

Corporate Citizenship Guideline # 3

Business Ethics – Bribes, Gifts & Entertainment

1. Purpose

This guideline is intended to give guidance with respect to certain aspects of business ethics in accordance with the Policy on Corporate Citizenship (CC) and rules stipulated in Article 6 of the Novartis Code of Conduct (CoC).

Additional aspects of business ethics, including conflicts of interest, or insider trading, are regulated separately.

2. Basic principles

Novartis will not engage in any form of bribery. In plain language bribery means money or favor given or promised in order to influence the judgment or conduct of a private person or public official in a position of trust.

All associates and managers of Novartis and its affiliates (“Novartis”) shall at all times comply with the law. They have the duty to inform themselves about the national and international laws relating to their business activities. Activities that would violate local or international criminal law may under no circumstances be carried out even if they may seem permissible under this policy.

3. Scope and responsibilities

This guideline applies to all associates and managers of Novartis.

It is the responsibility of each associate and manager to follow the principles, rules and procedure of this guideline. It is the responsibility of each manager to implement the guideline within his/her function, lead by example, and to provide guidance to the associates reporting to them.

Furthermore, they must structure incentives, and conduct performance assessments accordingly.

4. Documentation and records

Off-the-books accounts and false or deceptive booking entries are strictly prohibited. All gifts, payments or any other contribution made under this Guideline, whether in cash or in kind, shall be documented, regularly reviewed, and properly accounted for on the books of the relevant Novartis company. Record retention and archival policy must be consistent with Novartis' accounting standards, tax and other applicable laws and regulations.

5. No direct bribery

Novartis will neither engage in the bribery of public officials, political candidates, parties or party officials, nor of private individuals or private sector employees.

6. No indirect bribery

Novartis will not engage in indirect bribery. Novartis may be held responsible for acts of bribery by its intermediaries such as distributors, agents, advisors, consultants or other third parties. The use of intermediaries for the purpose of committing acts of bribery is prohibited.

6. No indirect bribery
(continued)

The conduct of business through intermediaries is a common business practice and, as such, not objectionable. However, all agreements and contracts with intermediaries must be concluded under terms that are in line with generally accepted and lawful business practices. Intermediaries with a doubtful reputation are not acceptable as partners to Novartis. All agents, advisors, consultants and other third parties shall be selected with particular care and shall be contractually obliged to adhere to the principles of the Code of Conduct, the Novartis Conflict of Interest Policy, this Corporate Citizenship Guideline # 3 and Divisional Guidelines.

The appropriateness of existing relations and the adherence of the intermediaries to the contractual principles relating to business practices shall be reassessed periodically by the responsible manager. In the case of negative evidence or material doubt regarding the business ethics of the intermediary, existing business relations shall be terminated even if this may result in a loss of business.

7. Consideration based on contracts

Lawful reimbursement of good faith expenditures, fees and other considerations for goods and services, which are actually received, are permitted if they meet a genuine business need, their receipt is documented, they are priced at market value and are based on a written contract. Any contract that serves as a conduit for grafts or kickbacks is strictly prohibited.

8. Promotional contributions and Grants

Promotional gifts, hospitality and other contributions related to the promotion of Novartis products, and payments in connection with the education of healthcare professionals may only be provided according to the rules set forth in the divisional policies in line with the law and industry codes.

Grants provided with the genuine intention to enhance the reputation of Novartis, the practice of healthcare or medical research are permissible only if given to reputable institutions or associations, and if given openly and unconditionally, i.e. without the expectation of any direct or immediate business return.

9. Charitable donations and cultural contributions

Charitable donations and cultural contributions shall not be used as a subterfuge for bribery. They shall not be provided to any organization upon the suggestion of a public official or for the purpose of influencing a public official. They must be justified by a legitimate charitable or cultural purpose.

10. Political donations and contributions

Contributions to election campaigns or legislative campaigns shall be the exception. If given, they have to be given openly and in strict compliance with the applicable laws.

11. Facilitation payments

Facilitation payments are small payments made to secure or expedite the performance of a routine action by a government official or agency (e.g. issuing licenses or permits, installation of a telephone line, processing goods through customs, etc.) to which the payer (or the company) has legal or other entitlement. Commonly, facilitation payments are extorted by underpaid officials.

Facilitation payments shall not be given by any Novartis associate in any country.

12. Gifts and hospitality

Courtesy gifts and hospitality shall not be given in cash. They do not constitute a bribe if made openly and unconditionally as a gesture of esteem and goodwill, provided that they are not made as a "quid pro quo", or to obtain or retain business, and provided they are not prohibited by law. They shall be of modest value and shall not exceed the limits established by law and policy.

13. Exceptions

The Divisional Compliance Committees may grant exceptions to this CCGL#3. For all activities not relating to a Divisional business, exceptions may be granted by Corporate Integrity & Compliance together with Commercial Legal.

Exceptions will be reported annually to the Audit and Compliance Committee by Corporate Integrity & Compliance and Commercial Legal.

14. Entry into force and implementation

This guideline enters into force as of January 1, 2008 replacing the version of July 3, 2002. It shall be implemented by all Novartis affiliates subject to local legal considerations.

The owner of this guideline is Commercial Legal.