



Code of Conduct: values to live by

Introduction

Novartis Vaccines and Diagnostics, Inc. (“Novartis” or the “Company”) prides itself as a socially and environmentally responsible business organization that has always expected unequivocal compliance with the law and promotes a culture of integrity and ethical behavior. Indeed, our standards for ethical conduct exceed what is required by law. Thus, Novartis has endorsed the United Nations Global Compact and adopted a Corporate Citizenship Policy (see Appendix A) reaffirming its support for human rights, fair labor practices and the environment.

Consistent with its commitment to these values, Novartis places a premium on dealing fairly with employees, customers, vendors, government regulators and the public. Novartis’ success depends upon maintaining the trust of these essential stakeholders. Each employee who acts for Novartis is responsible for its good name.

Because our integrity is so important, Novartis long ago adopted a Code of Conduct, which describes the high standards we are expected to demonstrate at all times in performing our jobs. Over the years, we have revised our Code of Conduct to provide additional guidance on what we have learned from experience and developments. As you will see from this edition of the Code of Conduct: values to live by, our basic tenets are: ethical and legal behavior, including telling the truth; loyalty to Novartis in our business dealings; and fair and respectful treatment of fellow employees. This pamphlet includes information about appropriate conduct and procedures for raising ethical concerns, and reporting possible violations of law, Company policy or our Code.

The issues we confront in our jobs at Novartis 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 the right course of action.



Table of Contents

Basic Rules of Conduct	1
Reporting Violations and Communication Concerns.....	5
Procedures for Raising Issues	5
In Conclusion	7
Appendix A.....	A-1
United Nations Global Compact.....	A-1
Novartis Corporate Citizenship Policy.....	A-1
Appendix B.....	B-1
Summary of Legal Requirements.....	B-1



Basic Rules of Conduct

Conduct Business Ethically

Novartis expects all of its directors, officers and employees to adhere to high ethical standards and to demonstrate social and environmental responsibility in performing their jobs. We have similar expectations of companies and individuals that do business with us.

In addition, the public, the government and shareholders impose stringent standards upon businesses today. Our success in large measure depends upon our consistently demonstrating social and environmental responsibility, and we are all expected to act accordingly.

Tell the Truth

Novartis' commitment to integrity in business includes a special emphasis on candor. We must be truthful in all communications with one another, customers and governmental agencies and officials. 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.

Understand and Comply with All Laws, Regulatory Requirements and Company Policies

Every employee must strictly observe all laws, regulatory requirements and policies applicable to our Company. A single violation by even one employee can cause great harm to our Company's reputation and ability to carry on our operations, and can compromise the work of many others. Additionally, law enforcement agencies are increasingly enforcing our

laws by prosecuting not only corporations, but also individual employees, sometimes seeking to subject them to heavy penalties, fines and jail terms.

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 and 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 the 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 employment laws. Indeed, even though it is not always apparent, nearly all of us require some degree of familiarity with the laws that affect our business.

Consequently, each of us must familiarize ourselves with the laws, regulations and Company policies that apply to our work by participating in on-the-job training, reviewing applicable Company policies, participating in Company training seminars, completing required Code of Conduct training courses, and, of course, asking questions of our supervisors, regulatory specialists, compliance officers, Company attorneys and others with special expertise.

Whenever we have any doubt about our legal obligations or the appropriateness of our conduct in any situation in which we may find ourselves, we are expected to ask our supervisor, the Company's Compliance Officer, or a Company attorney for instruction or advice. Ignorance of the law can result in severe consequences and is neither an excuse nor defense for a breach of our Code of Conduct. Some of the laws and regulations routinely affecting Novartis are summarized in Appendix B of this pamphlet.

Discharge Duty to Cooperate

All employees have a duty to cooperate with the Company in all legal matters and internal investigations.

Corporate Advocacy and Public Relations

Novartis' businesses may contemplate or engage in activities with respect to which governmental agencies, public interest groups and others may take conflicting positions. Accordingly, Novartis may, from time to time, take issue with legal interpretations of law, including interpretations made by government agencies. Under such circumstances, Novartis will protect its rights. However, this does not relieve Novartis of its obligations to abide by all final decisions of the courts.

