independent by the company but not by Ethos since he has been sitting on the board since 1996 thereby exceeding the 12-year limit for independence set in Ethos' voting guidelines. In addition, he is representative of Emasan who owns 3.3% of Novartis' share capital. Mr. Landolt sits on the nomination committee and is also board member of Syngenta and several other smaller companies in which he has direct interests (see board of directors report).

Since the board is sufficiently independent, the re-election of Mr. Landolt can be accepted. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

5.2.3 Re-elect Dr. Ulrich Lehner (independent) — FOR

The board proposes to re-elect Dr. Ulrich Lehner (German, 65) for a further three-year term. Dr. Lehner is vice chairman of the board and, until the separation of functions of chairman and CEO in February 2010, was acting as lead independent director. Dr. Lehner has been sitting on the board since 2002 and currently chairs the nomination committee. In addition, he is member of the chairman's committee, audit committee, remuneration committee and risk committee.

Ethos has concerns regarding the aggregate time commitments of Dr. Lehner. In fact, in addition to his functions at Novartis, Dr. Lehner has 4 supervisory board positions in German listed companies. He is chairman of the supervisory board of Deutsche Telekom (and chairman of the nomination committee), board member of E-ON (and member of the nomination committee), board member of Porsche Automobil Holding (and chairman of the audit committee) and ThyssenKrupp (and member of the audit committee).

While Ethos has concerns regarding his aggregate number of mandates and substantial involvement in key committees, Dr. Lehner attended 100% of board and key committee meetings in 2010. Between 2006 and 2009, Dr. Lehner never missed any board meetings, only one committee meeting. Given Dr. Lehner's excellent attendance record over the past years, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

5.3	Elect Dr. Enrico Vanni (independent)	FOR

The board proposes to newly appoint Dr. Enrico Vanni (Swiss, 60) for a three-year term. Dr. Vanni is a chemical engineer who managed the Geneva Office of McKinsey & Company from 1988 to 2004. His consulting activities mostly covered companies in the pharmaceutical, consumer and finance sectors. He was head of the European pharmaceutical practice for McKinsey & Company and served as member of the Partner review committee of the firm until 2007. In August 2010, Dr. Vanni was appointed to the board of Alcon as representative of Novartis. However, Ethos is not aware of any other connections between Dr. Vanni and Novartis which would impair Dr. Vanni's independence.

Ethos, in accordance with its voting guidelines, recommends to vote FOR.

6	Ratify 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.

Ethos considers that when the auditor derives a substantial part of its fees from non-audit services (including audit-related services), its independence might be compromised. As disclosed in the company information section of this report, the audit-related and non-audit fees paid by the company to its external auditor in 2010 represent 18% of the fees paid for audit services to PwC. Over a three-year period, audit-related and non-audit fees represent 14% of the total audit fees.

Since the fees paid for non-audit work fall within the limit set in Ethos' voting guidelines, it recommends to vote FOR.

3. Company Information

Before the General Meeting of 22 February 2011

3.1 General Information

Headquarters	Basel (BS), Switzerland
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 four divisions: Pharmaceuticals (60% of the 2010 group's sales), Vaccines and Diagnostics (6% of the 2010 group's sales), Sandoz (17% of the 2010 group's sales) and Consumer Health, including Alcon (17% of the 2010 group's sales). Furthermore, Novartis holds a 33.3% stake in Roche, valued at USD 8.1 billion at the end of 2010.

In January 2010, Novartis purchased 52% of Alcon thereby increasing its stake to 77% of the share capital. Novartis subsequently launched a takeover offer on the remaining 23% of capital held by the minority shareholders. This validity of the offer has been actively challenged by minority shareholders considering that the initial offer of 2.80 Novartis shares for each remaining Alcon share was significantly below the price paid to acquire the initial 77% stake. Novartis was forced to change the offer on December 2011. Under the new terms of the agreement, the merger consideration will include up to 2.8 Novartis shares and an additional payment to be settled in cash that will in aggregate equal USD 168. If the value of 2.8 Novartis shares exceeds USD 168 the number of Novartis shares will be reduced accordingly.

