


Conflicts of Interest Policy

Novartis Global Policy

September 1, 2015

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Introduction

1.1 Purpose

Novartis is committed to conducting business in a manner that ensures Associates' business judgment and decision making is not influenced by undue personal interests.

When Associates' personal interests either influence, have the potential to influence, or are perceived to influence their decision making at Novartis, a conflict of interest situation results.

This Policy explains the relevant principles and rules for preventing or managing conflicts of interest and how such principles and rules are to be implemented.

1.2 Scope and Applicability

This Policy applies to all Associates*.

This Policy contains Novartis global standards. In some countries, more stringent applicable laws and regulations supersede the principles set out in this Policy.

This Policy enters into force as of September 1, 2015 and must be implemented by all Novartis affiliates. It replaces the previous version of the Conflict of Interest Policy dated January 1, 2007.

*Directors, officers, managers and employees of Novartis AG and its affiliates

2. Principles and Rules

2.1 Associates should understand when a Conflict of Interest may arise

Principles and Rules

Conflicts of interest may arise where an Associate places his or her personal interests before the interests of Novartis and where such personal interests unduly influence that Associate's business judgments, decisions, or actions. These situations may include both closely related persons defined below and friends. Making judgments, taking decisions, or pursuing actions when facing a conflict of interest may make it difficult to perform work for Novartis objectively and effectively and may have legal and regulatory consequences.

Novartis defines conflicts of interest broadly: **actual** conflicts of interest (the Associate faces a real, existing conflict); **potential** conflicts of interest (the Associate is in or could be in a situation that may result in a conflict); and **perceived** conflicts of interest (the Associate is in or could be in a situation that may appear to be a conflict, even if this is not the case).

Common examples of conflict of interest situations include **personal workplace relationships** (e.g., hiring or supervising a closely related person), **external mandates** (e.g., serving on the board of directors or scientific advisory board of a Novartis competitor), **outside employment** (e.g., having a second job with a Novartis customer, supplier, or competitor), **promoting personal financial interests** (e.g., owning a substantial share of a Novartis supplier while in a position to steer Novartis business towards it), and **receiving fees, commissions, discounts, gifts, entertainment, or services** (e.g., receiving cash from a Novartis business partner)

Associates are expected to recognize when they have, potentially have, or could be perceived as having, a conflict of interest. Associates should consult their Manager if in doubt about what circumstances might create a conflict of interest.

Definitions

"Closely related persons" are the Associate's family members, someone with whom the Associate has an intimate relationship, and those living in the same household as the Associate.

References

Regularly updated conflict of interest examples are available at <http://conflictsofinterest.novartis.net>.

2.2 Associates should avoid Conflicts of Interest wherever possible

Principles and Rules

As part of their employment with Novartis, Associates have a contractual obligation of loyalty to Novartis. Accordingly, Associates should avoid conflicts of interest with Novartis. Some conflicts of interest, however, represent an especially high risk to the reputation or business interests of Novartis and Associates **must avoid** these (see Annex Table 4.1).

Novartis respects Associates' rights and choices and does not wish to interfere with their personal lives. However, Associates' avoidance of conflicts of interest is an important part of maintaining the integrity and sustainability of our business and builds trust and support amongst colleagues and our key stakeholders.

Definitions

"Avoiding" a conflict of interest means Associates take decisions or actions to ensure a conflict of interest does not occur, or does not have the potential to occur, in the first place.

2.3 Associates must disclose Conflicts of Interest

Principles and Rules

Novartis understands that avoiding a conflict of interest may not always be possible or practical. The required action for an Associate who does not or cannot avoid a conflict of interest is to **disclose** it.

Having a conflict of interest is not necessarily wrong. However, it can become a problem or a legal matter if an Associate tries to influence the outcome of business dealings for direct or indirect personal benefit. This is why transparency, in the form of disclosure, is critical and helps to protect the integrity and reputation of Novartis and the Associate.

Associates must disclose to their Manager any conflicts of interest.

Disclosure must take place as soon as the Associate identifies that there may be a conflict of interest and, whenever possible, before the associate engages in the conduct in question.

Newly hired Associates specifically must disclose all conflicts of interest with Novartis during the hiring process so they can be discussed with the hiring manager.

A discussion with the Associate's Manager should be the starting point when it comes to disclosing a conflict of interest. However, Associates must also submit the standard *Conflict of Interest Disclosure Form* to their Manager (or use the local online disclosure system if such a system is in place) to ensure a record of each disclosure.

Business is dynamic and when circumstances change, existing disclosures may no longer be accurate or complete. When this happens, the Associate must freshly disclose the conflict of interest.

Definitions

"Disclosure" means sharing the existence, nature, and all relevant facts of a conflict of interest with the Associate's Manager.

"Manager" refers to the Associate's Operational Manager responsible for the Associate's work from a business or operational perspective.

"Newly hired Associates" (1) are first time employees with a Novartis Group company or (2) have internally transferred between Novartis Group companies with a break in service of any length.

References

The Novartis standard *Conflict of Interest Disclosure Form* is available at <http://conflictsofinterest.novartis.net>.

Corporate Executive Group (CEG) members should also refer to the *CEG External Mandate Guideline* at <http://hr.compassplus.novartis.net/Pages/InformationItem.aspx?newid=1385>.

2.4 Managers must ensure Conflicts of Interest are appropriately addressed

Principles and Rules

Disclosure provides transparency to actual, potential, or perceived conflict of interest risks to Novartis. It is a necessary part of mitigating these risks, but disclosure alone is not sufficient. This Policy also requires **addressing** a conflict of interest.