Respect Rights of All Employees

Every employee is entitled to fair and respectful treatment by his or her supervisors, managers, subordinates and peers. Novartis will not tolerate discrimination or harassment of any sort on the basis of race, religion, national origin, sex, sexual orientation, disability, age, military status, 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. Employees are expected to familiarize themselves with specific policies that Novartis has adopted concerning equal employment opportunity and sexual and other harassment to ensure compliance with these legal requirements.

Optimize Our Diverse Talents

Novartis has a strong commitment to diversity. Our goal is to develop an environment that is inclusive and maximizes the diverse talents, backgrounds and perspectives of all employees.

Support a Businesslike Environment

Novartis 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. Employees are expected to act in a professional manner at all times and not engage in inappropriate activities while on company business or when participating in business-related entertainment.

Comply with our Conflicts of Interest Policy

Each employee of Novartis is required to conduct business activities in a manner consistent with the highest level of business ethics. Each employee must 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 situations even where there may be only an appearance



of a conflict of interest. Any time an employee wants to engage in an activity that could possibly be construed as a conflict of interest, he or she must disclose it in writing in accordance with the Company's Conflict of Interest Policy and obtain the Company's consent and abide by any conditions required by the Company. Employees are expected to familiarize themselves with all of the details of the Company's Conflict of Interest Policy. Below is a summary of some of the salient provisions.

Outside Employment and Business Interests

Subject to written disclosure and approval in accordance with the Company's Conflict of Interest Policy:

Employees may not have a second job with or provide services to a competitor of the Company, nor 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.

Neither an employee nor his or her family member may act in any capacity for any supplier, contractor, subcontractor, customer, consultant or other entity that does or seeks to do business with the Company, is a competitor of the Company, has a significant relationship with the Company or with the Company's competitors, suppliers or customers. Nor may any employee conduct business on behalf of the Company with any entity in which the employee or employee's family members have a substantial interest, affiliation or business relationship.

Employees may not act as elected or appointed officials of any branch of government or any governmental agency, or as an advisor or consultant to any governmental agency, which has any regulatory or supervisory power over the Company or any of its affiliates.

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 or detracts from their ability to perform their responsibilities with full loyalty to the Company.

Employees may serve on Boards that do not give rise to a conflict of interest if they disclose such service and obtain approval in accordance with the Company's Conflict of Interest Policy.

Employees who are unsure if outside employment or other activities constitute a conflict of interest should disclose such employment or activities and obtain approval in accordance with the Company's Conflict of Interest Policy.

Gifts and Entertainment

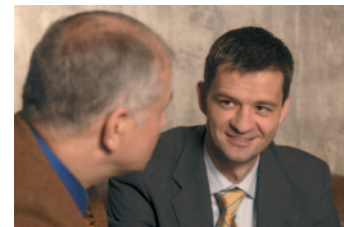
An employee may not accept from any outside person or entity that does business or seeks to do business with the Company any gift of cash or cash equivalent (including shares of stock, stock options, gift certificates, gift cards, etc.). Nor may any employee accept any gift from any outside person or entity unless (i) acceptance could not reasonably influence or appear to influence the employee's business judgment and (ii) the gift is of nominal value as defined by the Company's Conflict of Interest Policy and consistent with ordinary and customary business practices.

An employee may accept entertainment only if (i) accompanied by a representative of the business providing it, (ii) acceptance could not reasonably influence or appear to influence the employee's business judgment and (iii) the entertainment is consistent with ordinary and customary business practice and not lavish.

Employees may not give gifts, services, favors and entertainment inconsistent with what they may accept under the Company's Conflict of Interest Policy, and then only if such gifts, services, favors or entertainment do not violate the law, or Company policy nor the receiving company's policy and would not embarrass the Company or our employees.

Comply with the Company's Rules before Accepting 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 through established processes.



Refrain from Unauthorized Electronic Surveillance

Unauthorized electronic surveillance of employees is disruptive to employee morale and inconsistent with the respectful treatment required of all employees. For this reason, without authority, no Novartis employee may record, videotape or photograph another employee without his or her full knowledge and consent.

Observe Social Media Guidelines

Use of social media is governed by the Novartis Guidelines on Social Media.

Protect Confidential Business Information

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

It is a condition of employment that employees safeguard Novartis' confidential Information and use it only for the benefit of the Company, an obligation that continues even after the termination of employment. If an employee learns confidential business information about Novartis or other companies or people with whom Novartis 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' Policy and Procedure on Insider Trading, which is described in the Summary of Legal Requirements in Appendix B of this pamphlet.