Corporate Responsibility:
• Novartis has an adequate Corporate Responsibility's communication. The company successfully identifies major issues within various publications, or on its Corporate Citizenship website. The commitment relies on four pillars: patients; ethical business conduct; people and communities; environmental care. Novartis particularly focuses on issues the global pharmaceutical industry is currently facing (pricing and promotional practices, limited access to medicine in developing countries as well as drug safety). The company uses the GRI guidelines (A+ application level) and backs the principles of UN Global Compact. Its reporting contains a set of comprehensive key performance indicators. Furthermore, Novartis Corporate Citizenship Reporting was externally verified by PricewaterhouseCoopers AG in accordance to the International Standard on Assurance Engagements (ISAE) 3000.

• Following the group-wide satisfaction survey conducted in 2009, Novartis has started to implement in 2010 corrective actions to further improve employee engagement and retention.

• Access-to-medicine programmes at Novartis target diseases such as malaria, leprosy, tuberculosis and cancer. During 2010, Novartis' access-to-medicine programmes reached 85.5 million patients in need, through contributions valued at USD 1.5 billion.

• Novartis participated in the 2010 Swiss edition of the Carbon Disclosure Project and agreed to publicly disclose its responses.

Employees	Total number on 31.12.2010: 119418 including 16'700 Alcon employees of whom 12000 in Switzerland
Chairman	Dr. med. Daniel L. Vasella (since 1999), Swiss, aged 58
CEO	Joseph Jimenez (since 2010), US Citizen, aged 51
	On 1 February 2010, the functions of chairman and CEO held by Mr. Vasella since 1999 were separated. Mr. Jimenez, former CEO of Heinz Europe (2002-2006) and Head of Novartis' Pharma Division (2006-2010) was appointed CEO of the Group.
Listing	SIX Swiss Exchange (Virt-X) New York Stock Exchange (ADS)

3.2 Capital

Structure

In CHF	Number	Nominal Value	Capital
Registered shares	2'637'623'000	0.50	1'318'811'500
Total Capital			**1'318'811'500**

The company has no authorised or conditional capital. The 2008 AGM approved a CHF 10 billion buyback programme which was suspended in favour of debt repayment. In December 2010, the board announced the reactivation of the share repurchase programme to minimize dilution for existing shareholders subsequent to the proposed merger of Alcon into Novartis. In 2010, no shares were repurchased.

At year-end 2010, the company owned 166.8 million treasury shares.

Conditions to file a shareholder resolution

Date	31.12.2010	In CHF	Nominal value required	1'000'000
			Market value required	109'900'000
			% of voting share capital	0.08 %

Restriction on re-gistration of shares or voting rights

Registration with voting rights is limited to 2% for shareholders and shareholder unions. Nominees' registration is limited to 0.5%, unless full disclosure of beneficial owners is made. Exceptions may be authorised by the board of directors.

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 the holders of the ADS have not given instructions as to how such underlying shares should be voted.

Important shareholders

On 31 December 2010 (no subsequent announcement on the SIX Swiss Exchange):

Shareholders:
- Capital Group Companies: 4.98% (voting rights limited to 2%)
- Novartis Foundation for Employee Participation: 4.3% with full voting rights
- BlackRock, Inc (USA): 3.34% (voting rights limited to 2%)
- Emasan AG: 3.3% with full voting rights

Nominees:
- JPMorgan Chase Bank (USA): 10.7% as nominee
- Mellon Bank (USA): 2.9% as nominee
- Nortrust Nominees (UK): 2.8% as nominee

ADS Depositary:
- JPMorgan Chase Bank (USA): 9.6% as depository of ADS listed on the NYSE

