NOVARTIS | Reimagining Medicine

Antitrust and Fair Competition Policy

Novartis Global Policy

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Owner:	Group Antitrust
Version:	Version V2.0 EN

Group Antitrust

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1. Introduction

Purpose

As stated in our Code of Ethics, Novartis is committed to fair competition, which helps drive innovation and leads to a greater choice of higher quality products and services at competitive prices, benefiting patients and society. We will therefore act in accordance with antitrust and competition laws (***Competition Laws***) on a global basis. This Policy explains the relevant principles and how they must be implemented.

Scope and Applicability

This Policy applies to all Novartis Associates, including all Associates of entities and affiliates operating within the Novartis Group of companies.

All Novartis companies and affiliates, including Sandoz, AAA, and Novartis Gene Therapies, are treated as a single entity for Competition Law purposes. Accordingly, nothing in this Policy is intended to prohibit or restrict intra-company coordination, communication, information sharing, or contracting between Novartis companies or their Associates.

Roles and Responsibilities

It is the responsibility of every Novartis manager to comply with this Policy within his or her area of functional responsibility, lead by example, and provide guidance to the Associates reporting to him or her. All Associates are responsible for complying with this Policy.

This Policy addresses a variety of situations in which issues may arise under Competition Law. Both our business and Competition Laws, however, are dynamic and the situations addressed in the Policy are not exhaustive. It is therefore important to apply the principles below when taking decisions. This Policy contains Novartis' global standards. In some countries, applicable laws and regulations may be more stringent than the principles set out in this Policy. Where this is the case, the more stringent rules apply.

If there is any doubt as to whether, or how, this Policy is applicable to a particular action, agreement, or understanding, Associates should consult with the supporting division, business unit, or subject matter legal representative (***Legal***).

The owner of this Antitrust and Fair Competition Policy (***AFCP***) is Group Antitrust.

2. Principles

Novartis is committed to engage in fair competition. We will not engage in agreements, understandings, or conduct that unlawfully prevent or restrict competition. We are proud to compete on the merits of our products and services.

Competition Laws prohibit business practices that unfairly restrict or harm competition. At Novartis, we want to succeed by playing by the rules and supporting a system of fair competition. Every Associate is responsible for complying with Competition Laws, developing a sufficient understanding of the following principles, and applying these principles when carrying out her or his responsibilities:

Put patients first

Patient benefit and safety should remain at the heart of all Novartis decision making. The way we conduct our business must ultimately enable better patient outcomes and facilitate providing innovative solutions to patient needs around the world, while adhering to the applicable Competition Laws governing those activities. Interactions with purchasers, suppliers, and any other market participants should be consistent with the broader goal of enhancing patient access and improving the applicable standards of care.

Compete on the merits

We must compete on the merits of our products and services and must not engage in conduct that prevents or restricts competition. We should compete vigorously on the basis of products' and services' quality, price, and innovation as we reimagine medicine and seek to improve and extend people's lives. Competing on the merits drives innovation and growth and leads to greater choice and higher quality products and services at competitive prices, benefiting patients, health care systems, and society.

Make decisions independently

We must make our business decisions independently and must not collude with actual or potential competitors. Interactions with competitors are often necessary in the course of our business, but should be undertaken only when there is a compelling and procompetitive reason to do so. To the extent we consider entering into collaborations with other actual or potential competitors, Associates should consult with Legal before initiating contact with such companies or entering into such collaborations.

Safeguard commercially sensitive information

We must safeguard our commercially sensitive information (***CSI***) and must not provide CSI to, or receive CSI from, competitors directly or indirectly through third parties (e.g., industry associations). Sharing CSI can reduce independent decision making and lead companies to compete less-vigorously. To the extent it is considered necessary to share CSI (e.g., for the purposes of a procompetitive collaboration), Associates must consult with Legal in advance.

Communicate responsibly

We must communicate clearly and responsibly, both internally and externally. We should ensure that all communications with internal and external stakeholders are accurate and not intentionally misleading. All internal documents and communications should be created carefully and should reflect and support the legitimate business rationale for our actions.

If in any doubt, Associates should consult with Legal before proceeding.

3. Policy

Anticompetitive Agreements with Competitors

Novartis should develop and implement its strategies independently from competitors. Entering into anticompetitive agreements or understandings with competitors can result in significant consequences, including reputational damage, the imposition of fines or penalties on Novartis, and potential fines or imprisonment for Associates in certain countries.

Novartis and its Associates are prohibited from entering into the following types of agreements/understandings (formal or informal, written or oral) with competitors:

- **Price Fixing** – fixing or coordinating prices or other factors that affect prices (e.g., discounts, rebates, or profit margins);
- **Market Sharing** – allocating or reserving territories, customers, channels, product categories, or R&D areas;
- **Quotas** – limiting the quantity of products manufactured or sold;
- **Bid-rigging** – interfering with a bidding process by agreeing in advance (or sharing intentions) about commercial terms to be offered or who will participate in (or even win) a tender; and
- **Collective Boycotts** – collectively refusing to supply certain purchasers or purchase from certain suppliers.

If contacted by a competitor about any of the topics above, or if in any doubt as to whether any agreement may fall into one of these categories, Associates should consult Legal immediately. Remember that a competitor can include any company that is developing or supplying a product that is the same, similar to, or otherwise competes or may compete with those being developed or supplied by Novartis.