Ensure Proper 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.

Comply 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 and through the Human Resources Department.





Reporting Violations and Communicating Concerns

Duty to Come Forward

As part of its commitment to ethical and legal behavior, Novartis 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 has occurred or may be occurring. Accordingly, you are required to report any instance of possible fraud or misconduct of which you become aware.

Novartis imposes this requirement on all employees 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' management is committed to addressing employees' concerns and wants to foster openness with employees about ethical and legal issues. Thus, Novartis requires all employees to report wrongdoing and encourages all employees to ask questions if they have any concerns about compliance with law or this Code of Conduct.

Know What Issues to Raise and When

If you are aware of or suspect conduct that may violate the law, our Code, or Company policies, you are required to bring it to the Company's attention. Also, raise with the Company 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 the Company know whenever you believe adequate resources or training are not being provided so as to enable employees to comply with the ethical and legal standards applicable to the Company. Raise questions promptly so that the issues can be dealt with early.

Procedure for Raising Issues

You may satisfy your obligation to bring issues forward by speaking with:

- The Business Practices Officer (BPO) at business.practicesofficer@novartis.com
- Your supervisor
- Your Human Resources representative
- Any President or Vice President of your Company
- Any member of the Legal Department
- The Company's Compliance Officer: NVD.IntegrityCompliance@novartis.com
- Any other person designated for this purpose by the Company.

If you prefer, you may contact the Help Line at 866-381-4321, which has been established for use in reporting issues of ethical or legal impropriety, or send a written report to the BPO at:

Business Practices Officer
 North America Region
 Novartis Corporation
 5 Airport Road
 Morristown, NJ 07960



Calls to the Help Line or the written reports may be made anonymously or you may identify yourself. Every inquiry and complaint an employee makes will be taken seriously. The BPO will receive all reports of violations of the Code of Conduct, including those made through the other channels listed above, and has responsibility for ensuring that investigations are thorough and fair, and conducted with a high level of discretion.

Although the Company encourages you to identify yourself when making a report, you may choose to remain anonymous. The Company's interest is in knowing about the potential compliance issues and resolving them. In some situations, identification of the caller may be important to an effective investigation, for example, in cases involving unlawful discrimination or sexual harassment.

Promise of Non-Retaliation

An employee will not suffer retaliation by the Company as a consequence of coming forward under our Code of Conduct, regardless of whether that inquiry is made to the BPO, his or her supervisor, Company management, local HR office, Company Attorney, Compliance Officer or the Help Line. Although coming forward will not immunize an employee from the consequences of misconduct, the employee's action of coming forward will be protected.

Any manager, supervisor or other employee who attempts to punish or otherwise retaliate against an employee for reporting a violation under our Code will be subject to disciplinary action up to and including termination.

Consequences of Violation of our Code of Conduct

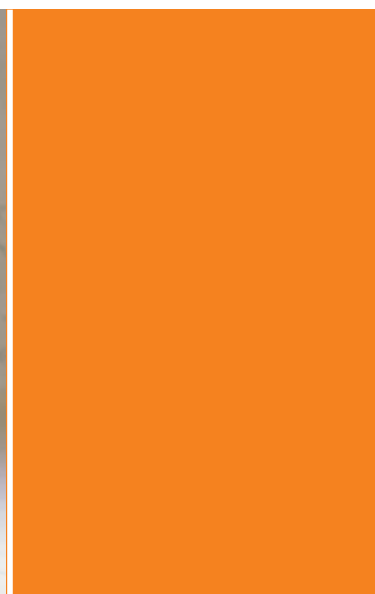
Adherence to our Code of Conduct is a condition of employment. Any violation of your obligations under the Code of Conduct may subject you to disciplinary measures, including possible termination of your employment. Additionally, your employment with the Company and the Company's payment of any incentive and/or bonus compensation are conditioned on your compliance with applicable laws and with associated Company policies. Accordingly, if you are found by the Company to have violated the law or any material provision of any Company Policy (including fraud, pattern of off-label promotion, pattern of offering kickbacks, antitrust, bribery, scientific

misconduct, etc.), you will not earn or receive any incentive bonus compensation for any period in which such violation(s) occurred or were discovered, and you will be obligated to repay promptly any incentive or bonus compensation already issued to you for any period in which such violation(s) occurred or were discovered. In addition to any other remedy that the Company may have for damages, if you fail to repay any such incentive or bonus compensation paid to you, the Company may file a lawsuit against you for recovery of the amount of such incentive or bonus compensation plus costs and fees incurred in pursuing the lawsuit.