Unregistered shares (with no voting rights): 25.20%

3.3 Financials and Key Figures

Year end	31. December
Reporting standard	IFRS

		2010		2009		2008	
Total revenues	USD	50'624.00	million	44'267.00	million	41'459.00	million
EBIT	USD	11'526.00	million	9'982.00	million	8'964.00	million
Net income attributable to shareholders (without minority interests)	USD	9'794.00	million	8'400.00	billion	8'195.00	million
Shareholders' equity	USD	63'196.00	million	57'387.00	million	50'288.00	million
Market capitalisation at year-end	CHF	144'937.00	million	149'025.70	million	139'318.93	million
Earnings per registered share (basic)	USD	4.28		3.70		3.59	
Dividend per registered share	CHF	2.20		2.10		2.00	
Payout ratio (on group net income)		55.00	%	52.40	%	52.60	%
Market value per registered share at year end	CHF	54.95		56.50		52.70	

Comments

The 2010 total revenues include USD 2.4 billion coming from the first consolidation of Alcon (revenues from 25 August 2010).

3.4 External Auditor

Auditor

PricewaterhouseCoopers, since 1996

Fees

In USD	2010	2009	2008
Audit fees	23'675'000	24'360'000	24'963'000
Audit related fees	2'140'000	4'300'000	3'200'000
Non-audit fees	1'595'000	210'000	958'000
Total	**27'410'000**	**28'870'000**	**29'121'000**

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 1'485'000 was paid for tax services and USD 110'000 for other services.

4. Remuneration Report

4.1 Global Remuneration Figures

A Members of the Executive Management

	2010 Number	2010 CHF	2009 Number	2009 CHF	Var.
Cash		10'404'493		11'502'523	
Shares	669'561	36'612'949	1'140'630	63'623'210	
Options	249'943	1'499'658	2'538'588	17'059'311	
Other		1'678'658		2'143'179	
Total		**50'195'758**		**94'328'223**	
Highest paid executive		12'918'583		42'211'616	NA
Average other executives		4'904'892		6'514'576	-24.7%

B Board Members (Outside Executive Management)

	2010 Number	2010 CHF	2009 Number	2009 CHF	Var.
Cash		8'731'237		4'950'454	
Shares	151'906	8'483'949	17'453	936'354	
Options	0	0	0	0	
Other		14'617'338		0	
Total		**31'832'524**		**5'886'808**	
Highest paid non-executive		25'368'567		1'107'172	NA
Average other non-executives		587'632		477'964	22.9%

Comments

The highest paid member of the management was Mr. Jimenez (CEO) in 2010 and Mr. Vasella in 2009. The remuneration is therefore not comparable (NA). Shares and options granted to executive board members and executive management were valued by the company at their tax value. Ethos restated the figures and valued the shares and options at their fair market value of CHF 54.70 and CHF 6.00 respectively.

The non-executive board members receive fixed fees part of which can be taken in shares. The highest paid non-executive in 2010 is Mr. Vasella (chairman of the board) while it was Mr. Lehner in 2009 (vice-chairman and lead director). The remuneration is therefore not comparable (NA). For members who are Swiss tax residents the shares are valued at fiscal value. Ethos restated all the figures to their market value at date of grant (CHF 55.85). Other remuneration includes CHF 14.1 million paid to Mr. Vasella for his role of chairman and CEO until January 31, 2010.

4.2 Individual Remuneration Figures

Individual figures for 2010 (CHF)

A Members of the Executive Management

Name	Function	Cash	Shares	Options	Other	Total
J. Jimenez	CEO	2'048'334	10'611'800	0	258'449	12'918'583
J. Symonds	CFO	770'000	3'499'432	0	125'650	4'395'082
J. Brokatzky-Geiger	Group	678'338	3'345'562	0	158'435	4'182'335
M. Fishman	Group	1'021'890	7'235'989	0	394'457	8'652'336
T. Werlen	Group	725'008	2'393'016	721'980	144'983	3'984'987
A. Oswald	Divisional	1'173'150	2'004'718	0	92'881	3'270'749
D. Epstein	Divisional	1'183'690	3'914'606	0	281'262	5'379'558
G. Gunn	Divisional	1'618'467	2'253'859	0	113'309	3'985'635
J. George	Divisional	1'185'616	1'353'967	777'678	109'232	3'426'493
Total						**50'195'758**

B Board Members (Outside Executive Management)

