

# Novartis Vaccines and Diagnostics, Inc.

## U.S. Code of Employee Conduct

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## **Introduction**

Novartis Vaccines and Diagnostics, Inc. (“Novartis V&D”) prides itself as an ethical and socially responsible business organization that has endorsed the United Nations Global Compact, reaffirming its support for Human Rights, fair labor practices and the environment. Consistent with its commitment to these values, Novartis V&D places a premium on dealing fairly with employees, customers, government regulators and the public. Novartis V&D’s success depends upon maintaining the trust of these essential constituencies. Each employee who acts for Novartis V&D is responsible for its good name. Because our integrity is so important, Novartis V&D has adopted this Code of Conduct, which describes the high standards we are expected always to demonstrate in performing our jobs. As you will see, our basic tenets are: ethical and legal behavior; loyalty to Novartis V&D in our business dealings; and fair and respectful treatment of fellow employees. This Code is designed to provide guidance on how to fulfill requirements of the Company’s Ethics & Compliance Program, resolve questions about the appropriateness of our conduct, and report possible violations of law or ethical principles within Novartis V&D. The issues we confront in our jobs at Novartis V&D are often complex. Although most of us are not legal experts, we are expected to use good judgment and common sense in seeking to comply with all applicable requirements and to ask for advice when we are uncertain about them.

## **Basic Rules of Conduct**

### **Conduct Business Ethically**

Novartis V&D expects all employees to adhere to its values of integrity and social responsibility in performing their jobs. In addition, society and governmental agencies impose stringent standards upon businesses today, particularly in the healthcare industry in which we participate. Every person should give due consideration to these factors in pursuing business activities on behalf of the Company. Our success in large measure depends upon satisfying the social and environmental expectations of our society, and we are all expected to act accordingly.

### **Tell the Truth**

Novartis V&D’s commitment to ethics in business includes a special emphasis on candor. We must be truthful in all communications with one another, customers and governmental agencies. We must keep complete and accurate business records. Only by being honest and forthcoming will our Company merit the respect and trust it needs to carry on its business operations successfully.

## **Comply with All Laws and Regulatory Requirements**

Every employee must strictly observe all laws and regulatory requirements applicable to our Company. Violations by even one employee can cause great harm to our Company's reputation and ability to carry on its operations, and can compromise the work of many other employees. Additionally, law enforcement agencies are increasingly enforcing our laws by prosecuting corporations and their employees and seeking to subject them to heavy penalties, fines and jail terms.

Our obligation to behave lawfully includes:

### **Knowing the Law**

Every employee is expected to be familiar with the basic legal requirements that apply to his or her duties on the job. For example, sales representatives and marketing managers are expected to know basic FDA rules regulating marketing practices, as well as antitrust principles, such as the prohibition against price fixing. Production managers are expected to know the environmental and safety rules that apply to their manufacturing operations. Development personnel who oversee clinical trials should know rules related to protection of clinical subjects. Human resources specialists and all managers who make hiring, compensation, promotion, termination and other decisions affecting employees should be familiar with applicable equal employment opportunity laws, other employment laws and the Company's human resources policies. Indeed, even though it is not always apparent, nearly all of us require some degree of familiarity with laws that affect our business. We can familiarize ourselves with the laws and regulations that apply to our work by receiving on-the-job training, reviewing applicable Company policies, attending related Company courses and presentations and, of course, asking questions of our supervisors, regulatory specialists and Company attorneys. When we need help understanding our legal obligations we are expected to ask our supervisor or a Company attorney for instruction or advice. Depending on our information needs, our questions will be answered, we may be directed to other information sources, or we may be advised to attend a particular course or lecture. The important thing is to be sure we are informed. Ignorance of the law can result in severe consequences. Some of the laws and regulations routinely affecting Novartis V&D are summarized in the second half of this booklet.

## **Respect Rights of All**

Every employee is entitled to fair and respectful treatment by his or her supervisors, managers, subordinates and peers. Novartis V&D will not tolerate discrimination or harassment of any sort on the basis of race, religion, national origin, sex, sexual orientation, disability, age or any other basis prohibited by law. In addition, the Company will fully observe its obligations under affirmative action programs and other laws designed to protect employees. Novartis V&D has strong policies concerning equal employment opportunity and sexual and other harassment to ensure compliance with these legal requirements. Novartis V&D expects every one of us to conduct ourselves in accordance with the letter and spirit of these principles.