In Conclusion

Novartis expects diligent performance from all of us in all aspects of our job. Novartis 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 pamphlet, 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' 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.



Appendix A

Novartis Commitment to United Nations Global Compact

Consistent with its commitment to ethical behavior and moral responsibility, Novartis has endorsed the United Nations Global Compact. In doing so, it supports every one of the Global Compact's ten specific principles:

Human Rights

- to support and respect the protection of international human rights; and
- to ensure the Company is not complicit in human rights abuses.

Labor

- 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.

Anti-Corruption

- to work against corruption in all its forms, including extortion and bribery.

Novartis Corporate Citizenship Policy

Novartis wants to be known for being a responsible corporate citizen. We do everything we can to operate in a manner that is sustainable: economically, socially, and environmentally – in the best interest of long-term success for our enterprise.

The Novartis core values are based on the fundamental rights of every individual, such as the protection of privacy, freedom of opinion and expression, freedom of association, nondiscrimination, and the right to be heard.

- We seek to promote and protect the rights defined in the Universal Declaration of Human Rights of the United Nations within our sphere of influence. We do not tolerate human rights abuses within our own business operations.

Our associates are key to our success. We base our human resources policies and practices on fairness, openness, and mutual respect.

- We pay competitive and fair wages, which clearly exceed what is needed to cover basic living needs. We want our associates to have time for family, social activities, and leisure.
- We strive to provide our associates with a stimulating and challenging working environment and with opportunities for personal and professional development, while expecting from them a high level of performance and commitment to the success of Novartis.
- We recognize and respect the cultural differences found in the worldwide marketplace. We strive to build and sustain diversity by attracting, developing, promoting and retaining the best people from all cultures.
- We do not tolerate forced labor and other forms of exploitative labor. We support programs to abolish child labor in a manner consistent with the basic interests of the child.
- We believe in constructive dialogue between employer and employees and support the principle of freedom of association.

We want to be a leader in Health, Safety and Environmental Protection (HSE).

- The health and safety of our employees, neighbors, customers, consumers and all others affected by our business activities, as well as protection of the environment, have priority in all our activities.
- We strive to make efficient use of natural resources and minimize the environmental impacts of our activities and our products over their life cycle. We assess HSE implications to ensure that the benefits of new products, processes and technologies outweigh remaining risks. We periodically review such assessments in light of new concerns or evidence.
- We take a precautionary approach in the innovation and development of new products and technologies. To this end, we follow a step-by-step approach, we engage in scientific peer review, and we consider benefits and risks of innovation in a scientific and transparent manner.

We care about the expectations and concerns of our stakeholders.

- We recognize the interest of our shareholders, employees, customers, neighbors, the authorities and the public at large in our societal behavior, and the health, safety and environmental impacts of our business. We provide relevant information and actively listen to stakeholders. In assessing controversial products, processes and technologies, we seek dialogue with all stakeholders.
- Improving the health and standard of living of all people is a shared responsibility between the private sector, the public sector and other stakeholders. Novartis actively supports efforts towards the improvement of access to treatment.

We integrate the principles of Corporate Citizenship into our business strategies.

- We manage the implementation process actively, consistently and effectively. Our Business Sectors establish proper structures and allocate sufficient resources in order to live up to this Policy.
- We measure progress and verify compliance with this Policy, related Guidelines and regulatory requirements through internal and external audits and management reviews.
- We give priority to business partners, suppliers and contractors who share our societal and environmental values, and we support their efforts to promote these values through their business activities.
- We foster awareness of and commitment to this Policy among our employees; to this end, we provide appropriate information and training to develop their skills.
- All employees shall comply with this Policy, related Guidelines, and regulations applicable to their area of operational responsibility.

Appendix B

Summary of Legal Requirements

Our Code of Conduct applies to 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 significance to our activities.

The following pages provide a summary of some of our principal legal obligations. Although these laws 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 attorneys.

Dealing with Government Agencies

Agents and representatives of the government are public servants and deserve our respect and candor. We must comply with the requirements of numerous federal, state and local laws and regulations. Among other obligations, Novartis is required to compile and maintain numerous records and substantial information, and to file reports with various government agencies. The agencies operate 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.