Name	Function	Cash	Shares	Options	Other	Total
D. Vasella	Ch	3'666'674	7'333'328	0	14'368'565	25'368'567
U. Lehner	VCh, LD	1'110'000	0	0	59'034	1'169'034
H. Rudloff	VCh	750'000	0	0	37'666	787'666
W. Brody	Mbr	375'000	150'013	0	0	525'013
S. Datar	Mbr	459'688	100'362	0	0	560'050
A. Fudge	Mbr	250'000	150'013	0	0	400'013
A. Jetzer-Chung	Mbr	350'000	0	0	17'722	367'722
P. Landolt	Mbr	106'000	294'050	0	22'604	422'654
A. von Planta	Mbr	453'000	107'009	0	28'344	588'353
W. Wiedeking	Mbr	150'875	349'174	0	26'593	526'642
M. Yang	Mbr	410'000	0	0	23'133	433'133
R. Zinkernagel	Mbr	650'000	0	0	33'677	683'677
Total						**31'832'524**

Comments

5 members of the management joined on February 1, 2010 (Messrs. Epstein, George, Gunn, Oswald and Symonds). Their remuneration is disclosed pro-rata temporis (11/12 months). The shares and options granted to the members of the management are blocked between 2 and 10 years depending on the plan and the beneficiary's choice.

The remuneration of Mr. Vasella includes CHF 14.2 million of other compensation relating to his role of chairman and CEO until January 31, 2010 (CHF 2.2 million as due remuneration and CHF 12 million as a one-time payment in the form of an insurance policy). Mr. Vasella remuneration as non-executive chairman is a fixed amount of CHF 12 million of which 1/3 is paid in cash and 2/3 in unrestricted shares (CHF 11 million pro rata temporis). Board members can choose to receive part of their fees in shares. They can also choose the length of the blocking period. In addition, Mr. Jetzer-Chung received CHF 380'004 for consulting services (same as last year).

4.3 Best Practice Checklist

A Members of the Executive Management

Best practice

- All elements of each director’s remuneration are disclosed
- A fully disclosed peer group is used for pay benchmarking
- Notice periods of up to one year, without any change of control clauses

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	-
	% 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	-
	Options granted valued at fair market value	-
	Peer group's companies disclosed	Ok
	Notice period disclosed	-
	Notice period not exceeding one year (base salary and target bonus)	Not disclosed
	Notice period is not extended upon change of control	Ok

B Board Members (Outside Executive Management)

Best practice

- Non-executives should not receive variable remuneration or stock options
- Part of the fees should be paid in shares

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 annual incentive scheme	Ok

4.4 Remuneration Structure (Executives)

A Remuneration Breakdown

Breakdown	Base salary	Short-term incentives	Long-term incentives	Pensions / Others
Of highest paid executive	11.3%	64.2%	22.6%	2.0%
Of other executives	15.9%	55.9%	24.4%	3.8%

B Short-term Incentives

Short-term incentives in % of base salary	On target	Maximum	Actual
Of highest paid executive	NA	NA	568.7%
Of other executives	NA	NA	350.6%

Performance criteria mentioned:

Net sales, operating income, free cash flow, market share, innovation and ongoing efforts to optimize organisational effectiveness and productivity.

Novartis has four main remuneration plans.

1) Annual incentive (which can be taken in either cash or shares): The annual incentive scheme represents up to 200% of the base salary and equally depends on group (see above) and individual performance criteria. Approximately 25 top executives may invest their annual incentive in a "Leveraged Share Savings Plan" (LSSP, see section 4.4.C of this report), whereby they convert part or all their cash bonus into shares at market value. If beneficiaries immediately decide to block the shares for at least five 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 share.

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 beneficiary can choose to receive shares blocked for between 2 and 10 years and/or tradable options blocked for 2 years and with a maturity of 10 years.

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.

3) Special Share Awards: Under this plan, selected key executives may exceptionally receive special awards of restricted or unrestricted shares. The award of these shares is fully discretionary.

4) Long term incentive plan in shares (see section 4.4.C of this report).