## **Leverage Our Diverse Talents**

Novartis V&D has a strong commitment to Diversity. At Novartis V&D, we believe that the more our company reflects the marketplace in which we operate the greater our competitive advantage. The richness of diversity in our workplace stimulates a work environment that, in turn, enhances innovation, productivity and customer insight. Our focus is to develop an environment that is inclusive and maximizes the diverse talents, backgrounds and perspectives of all employees.

## **Support a Businesslike Environment**

As a world-class company, Novartis V&D requires that all Company activities be conducted and all Company resources be used in a manner that supports the Company's mission and values, respects the rights of employees, vendors and customers, and upholds the Company's reputation.

## **Electronic Surveillance**

Unauthorized electronic surveillance of employees is disruptive to employee morale and inconsistent with the respectful treatment required of our employees. For this reason, no Novartis V&D employee may record the conversation of another employee without his or her full knowledge and consent.

## **Appropriate Business Expenses**

Expenses for activities or entertainment that are considered inappropriate are not authorized and, therefore, not reimbursable by the Company. Examples of inappropriate activities include, but are not limited to: attending any place of business where there is total or partial nudity, sexual activity, illegal gambling or illegal drugs; and or discriminatory policies.

### **Avoid Even the Appearance of a Conflict of Interest**

Each employee of Novartis V&D is required to observe a duty of undivided loyalty to the Company, free from any potential personal or private business interests that might adversely influence his or her judgment. Employees are expected to avoid even the appearance of a conflict of interest, by disclosing and obtaining approval of any situation that could possibly give rise to, or be regarded as, a conflict of interest. Employees are responsible for complying with the Company's Conflicts of Interest policy, which is summarized here: Employees may not own any interest in any company which competes, or does business, with the Company. This prohibition applies whether the ownership is direct or indirect, or is maintained by the employee, a spouse or other family member. This prohibition does not apply to ownership of less than one percent (1%) of the stock of any publicly held corporation, however, the requirements regarding disclosure of situations that could be regarded as a conflict of interest still apply.

Employees may not act in any capacity for any supplier, contractor, subcontractor, customer, consultant or any other entity that does business with, seeks to do business with, is a competitor of, or has a significant relationship with, the Company. Employees shall not conduct business on behalf of the Company with any entity in which they or members of their family have a substantial interest, affiliation or business relationship. Employees may not engage in any outside employment or other activity which encroaches on the time or attention that should be devoted to the Company's affairs, otherwise detracts from the employee's ability to perform his or her responsibilities, or when the nature of such employment or activity would deprive the Company of the employee's full loyalty. In the absence of appropriate written authorization, any outside employment by exempt employees who are at the manager level or above is presumptively prohibited by this policy. Employees may not act as elected or appointed officials of any branch of government or any governmental agency, or as advisors or consultants to any governmental agency, that has any regulatory or supervisory power over the Company or any of its affiliates.

### **Gifts and Entertainment**

An employee may not seek or accept, directly or indirectly, any payment, service, favor, entertainment or gift from any outside person or entity that does business with, seeks to do business with, or is a competitor of, the Company, unless (a) acceptance could not reasonably influence or appear to influence the employee's business judgment; and (b) the service, favor, entertainment or gift is of nominal value and consistent with ordinary and customary business practices and Company policy. Under no circumstances may an employee accept a gift of cash or

a cash equivalent, shares of stock options, or an opportunity to participate in an initial public offering of securities of any amount, or entertainment of any kind unaccompanied by a representative of the business party providing it. Gifts, services, favors and entertainment may be given by an employee on behalf of the Company only if they are of nominal value, or are consistent with ordinary and customary business practices and Company policy, do not contravene any law, would not appear unethical and, if disclosed, will not embarrass the Company or its employees.

An employee may not accept gifts or opportunities that could adversely affect his or her judgment. An employee with questions regarding the appropriateness of a gift or entertainment should seek guidance from his or her supervisor or department management. Novartis V&D expects each employee to abide by these rules with great care and sensitivity and to resolve uncertainties by asking his or her manager.

### **Outside Lectures and Speaking Engagements**

An employee may not give any lecture or speaking engagement outside of the Company on any subject that relates to the Company's business or the employee's work for the Company without the prior approval of the Executive Committee member responsible for the employee's work unit.

