

# **Audit and Compliance Committee Pre-Approval Policy**

## **1. Statement of Principles**

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

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

## **2. Urgent Cases**

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

## **3. Audit Services**

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

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

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

## **4. Audit-related Services**

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

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

## **5. Tax Services**

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

avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The ACC pre-approves the Tax services listed in Appendix A.

All Tax services not listed in Appendix A require specific the pre-approval by the ACC.

## **6. All Other Services**

The ACC may grant pre-approval to other permissible non-audit services that it believes are routine and recurring services, and would not impair the independence of the auditor. None are, however, currently listed in Appendix A.

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

## **7. Pre-Approval Fee Levels**

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

## **8. Supporting Documentation**

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

## **9. Procedures**

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

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

This Policy was approved by the ACC on April 14, 2004.