C Long-term Incentives

Incentive	Plan 1	Plan 2	Plan 3
Type of awards	Performance Shares	Matching shares (LSSP)	-
Fair value at grant date disclosed	Yes	Yes	-
Blocking period	None	5-10 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	-
Minimum final grant (in % of initial grant)	0%	100%	-
Maximum final grant (in % of initial grant)	200%	100%	-

Comments

Plan 1: Plan 1 refers to the performance share plan under which conditional shares are annually granted and tested against the company's "Economic Value Added" over a three-year performance cycle. Depending on the result, between 0% and 200% of the conditional award will be granted at the end of the performance period.

Plan 2: This plan refers to the Leveraged Share Savings Plan (LSSP). Under this plan, participants may invest part or all their annual bonus in shares blocked for 5 years. If still employed at the end of the blocking period, the beneficiary will receive one matching share for each share initially received (invested through the annual bonus).

4.5 Remuneration and Financial Performance

A Change in Remuneration 2010-2009

Highest paid executive	NA
Average other executives	-24.7%
Highest paid non-executive	NA
Average other non-executives	22.9%

B Change in Financial Performance 2010-2009

Sales	14.4%
Operating income	15.5%
Net income	16.6%
Total shareholder return	1.0%

4.6 Share and Option Holdings

A Members of the Executive Management

Name	Function	31.12.2010 Shares	31.12.2010 Options	31.12.2009 Shares	31.12.2009 Options
J. Jimenez	CEO	298'366	709'342	120'546	709'342
J. Symonds	CFO	79'548	54'348	NA	NA
J. Brokatzky-Geiger	Group	199'600	331'157	141'296	331'157
M. Fishman	Group	385'921	850'809	350'752	971'809
T. Werlen	Group	109'797	608'653	73'227	488'323
A. Oswald	Divisional	90'347	5'633	NA	NA
D. Epstein	Divisional	245'201	590'229	NA	NA
G. Gunn	Divisional	210'932	94'371	NA	NA
J. George	Divisional	47'613	256'375	NA	NA
Total		**1'667'325**	**3'500'917**	**685'821**	**2'500'631**

B Board Members (Outside Executive Management)

Name	Function	31.12.2010 Shares	31.12.2010 Options	31.12.2009 Shares	31.12.2009 Options
D. Vasella	Ch	3'288'608	3'565'366	2'924'114	5'743'787
U. Lehner	VCh, LD	22'193	0	22'193	0
H. Rudloff	VCh	40'080	24'570	40'080	24'570
W. Brody	Mbr	5'133	0	2'447	0
S. Datar	Mbr	17'342	0	15'545	10'000
A. Fudge	Mbr	6'008	0	3'322	0
A. Jetzer-Chung	Mbr	80'800	9'214	80'800	17'454
P. Landolt	Mbr	35'061	6'911	29'791	13'111
A. von Planta	Mbr	109'580	0	107'664	0
W. Wiedeking	Mbr	34'182	0	27'930	0
M. Yang	Mbr	18'000	0	18'000	0
R. Zinkernagel	Mbr	22'800	15'357	22'800	23'597
Total		**3'679'787**	**3'621'418**	**3'294'686**	**5'832'519**

5. Board of Directors

Composition after the General Meeting of 22 February 2011

Committee	Executive	Affiliated non-executive	Independent non-executive	Total
Board of Directors	0	3	8	11
Audit committee	0	0	4	4
Nomination committee	0	2	3	5
Remuneration committee	0	0	4	4
Chairman's committee	0	1	1	2
Risk committee	0	0	4	4

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	4 (100% attendance)
Number of nomination committee meetings during the past year	3 (100% attendance)
Number of chairman's committee meetings during the past year	9 (100% attendance)
Number of risk committee meetings during the past year	4 (90% attendance)
Individual attendance rate at board meetings disclosed	

- Messrs. Hans-Joerg Rudloff and Alexandre Jetzer-Chung do not seek re-election for age reason. Mr. Rudloff being member of several key committees, the committees will be re-composed after the AGM.