### **Confidential Information**

Using the Company's confidential information for personal profit or advantage, or disclosing confidential information to unauthorized persons (including Company employees as well as non-employees) is strictly prohibited. Confidential Information includes non-public information about the Company's business, business plans and personnel.

### **Protecting Confidential Business Information**

Employees are expected to safeguard Novartis V&D's confidential information. If an employee learns confidential business information about Novartis V&D or other companies or people with whom Novartis V&D does business, he or she must not disclose that information to third parties (including friends and family members) or purchase stock, securities or other interests based on that information; nor may that employee assist anyone else in doing so. Employees are also expected to familiarize themselves and comply with Novartis V&D's Policy and Procedure on Insider Trading, which has been outlined under the Summary of Legal Requirements section of this code.

### **Use of Company Property**

All employees have a duty to protect and conserve Company property entrusted to them. An employee may not use or allow the use of Company property of any kind for any purpose other than Company business, without proper authorization.

### **Clarification of Possible Conflicts of Interest, Disclosure and Approval**

Any employee who has a question about whether any activity in which he or she is or may be engaged amounts to a conflict of interest must disclose the pertinent details in writing to a member of the Executive Committee who will approve or disapprove of the activity in writing. Executive Committee Members will approve of disclosed activities only if they comply with the purposes of this Code.

Although the above rules may sound rather detailed, they are based upon a simple premise. An employee may not use his or her position with Novartis V&D for personal gain or for the benefit of family members. Any doubt should lead to full disclosure in accordance with our Company's Conflict of Interest Policy. Novartis V&D expects each employee to apply the foregoing rules with good judgment and common sense and resolve uncertainties by asking his or her supervisor for advice.

### **Complying with Company Policies**

All employees are responsible for knowing and complying with all Company Policies as they may be updated from time to time. Company Policies are available for review on the Intranet, in manuals located throughout Company offices and through Ethics & Compliance or Human Resources.

## **Reporting Violations and Communicating Concerns**

As part of its commitment to ethical and legal behavior, Novartis V&D requires its employees to report to the Company any actual or apparent violations of law or ethical standards so that they can be investigated and dealt with appropriately. This obligation extends to any instance where one suspects, but is uncertain whether, a violation may be occurring. Failure to comply with this duty to come forward is a violation of policy and can result in serious disciplinary action, including possible termination of employment. Novartis V&D imposes this requirement even on employees who are not directly violating the Company's ethical and legal standards, because any time an employee fails to live up to our ethical and legal obligations our Company and employees can be profoundly and adversely affected. Penalties and repercussions from unlawful behavior can be devastating—

for our Company and the individuals involved. No one can condone such activities and, therefore, anyone aware of a violation owes a duty to the Company and himself or herself to disclose it. In addition, Novartis V&D's management is committed to addressing employees' concerns and wants to foster openness with employees about ethical and legal issues. Thus, Novartis V&D encourages all employees to report wrongdoing and to ask questions if they have any concerns about compliance with law or this Code of Conduct.

### **Knowing What Issues to Raise and When**

Bring to management's attention any instance in which you are aware of unlawful conduct or conduct that violates the standards described in this Code of Conduct. Also, raise with management any concern you may have whether proper procedures are being followed, even though you are not certain whether legal or ethical standards are being violated. It is also important to let management know whenever you believe adequate resources or training are not being provided so as to enable employees to comply with legal standards applicable to the Company. Raise questions promptly so that the issues can be dealt with early.

### **Procedure for Raising Issues**

Normally you should take issues to your immediate supervisor. You may also satisfy your obligation to bring issues forward by speaking with:

- Your Human Resources representative
- Any member of your Department's Leadership Team
- Any member of the Executive Committee
- Any member of the Legal Department
- Any member of Ethics & Compliance

### **Novartis Vaccines and Diagnostics Helpline**

Employees are encouraged to report legal or ethical concerns directly to management. However, if, for some reason you are uncomfortable using regular channels, you may call 1-866-381-4321, the Company's Helpline, a toll-free number staffed 24 hours a day, 7 days a week by trained Specialists employed by an outside expert in compliance programs. Although you are encouraged to give your name, you may choose to remain anonymous, if you prefer. Novartis V&D is interested in resolving compliance issues, not in identifying the person reporting the issue. However, callers reporting issues personal to themselves, such as discrimination or sexual harassment, will need to provide their names to permit an effective investigation. Be assured, however, that your name will be used

only on a “need to know” basis in the course of the investigation. When you call the Helpline, the Specialist will prepare a confidential report based on the information you provide. The report will be forwarded to the Company’s Compliance With Law Officer or his/her assignee, who will initiate an investigation. You may be contacted to provide additional information as necessary. In cases where the reporting employee has chosen to remain anonymous, the Helpline Specialist will arrange for the reporting employee to call back to supply any additional information and/or to learn the results of the investigation.