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 on prices, margins, terms or conditions of sale or purchases (including credit terms), production/sales volumes or distribution practices.
- Agreeing with a competitor not to solicit business from the other's customers or to sell only in certain states or territories or to certain classes of trade.
- Agreeing with a competitor not to sell products to a customer (group boycott).
- Agreeing with a competitor or potential competitor not to sell or launch 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 a business arrangement with a competitor or potential competitor that could in any way restrict the sale of any product 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, prior to participating, you should seek advice from a Company attorney regarding the agenda of a trade association meeting or seminar. 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. If such information is discussed, it is important to object clearly, leave the meeting in a demonstrable way, ask that the departure be noted for the record and contact a Company attorney. It

is generally advisable to have antitrust counsel present at trade association meetings attended by competitors.

Agreements with Distributors

Agreements with distributors on minimum or maximum resale prices, territory, customer selection or other distribution practices may be lawful or unlawful depending on the facts and circumstances. For this reason, always seek legal advice in the early stages of negotiation with dealers and distributors.

Monopolization

It is unlawful for a corporation with a significant share of any product and geographic market to monopolize, attempt to monopolize, or conspire to monopolize any line of commerce in the United States. Conduct with no business justification that inflicts damage on competitors is likely to be condemned as anti-competitive. This, however, does not prohibit Novartis 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 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.

Bribery and the Foreign Corrupt Practices Act

Laws in the United States and the various states strictly prohibit bribery. Similarly, 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 prohibits giving a gift to a person who is not a public official, if there is reason to know that the person will transfer the gift to a public official.

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 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.

Healthcare Fraud and Abuse

Healthcare "fraud and abuse" laws refer to the statutes and regulations designed to protect and prevent healthcare programs against claims for inappropriate or excessive payments for items and services. The federal fraud and abuse laws include the Anti-Kickback Statute and the False Claims Act and apply to Medicare, Medicaid and other Federal healthcare programs. Many states have adopted similar laws that apply to state and local healthcare programs and, in some cases, to healthcare items and services reimbursed by private payers.

Activities aimed at combating fraud and waste in the healthcare system are conducted by the Department of Justice, the Federal Bureau of Investigation, the Office of Inspector General within the US Department of Health and Human Services, other federal agencies, Congress, the states, state agencies and private parties.

The consequences for violating the fraud and abuse laws can be severe. A company that violates these laws can be required to pay criminal fines and civil damages and penalties totaling hundreds of millions of dollars and, significantly, violations may be punishable by exclusion from participating in government healthcare programs. The effect of exclusion

is that no government healthcare program payment may be made for any item or service furnished by the excluded person or entity. When a manufacturer of healthcare products is excluded, the market for its products will shrink and may even disappear and the manufacturer might be forced out of business. Individuals who violate the fraud and abuse laws face fines, exclusion and imprisonment.

The principal federal healthcare fraud and abuse laws are summarized below.

Anti-Kickback Statute

In simple terms, we may not offer anything of value to a healthcare provider in return for prescribing our products. Examples of prohibited behavior include the offer or acceptance of lavish gifts intended to generate business that is funded by government healthcare programs. Essentially, this statute prohibits bribery. Similarly, it may be a violation of this statute to hire a physician as a consultant with the intent to influence him or her by paying an honorarium rather than the intent to compensate him or her for bona fide services.

The statute and regulations provide exceptions to the general prohibition. Because the general prohibition is broad and the exceptions can be narrow, employees must take special care in this area and seek appropriate guidance if they are uncertain whether an activity is permitted. Company attorneys and the Compliance Officer are available to provide such guidance.

False Claims Act

The False Claims Act (FCA) prohibits anyone from knowingly and willfully making or causing to be made any false statement or representation for the purpose of obtaining benefits or payments under a Federal health care program. This law also prohibits anyone from conspiring with another person to submit false claims. Thus, companies can be liable even if the claims are actually submitted by another person. The FCA provides for civil penalties for each false claim submitted to the government.

Pharmaceutical sales and marketing activities that might violate the FCA include, but are not limited to, submitting false claims for government payment, fraudulently reporting false pricing information to government agencies, making off-label claims and similar activities. The federal FCA and some state FCAs also include provisions under which individual citizens with evidence of fraud against the government may sue on behalf of the government to recover the lost funds. These laws also prohibit retaliation against persons who file whistleblower suits.