- Novartis only considers Mr. Vasella as being not independent. The board considers that the activities delgated 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 not consultatory in nature and do not affect Dr. Zinkernagel's or Dr. Brody's independence as board member. In line with its voting guidelines, Ethos also considers Mr. Vasella as not independent but also considers Messrs. Landolt and Zinkernagel as not independent due to their connection to Novartis' board for more than 12 years.

- We will keep monitoring directors' attendance to meetings as several members of the board have high aggregate time commitments. We believe that Directors should be able to devote time to the company in case of exceptional circumstances and to attend short-notice meetings.

- All relevant internal corporate governance regulations are available on the company's webpage.

Dr. med. Daniel L. Vasella

Affiliated	Chairman
Nationality	Swiss
Age	58
Director since / term ends	1996 / 2013
Committee memberships	– Chairman's committee, Chairman
Affiliation	– Former executive – Board membership exceeding time limit for independence CEO of Novartis (1996 - February 2010).
Main activity	none
Directorships	– PepsiCo (USA), Member – Alcon, Inc. (controlled by Novartis), Chairman
Other relevant mandates	– Peres Center for Peace (Israel), International Board of Governors, Member – International Business Leaders Advisory council for the Mayor of Shanghai, Member – Aldava, Chairman – Foundation for the Swiss Guards of the Pope in the Vatican, Member – American Academy of Arts & Sciences (USA), Honorary member – Global Health Program Advisory Panel of the Bill & Melinda Gates Foundation (USA), Member

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

Independent | Vice Chairman | Up for Re-election

Nationality	German
Age	65
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 – Porsche Automobil Holding (Germany), Member – ThyssenKrupp (Germany), Member – HSBC Trinkaus & Burkhardt (Germany), Member – Henkel Management AG (Germany), Member – Dr. August Oetker KG (Germany), advisory board, Member – Henkel AG & Co KGaA (Germany), shareholders' committee, Member
Comments	CEO of Henkel (2000-2008). CFO of Henkel (1995-2000). Honorary Professor at the University of Munster (Germany). Certified accountant.

Prof. Dr. William R. Brody

Independent | Member

Nationality	US Citizen
Age	67
Director since / term ends	2009 / 2012
Committee memberships	– Remuneration committee
Main activity	– Salk Institute for Biological studies (USA), President
Directorships	– IBM (USA), Member – Mutual Funds Board of T. Rowe Price (USA), Member – Novamed (China), Member
Comments	President of Johns Hopkins University (1996-2009). President and CEO of Resonex Inc. (1984–1987).

Prof. Dr. oec. Srikant Datar		
Independent	Member	

Nationality	US Citizen
Age	58
Director since / term ends	2003 / 2012
Committee memberships	– Audit committee, Chairman – Remuneration committee – Risk committee
Main activity	– Harvard Business School, Arthur Lowes Dickinson Professor
Directorships	– ICF International (USA), Member – KPIT-Cummins Infosystems (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	Up for Re-election

Nationality	US Citizen
Age	60
Director since / term ends	2008 / 2014
Committee memberships	– Nomination committee
Main activity	none
Directorships	– General Electric (USA), Member – Unilever N.V. (Netherlands), Member
Other relevant mandates	– Rockefeller Foundation (USA), Member – Morehouse College (USA), Member – Gates Foundation, U.S. Programs Advisory Panel, Chairwoman – US Council on Foreign Relations, Member
Comments	Chairwoman and CEO of Young & Rubicam Brands (USA) (2003-2006). President of the Beverages, Desserts & Post Division of Kraft Foods (USA) (2000-2003).

Pierre Landolt

Affiliated	Member	Up for Re-election

Nationality	Swiss
Age	64
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	– Syngenta, Member – AxialPar Ltda (Brazil), Chairman – Emasan AG, Chairman – Vaucher Manufacture Fleurier SA, Chairman – Moco Agropecuaria Ltda (Brazil), Chairman – EcoCarbone SA (France), Member – Amazentis SA, Co-founder – Parmigiani Fleurier SA, Vice Chairman
Other relevant mandates	– Sandoz Family Foundation, Chairman – Montreux Jazz Festival Foundation, Vice Chairman – Syngenta Foundation for Sustainable Agriculture, Member – Instituto Estrela de Fomento ao Microcrédito (Brazil), Chairman – Instituto Fazenda Tamanduá (Brazil), Chairman
Comments	Chairman of CITCO Group (1995-2005).