### **Promise of Non-Retaliation**

An employee will not suffer retaliation by the Company as a consequence of coming forward under this Code, regardless of whether that inquiry is made to his or her supervisor, Company management, HR representative, Company Attorney or the Helpline. Although coming forward will not immunize an employee from the consequences of misconduct, the employee’s action of coming forward will be protected. And employees should always bear in mind that *failure to bring violations of which one is aware to the attention of management is a violation of Company policy and could result in disciplinary action, including possible termination of employment.*

### **Investigation of Complaints**

Every inquiry and complaint an employee makes will be taken seriously. Each will be fully investigated on the merits and the employee will be provided general information about its resolution.

## **Disciplinary Standard**

Adherence to this Code is a condition of employment at Novartis V&D. Any violation of your obligations under the Code of Conduct can subject you to serious disciplinary measures, including possible termination of your employment with Novartis V&D. Similarly, any manager, supervisor or other employee who attempts to punish or otherwise retaliate against an employee for reporting a violation under this Code will be subject to disciplinary action up to and including dismissal.

## **Protection of Employees**

The Company provides for the indemnification of employees who act in compliance with law. Any employee who is named in a civil lawsuit or other legal proceeding, or the performance of whose job duties may expose him or her to the risk of liability, will have his or her expenses paid, and

liabilities reimbursed by the Company so long as the employee acted in good faith, in a manner he or she reasonably believed to be in compliance with law and in, or not opposed to, the best interests of the Company.

## **Novartis V&D Legal Department**

Company attorneys are available to provide legal advice to employees exercising their Company responsibilities. Accordingly, if you need advice on any matter of legal compliance, contact Ethics & Compliance or the Legal Department in Emeryville, California.

## **Novartis V&D Compliance Officer**

The Company's Compliance Officer, who reports, in this capacity, to the President and Chief Executive Officer, has ultimate responsibility for overseeing the Ethics and Compliance Program. The Vice President of Ethics & Compliance manages the day-to-day activities of the function.

## **Summary of Legal Requirements**

Novartis V&D will comply with all laws and regulations that govern the Company's business and employment activities. There are specific areas, however, which are worthy of particular emphasis because of their complexity and the frequency with which we have to consider them. The following pages provide a summary of some of our principal legal obligations. Although these laws each have different objectives and impose unique obligations, they all promote certain basic principles: honesty, fair dealing and common sense. More detailed guidance is available from the Company's Legal Department.

### **Anti-kickback and False Claims Laws**

Novartis V&D is committed to full compliance with the Federal Anti-kickback Statute and the analogous state laws which prohibit the offering of kickbacks or any other items of value which are intended to induce our customers to purchase Novartis V&D products or to refer patients to Novartis V&D. In addition, Novartis V&D is fully committed to compliance with federal and state laws which prohibit the filing of false claims to government programs. Because anti-kickback or false claims laws may apply in so many different factual situations, employees must take special care in this area and promptly refer any questions to their supervisor or the Legal Department.

## **Antitrust**

The antitrust laws have been adopted to promote competition and to encourage efficiency in a free marketplace. These laws apply to most commercial and business agreements and to business conduct. A violation of the antitrust laws can carry severe penalties for employees and the Company. Such violations, for example, can subject the Company to hundreds of millions of dollars in fines and damages up to three times the actual economic injury caused by the violation. Employees who violate the antitrust laws also face substantial fines and up to three years' imprisonment.