Where required, Novartis has established comprehensive policies and procedures to prevent, detect and correct violations of the FCA. All Novartis employees are obligated to report actual or potential violations of the law or Company policy. As referenced under the section titled “Procedure for Raising Issues” (p. 5 of the Code of Conduct pamphlet), Novartis has established mechanisms for employees to raise compliance concerns.

Company policy clearly prohibits retaliation against employees for good faith reports of compliance issues. For more detail, refer to the section titled “Promise of Non-Retaliation” (p. 6 of the Code of Conduct pamphlet).

The government construes this law very broadly. Thus, this law highlights the importance of exercising care and following Company policies.

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. Employees are expected to comply strictly with these laws, not only because the Code of Conduct requires compliance with law, but because of the Company’s commitment to social and environmental responsibility.

Human Resources; Equal Employment Opportunity; Labor Relations

Federal and many state laws prohibit discrimination in the terms and conditions of employment including hiring, termination, promotion and training on the basis of race, religion, national origin, sexual orientation, age and disability and other protected characteristics. These non-discrimination requirements also prohibit sexual harassment or other forms of harassment on the basis of any protected characteristic. In addition, the law requires employers of persons with physical, mental or emotional disabilities to provide reasonable accommodation to permit otherwise qualified disabled individuals the ability to perform the essential functions of their jobs in the absence of undue hardship to the employer. Novartis strongly supports these anti-discrimination laws and expects its managers, supervisors and all other employees, customers and vendors to comply with their letter and spirit. Equal employment opportunity is required by law, makes good business sense and supports the diverse employment population we value. In addition to these equal employment opportunity laws, the Company is committed to obeying all other laws applicable to relationships with its employees, including all laws regarding collective bargaining and the right to unionize, employee wages, classifications, and compensation, employee benefits and employee safety and health.

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 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 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, non-public information about the financial results, capital structure or strategic plans of a company. It also includes information concerning non-public developments in connection with litigation or investigations.

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

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.

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, 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.

Patents, Trademarks and Copyrights

Novartis strongly supports the protection of patents, trademarks, 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, including trade secrets, and to disclose in a timely manner all inventions to Novartis, and maintain all Novartis intellectual property as confidential.

Preservation of Records

Every employee is expected to comply with requests for information from the Legal Department, which are made as part of the Company's response to demands for information by the government or private parties in civil or criminal litigation or similar contexts. Similarly, employees must immediately comply with any document preservation notice they receive from the Legal Department. These notices typically require the preservation of e-mails and other information stored electroni-

cally in addition to hard copies of documents. Failure to observe record preservation requirements may result in serious consequences, including termination of employment by the Company and charges of obstruction of justice by the government.

Carelessness alone can constitute an offense in some instances and can call into question Novartis' competency and good faith. Accordingly, Novartis expects that all employees who prepare information, records or submissions for government agencies, or who otherwise deal with such agencies, will do so diligently and with the highest integrity.

Privacy

Novartis is subject to state and federal laws and regulations that require us to hold in confidence and use only for specified purposes certain types of personal information such as social security numbers, medical or financial data or information about children. The collection of health information may also require that subjects be notified about how their information will be used and to whom it will be disclosed, and be given a limited ability to authorize disclosures. The online collection of children's personal information requires notice that data is collected from children and verifiable parental consent.

Generally speaking, these programs and this policy give individuals certain rights with respect to the handling of their personal information, including transparency into Novartis' privacy practices, choice in how their information is used and disclosed, access to their information and redress for complaints regarding the handling of their information.

Our policy, the programs mentioned above and the various privacy laws also require the Company to maintain physical, organizational and technical safeguards to protect personal data from unauthorized access, use, alteration or disclosure and require that third parties that process personal data on our behalf also comply with these obligations.

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.

These laws and regulations prohibit promotion and advertising that makes false or misleading claims or representations or fail 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. Similarly, these laws prohibit “off-label” promotion. These laws and regulations are intended to prohibit unfair and misleading practices and to preserve a competitive economy, and Novartis fully supports them.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 was enacted to improve financial reporting and disclosure. Its provisions are intended to make company management more accountable, remove conflicts of interest involving management, auditors, advisors and others, increase disclosure, improve internal controls, and assure that financial statements fairly present the company’s financial condition. Every employee should know the requirements of the Sarbanes-Oxley Act applicable to his or her area of responsibility to assure consistent compliance with the Act’s provisions.

Taxes

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



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