Ph.D. Enrico Vanni

Independent	Member	New Nominee

Nationality	Swiss
Age	60
Director since / term ends	2011 / 2014
Committee memberships	none
Main activity	none
Directorships	– Alcon (controlled by Novartis), Member – Denzler & Partners, Member – Mbcp, Member – Eclosion, Member

Dr. iur. Andreas von Planta

Independent	Member
Nationality	Swiss
Age	56
Director since / term ends	2006 / 2012
Committee memberships	– Audit committee – Nomination committee – Risk committee, Chairman
Main activity	– Lenz & Staehelin law firm, Partner and Member
Directorships	– Nationale Suisse Assurances, Chairman – Holcim, Vice Chairman – JP Morgan (Suisse) SA, Vice Chairman – AP Moller Finance SA and APM Genève SA, Vice Chairman – SIX Swiss Exchange, President of the Regulatory Board – Raymond Weil SA, Member – Burberry (Suisse) SA, Member – TOTSA - Total Oil Trading SA, Member – CSSA - Chartering and Shipping Services SA, Member – Générale-Beaulieu Holding SA, Member
Other relevant mandates	– Board of editors of the Swiss Review of Business Law, Member

Dr. ing. Wendelin Wiedeking

Independent	Member
Nationality	German
Age	59
Director since / term ends	2003 / 2012
Committee memberships	– Audit committee – Risk committee
Main activity	none
Comments	CEO of Porsche until July 2009.

Marjorie M. Yang

Independent	Member
Nationality	Chinese
Age	59
Director since / term ends	2007 / 2013
Committee memberships	– Remuneration committee, Chairman
Main activity	– Esquel Group (Hong Kong), Executive Chairwoman
Directorships	– Swire Pacific (Hong-Kong), Member – HSBC Hong Kong, Member – MIT Corporation, Member
Other relevant mandates	– Executive Council of the Government of Hong Kong, Non-official Member – Harvard Business School (USA), Advisory Board, Member – Council of the Hong Kong Polytechnic University, Chairman – Chinese People's Political Consultative Conference, National Committee, Member – Tsinghua School of Economics and Management, Member
Comments	CEO of Esquel Group until December 31, 2007.

Prof. Dr. med. Rolf M. Zinkernagel

Affiliated	Member
Nationality	Swiss
Age	67
Director since / term ends	1999 / 2012
Committee memberships	– Nomination committee
Affiliation	– Board membership exceeding time limit for independence
Main activity	none
Other relevant mandates	– Novimmune, Scientific Advisory Board, Member – ImVision, Scientific Advisory Board, Member – Bio-Alliance AG (Germany), Scientific Advisory Board, Member – Aravis General Partner Ltd. (Caymand Islands), Scientific Advisory Board, Member – Laboratoire Koch, Scientific Advisory Board, Member – Esbatech, Scientific Advisory Board, Member – X-biotech (Canada), Scientific Advisory Board, Member – MannKind (USA), Scientific Advisory Board, Member – Biomedical Sciences Services Singapour, Advisory Council, Member – Cancevir, Scientific Advisory Board, Member – Telormedix, Member – Swiss Re, Advisory Panel, Member – Nuvo Research (Canada), Advisory Board, Member – ERC European Research Council (Belgium), Member
Comments	Professor and Director of the Institute of Experimental Immunology at the University of Zurich (1992-2008). Scientific advisor/consultant to several companies in Switzerland and abroad. Nobel Prize for medicine (immunology) in 1996.

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About Ethos

The Ethos Foundation aims at promoting socially responsible investment as well as a stable and prosperous socio-economic environment. Ethos is composed of more than one hundred Swiss pension funds and non-profit foundations. Its fully owned subsidiary Ethos Services is an acknowledged provider of consulting services comprising socially responsible investment (SRI) funds, shareholder meeting analyses and an investor engagement and dialogue programme.
For further information: www.ethosfund.ch.

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