The requirements of the antitrust laws fall into several categories:

### **Agreements Among Competitors**

Antitrust laws prohibit any agreement among competitors which would restrict the freedom of a competitor on issues of pricing, customer selection or terms or conditions of sale. The following are specifically prohibited:

- Agreeing with a competitor to fix the prices or other terms of sale of products sold to our customers.
- Agreeing with a competitor not to solicit business from the other's customers or to sell only in certain states or territories.
- Agreeing with a competitor to sell only certain types of products in exchange for a promise that the competitor will sell only in certain states or territories.
- Agreeing with a competitor to sell only certain types of products in exchange for a promise that the competitor will sell only other types of products.
- Agreeing with a competitor not to sell products to a customer (group boycott).
- Agreeing with a competitor or potential competitor not to sell a particular product.

Due to the seriousness of these types of violations, you are advised not to talk to competitors at all about the terms and conditions under which we sell our products or under which they sell their products. An employee contemplating the possibility of exploring a business arrangement with a competitor or potential competitor must consult with a Company Attorney.

### **Trade Associations and Seminars**

Trade associations perform many useful functions, but they also provide the opportunity for conversations which could be construed as violating the antitrust laws. The same is true of business

or professional seminars. Therefore, if you have any questions about the agenda of a trade association meeting or seminar, seek advice from a Company attorney before attending. During trade association meetings or seminars, be especially careful never to become involved in discussions with competitors about pricing, terms and conditions of sale or other competitively-sensitive information.

### **Agreements with Distributors**

It is unlawful to agree on the minimum resale price a distributor will charge for products we sell to such distributors. Agreements with distributors on territory, customer selection or other distribution practices may be lawful or unlawful depending on the facts and circumstances. For this reason, each case must be looked at individually. Therefore, always seek legal advice in the early stages of negotiation with dealers and distributors.

### **Monopolization**

It is unlawful for a corporation to monopolize, or attempt to monopolize, any line of commerce in the United States. This, however, does not prohibit Novartis V&D from engaging in normal competitive activity, which the antitrust laws encourage.

### **Price Discrimination**

Discrimination in the prices charged for goods of similar line or grade and quality can be unlawful if the discrimination substantially injures competition. The price discrimination rules often involve complex legal interpretations. Any questions in this area should be referred to a Company Attorney.

### **Acquisitions**

The antitrust laws also prohibit acquisitions which could injure competition in any line of commerce in the United States. Novartis V&D must notify the government before carrying out acquisitions of businesses which have sales or assets exceeding certain minimum threshold levels. Anyone who works on a proposed acquisition should involve the Legal Department at the very beginning of such activity.

### **Dealing with Government Agencies**

The industry in which we do business is highly regulated. Major federal agencies, such as the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA) Federal Trade

Commission (FTC) and Securities and Exchange Commission (SEC) have a great impact on us. We must comply with their requirements, as well as with the requirements of other regulators at the federal, state and local levels of government.

Novartis V&D is required to compile and maintain numerous records and substantial information, and to file reports with various government agencies. Virtually every one of these agencies operates under statutes which make it a crime—punishable by fines and/or imprisonment—to submit knowingly false or incomplete information, to fail to submit required information or to fail to submit information within a required time period. Carelessness alone can constitute an offense in some instances and can call into question Novartis V&D's competency and good faith. Accordingly, Novartis V&D expects that all employees who prepare information, records or submissions for governmental agencies, negotiate contracts or permits with agencies, or who otherwise deal with such agencies, will do so diligently and with the highest integrity.

### **Foreign Corrupt Practices Act**

The Foreign Corrupt Practices Act strictly prohibits giving, offering, or promising anything of value to any public official in the United States or foreign countries, with the intent of influencing an official act, or causing an official to commit an unlawful act or omit any act ordinarily required in carrying out his lawful duty. This law also applies to other people, if there is reason to know that the person will transfer the gift to a public official. Novartis V&D employees are expected to comply with this Act.

### **Health, Safety, and Environment**

The federal government, the states and many localities have adopted laws and regulations covering worker and product safety, protection of the environment and the transportation, storage and disposal of waste. Most of the industries in which we operate are highly regulated in these areas. Major federal agencies, such as the EPA, FDA and OSHA (Occupational Safety and Health Administration), have a large impact on Novartis V&D. However, the Company is also subject to the requirements of many other regulators at the federal, state and local levels.

Novartis V&D is strongly committed to protecting the environment and to ensuring the health and safety of our employees. The Company expects all employees to obey all laws designed to protect health, safety and environment, to obtain and fully observe all necessary permits and to be truthful in dealing with the regulatory agencies which enforce these laws.