Addressing a conflict of interest is the responsibility of the **Manager**. Specifically, Novartis expects the Manager to:

- Treat the information disclosed by the Associate with appropriate confidentiality and without bias
- Fairly evaluate the conflict of interest situation disclosed by the Associate, including the risks to the business interests and reputation of Novartis
- Seek guidance if needed from the Associate's Functional Manager and from supporting functions, including Legal, HR, and Integrity & Compliance
- Make a pragmatic decision to address the conflict of interest so that risks to Novartis are minimized and the personal interests of the Associate are protected as far as possible
- Communicate the decision and its reasoning to the Associate and follow up to ensure the Associate understands and complies with it
- Retain documentation of the decision using the standard *Conflict of Interest Disclosure Form* and provide a copy to the Associate (or use the local online disclosure system)

Many conflict of interest situations can be addressed in a simple and mutually acceptable manner; pro-active, open dialogue between Managers and their Associates is essential to support this outcome.

Definitions

“Addressing a conflict of interest” is the process of identifying and implementing strategies and practices to minimize the risks associated with the disclosed conflict of interest. One example: if an Associate's spouse is a Senior Executive at a potential Novartis supplier, the Associate's Manager may decide the best way to mitigate potential risks to the business interests and reputation of Novartis is to exclude the Associate from any role where he/she can make decisions about or influence the outcome of that supplier's activities.

References

Managers are encouraged to consult their HR Business Partner or Compliance Officer (<http://complianceofficers.novartis.net/Pages/default.aspx>) if in doubt about how to evaluate and address a conflict of interest. See also Annex Table 4.2.

Resources on conflict of interest risk assessment and mitigation approaches are available at <http://conflictsofinterest.novartis.net>.

3. Implementation

3.1 Training and Awareness

Associates must familiarize themselves with this Policy and participate in periodically held training sessions. Managers should additionally be trained on their specific responsibility to evaluate and effectively address conflicts of interest.

3.2 Reporting Potential Misconduct/Non-Retaliation

Any Associate who learns of a potential violation of applicable laws or this Policy is required to report his or her suspicion promptly in accordance with the section of the Novartis Code of Conduct entitled “How to report potential misconduct”.

See <http://www.novartis.net/Pages/CodeOfConduct/Index.aspx>.

Associates who report potential misconduct or who provide information or otherwise assist in any inquiry or investigation of potential misconduct will be protected against retaliation.

3.3 Breach of this Policy

Breaches of this Policy will not be tolerated and can lead to disciplinary and other actions up to and including termination of employment.

3.4 Responsibilities and Implementation

It is the responsibility of every Novartis Manager to adhere to this Policy within his or her area of functional responsibility, to lead by example, and to provide guidance to those Associates reporting to him or her.

All Associates are responsible for adhering to the principles and rules set out in this Policy.

HR is responsible for ensuring conflicts of interest are disclosed by new hires during the hiring process.

The owner of this Conflicts of Interest Policy is **Group Integrity & Compliance**.

4. Annex

Table 4.1 High Risk Conflicts of Interest that Associates Must Avoid or that Must be Removed

Type of conflict	What must be avoided or removed
Personal workplace relationships	Associates must not <ul style="list-style-type: none"> • Be in a supervisory, subordinate, or control relationship (e.g., having influence over conditions of employment) with closely related persons • Be involved in any hiring decision regarding closely related persons (including internal/external hiring and internal transfers)
Outside engagements, including employment	Associates must not have any kind of paid or unpaid engagement with <ul style="list-style-type: none"> • A Novartis business partner or competitor, unless it meets a Novartis business purpose or does not influence (and cannot be perceived as influencing) the Associate's business judgment • Any other person or company if this impacts their performance at Novartis
Personal financial interests Relationships with business partners and competitors	Associates must not <ul style="list-style-type: none"> • Own any interest equal to or greater than 1% in any company which competes with or does business with Novartis • Conduct Novartis business with any entity in which they have a substantial interest or with which they have a substantial affiliation • Act as an official of or advisor or consultant to any government agency with regulatory or supervisory power over Novartis
Gifts, meals, travel, entertainment *	Associates must not directly or indirectly solicit or accept from any Novartis business partner or competitor <ul style="list-style-type: none"> • Cash or cash equivalents (e.g., stocks, gift certificates, discounts not based on a collective agreement, etc.); this includes actual and potential business partners or competitors • Gifts; if a gift is received nonetheless, it must be returned if it influences or could be perceived as influencing the Associate's business judgment • Meals, travel, or entertainment, unless it predominantly meets a Novartis business purpose, is accompanied by a representative of the business providing it, and does not influence (and cannot be perceived as influencing) the Associate's business judgment. Accepting entertainment of a non-ordinary, exceptional nature requires Manager approval
Fees, commissions, services, other favors	Associates must not directly or indirectly <ul style="list-style-type: none"> • Solicit or receive a fee, commission, service, or other favor from any actual or potential Novartis business partner or competitor

*Country Presidents (or in countries with no Country President, the Region or Cluster Head responsible for those countries) may establish more specific guidelines than those defined in this Policy (e.g., prohibiting associates receiving meals from Novartis business partners or competitors, establishing fixed spending thresholds for travel, etc.). These requirements must be in writing.

Table 4.2 Contacts for guidance

Type of conflict	Contact for additional guidance
Personal workplace relationships	HR Business Partner
External mandates **	
Outside engagements, including employment	
Personal financial interests	Compliance Officer
Relationships with business partners and competitors	
Gifts, meals, travel, entertainment	
Fees, commissions, services, other favors	
Other situations	Compliance Officer

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