## **Human Resources: Equal Employment Opportunity Labor Relations**

Federal and many state laws prohibit discrimination in employment on the basis of race, religion, national origin, sexual orientation, age and disability. This non-discrimination requirement also prohibits sexual harassment or other harassment on the basis of a protected characteristic. In addition, the law requires employers to provide reasonable accommodation to permit qualified disabled individuals to perform the essential functions of their jobs. Novartis V&D strongly supports these anti-discrimination laws and expects its managers, supervisors and all other employees to comply with their letter and spirit. Equal employment opportunity is required by law, it's Company policy, and it makes good business sense. In addition to equal employment opportunity laws, the Company will obey all other laws applicable to relationships with its employees, including all laws regarding labor unions, employee compensation, employee benefits matters and employee safety.

## **Insider Trading**

The federal securities laws prohibit anyone who has "inside information" about a company from purchasing or selling stock or other securities of that company or disclosing such information to another person who exploits that information for personal gain. Violation of these securities laws can subject an employee to criminal and civil liability. Employees of Novartis V&D must never buy or sell Novartis securities or the securities of any Company about which Novartis possesses inside information without complying fully with the Novartis V&D Policy and Procedure on Insider Trading. "Inside information" is information which is not publicly available and which an investor would consider important in deciding whether to buy or sell a security. Inside information would include, by way of example, nonpublic information about the financial results, capital structure or strategic plans of a company.

Confidential business negotiations also constitute inside information. Thus, if an employee becomes aware that Novartis is considering a major business transaction with another company, he or she must refrain from trading, not only in the shares of Novartis, but also in the shares of the other company. Examples of the kinds of business transactions which one should retain in confidence and which are subject to this prohibition are: contemplated tender offers; negotiated acquisitions or divestitures; joint ventures and licensing agreements. Employees must keep information about these transactions from everyone, including friends and family. Tipping others off about such transactions, or prematurely buying or selling the stock of a company with which Novartis is engaged in a business transaction, would be a serious violation of Company policy and

the law. Such purchases or sales of securities may not be conducted until the transaction is made public and public information about the transaction is sufficiently disseminated so that possible investors have been able to evaluate it. Because the amount of time which must elapse before information is sufficiently publicly disseminated will vary with circumstances, employees must refrain from buying or selling the stock of the affected company or Novartis until an Officer designated by the Company, on advice of a Company attorney, has affirmatively authorized trading. Monthly purchases of Novartis securities through the Company's Investment Savings Plan commenced before an employee learns of inside information are permitted. However, any change in investment instructions relating to the purchase or sale of Novartis securities through the Company's Investment Savings Plan after inside information is acquired by an employee is prohibited.

### **International Trade**

Novartis V&D must comply with laws governing trade with, and transfer of information to, foreign persons or companies. These laws provide rules for the import and export of products and limit the disclosure of technical information, even to other Novartis companies.

Among the laws which regulate imports and exports are requirements that appropriate information and disclosures be given to customs officials so that proper import duties can be determined and that certain types of goods (for example, those which may be critical to United States' national security and foreign policy) not be exported to certain countries (or exported at all), without first obtaining a license from the government. Similarly, without an appropriate export license, certain types of technical information may not be disclosed to people or companies outside the United States, including other Novartis companies. Employees who have any responsibility for the importation or exportation of goods or the transfer or disclosure of technical information (which can include plans, drawings, photographs, blueprints, instructions, samples, manuals, computer software, etc.) should have a thorough knowledge of these legal requirements. Certain laws also prevent participation in unlawful international boycotts (the Arab boycott of Israel, for example). Under the law, no U.S. company, including Novartis V&D, can refuse to do business with someone because of a boycott imposed by a foreign country, unless the United States also boycotts that country. U.S. companies must report any requests to comply with such a boycott, whether they are written or oral. The penalties for violating laws governing international trade include substantial criminal and civil fines, forfeiture of goods, and restrictions on a company's ability to export products.

## **Patents, Trademarks and Copyrights**

Novartis V&D strongly supports the protection of patents, trade-marks, copyrights and other forms of intellectual property. All directors, officers and employees are expected to observe the valid patents, trademarks, copyrights and other intellectual property rights of the company and of third parties.

## **Regulation of Our Products**

The principal statute under which pharmaceutical companies are regulated is the Federal Food, Drug and Cosmetic Act ("FDC Act"), which is administered by the United States Food and Drug Administration ("FDA"). The purpose of the FDC Act is to ensure that all pharmaceutical products are safe and effective, properly labeled, and manufactured and stored under conditions that assure their integrity, purity and stability.

Novartis V&D is committed to full compliance with the FDC Act and all regulations promulgated by the FDA to implement the FDC Act. Novartis V&D is also committed to developing and manufacturing safe and effective products and legally and ethically promoting them for the benefit of patients. Novartis V&D promotes and advertises its products to its customers through many different media. Truthful, accurate and fairly balanced promotion and advertising are critical to the ongoing success of our valued brands and our Company. In creating promotion and advertising, we must comply with federal and state laws and regulations that prohibit false and misleading promotion and advertising, including the Federal Trade Commission Act, the Federal Food and Drug and Cosmetic Act and comparable state laws and regulations.

These laws and regulations prohibit promotion and advertising that makes false or misleading claims or representations or fails to state material facts in light of other claims or representations made in the promotional piece or advertisement. They require a pharmaceutical company to have a reasonable scientific basis for all objective product claims, both express and implied, before the claims are made. These laws and regulations are intended to prohibit unfair and misleading practices and to preserve a competitive economy, and Novartis V&D fully supports them. Any violation of the FDC Act is serious and can have significant consequences to Novartis V&D and individuals within the company. Violations are enforced by the FDA through seizures of product, injunctions against future violations, and criminal penalties applied against companies and all individuals bearing a responsible relationship to the offense. Under some circumstances, violations

can result in incarceration, fines, civil penalties and debarment. Violations can also result in product recalls, significant delays in product approval, and adverse publicity for the Company.

Because of the intensive regulation under the FDC Act, we have developed a detailed promotional review process, as well as promotional review policies, to ensure compliance with regulatory and legal requirements. Novartis V&D is committed to training all employees involved in the creation or review of promotional material on the review process and policies, as well as regulatory and legal requirements. Violations of Company compliance policies are viewed very seriously and can result in disciplinary action up to and including dismissal. All Novartis V&D employees involved with the creation and review of promotional materials should be familiar with the process and policies that apply to such work, and should be able to recognize situations that may require assistance of the Legal Department.

### **Taxes**

Novartis V&D submits complete and accurate corporate tax returns and pays all applicable taxes on time. Novartis V&D, its directors, officers and employees are expected to comply fully with all applicable tax legislation.

### **The Economic Espionage Act**

The Economic Espionage Act of 1996 is a federal law which makes the theft of trade secrets a crime punishable by fines of up to \$5 million for corporations and ten years' imprisonment for individuals. Pursuant to Novartis V&D guidelines which govern our conduct in the area of business competition, each employee must adhere strictly to the requirements of the Economic Espionage Act and all laws relating to fair business competition.

## **United Nations Global Compact**

### **Human Rights Labor**

- to support and respect the protection of international human rights; and
- to ensure the Company is not complicit in human rights abuses.
- to uphold the freedom of association and the effective recognition of the right to collective bargaining;
- to support the elimination of all forms of forced and compulsory labor;
- to support the effective abolition of child labor; and

- to support the elimination of discrimination in respect of employment and occupation.

### **Environment**

- to support a precautionary approach to environmental challenges;
- to undertake initiatives to promote greater environmental responsibility; and
- to encourage the development and diffusion of environmentally friendly technologies.

## **In Conclusion**

Novartis V&D expects diligent performance from all of us in all aspects of our job. Novartis V&D insists, as a condition of employment, that we perform our jobs in all respects lawfully and with moral integrity. Although some of the laws, policies and regulations we are required to know and obey may appear complicated or unclear, each of us must know and understand them to the extent they relate to our jobs. As outlined in this code, in addition to familiarizing yourself with this information, you are urged to use good judgment on the job at all times and to seek guidance, when necessary, from your supervisor, Senior Management, the Company's Compliance Officer or the Legal Department. Yes, there is much to know and remember and many procedures to follow. However, compliance with Novartis V&D's Code of Conduct is easier when we always bear in mind that at the root of all of the laws and policies that govern our business conduct are honesty, fair dealing and common sense.