Other types of agreements with competitors (e.g., R&D collaborations, license agreements, co-promotion agreements, and co-marketing agreements) that have a legitimate purpose are often permissible under Competition Laws because they can result in increased output, efficiencies, and innovation. Patent settlement agreements between an originator and a generic or biosimilar manufacturer can often be a legitimate method to resolve an actual or potential patent dispute between the parties, avoiding the continued costs, risks, and expenses associated with patent litigation. However, all such agreements can present potential antitrust risk and Associates must consult with Legal before engaging with other companies about potentially entering into such agreements. In some circumstances, it also may be necessary to submit such agreements to competition authorities.

Information Sharing and Industry Associations

Information sharing

Novartis and its Associates must not provide commercially sensitive information (***CSI***) to actual or potential competitors, or solicit or receive CSI from such competitors. This applies whether CSI is provided to or received from competitors directly or indirectly through third parties (e.g., industry associations, customers, or suppliers). Sharing CSI can create increased transparency between competitors that may influence their strategic choices, reducing independent decision making and competition. This therefore may constitute a serious breach of Competition Laws. If a competitor provides unsolicited CSI to Novartis (whether intentionally or inadvertently), Associates should reject the CSI, inform Legal immediately, and not circulate the CSI further.

What is CSI?

CSI is information that is capable of removing uncertainty about a company's individual strategy and behavior, including but not limited to the following (to the extent not public):

- Prices, rebates/discounts, costs, and margins;
- Sales and market shares;
- Marketing, commercial, distribution, and market access strategies and plans;
- Bids and bidding strategy (including decisions whether to bid or not to bid);
- Production capacity and volumes;
- Terms agreed with payers, customers, and suppliers;
- Launch dates and plans; and
- R&D programs and strategy and unpublished clinical study data.

When considering whether particular information constitutes CSI, Associates should assume that, if the information could be used to gain a competitive advantage, or is commercially valuable, it is likely CSI. If in doubt, Associates should consult with Legal.

Competitive intelligence and potentially legitimate information sharing

It is legitimate to obtain and utilize competitive intelligence about competitors' activities from genuinely public sources such as: competitors' published list prices, press releases, investor updates, published regulatory filings and public promotional material, and media publications. It is also legitimate to acquire information from independent third parties that these third parties collate from public sources or generate independently such as off-the-shelf data and market research reports. Although it may be legitimate to receive unsolicited information about a competitor from a customer seeking to persuade Novartis to improve its offer in the course of a specific negotiation, Associates should not proactively ask customers to provide CSI about competitors. When including legitimate competitive intelligence in Novartis documents, Associates should make the source of such information clear.

It may be legitimate to share certain types of CSI with competitors in order to evaluate, negotiate, or implement legitimate collaborations or transactions. It may also be legitimate to share certain historic and/or aggregated and anonymized information in the context of legitimate benchmarking exercises conducted by independent third parties. What type of information can be shared and in what circumstances will depend on the specific context and may require antitrust safeguards (in addition to confidentiality measures) to be put in place. Associates should consult Legal before engaging with other companies or independent third parties about potentially entering into such arrangements.

Industry associations

Participation in industry associations (and similar organizations) may deliver important and legitimate benefits to Novartis. However, industry associations must never be used as a forum to discuss or share CSI, or to enter into anticompetitive agreements or understandings, with actual or potential competitors.

Care needs to be taken to ensure that such associations have appropriate governance arrangements in place and that Associates participating in association meetings and communications are aware of the principles outlined above. Associates should therefore contact Legal for guidance before first participating in such associations and in case of any concerns. If participants at an industry association meeting (or associated social gatherings) share or discuss CSI, or propose entering into anticompetitive agreements or understandings, Associates must not participate or stay silent and listen. Instead, Associates must: (1) object to the discussion, (2) make sure the objection is noted, (3) leave the meeting or gathering immediately if the discussion continues, and (4) promptly inform Legal.

Associates should also consult Legal before Novartis joins any newly established industry association.

Agreements with Purchasers and Suppliers

In most countries, purchasers (e.g., wholesalers or distributors) must remain free to determine their own resale prices. Outside the U.S., Novartis (whether acting as a purchaser or supplier) must not enter into any agreement or understanding (formal or informal, written or oral) to directly or indirectly set resale prices above a certain level. Prohibited agreements may include, but are not limited to:

- Agreements or obligations on a purchaser to maintain a fixed or minimum price;
- Agreements or obligations on a purchaser to maintain a fixed or maximum discount;
- Agreements or obligations on a purchaser to maintain fixed or minimum profit margins; or
- Any other restrictions on a purchaser's freedom to set its own resale price (e.g., incentivizing or coercing a purchaser to price at a certain level).

In some countries, recommending a non-binding resale price or setting a maximum resale price may be permissible in certain circumstances. However, this should be considered only following advice from Legal.

While agreements on resale prices are not categorically prohibited under federal antitrust laws in the U.S., Associates should seek advice from Legal before proceeding with any of the types of agreement outlined above in the U.S.

Other agreements or provisions which may raise issues under Competition Laws in some circumstances and which should be reviewed by Legal before proceeding include:

- Entering into exclusive purchase or supply agreements (or including non-compete provisions in such agreements);
- Restricting the territory or channel in which, or customer to which, a purchaser may resell a product; and
- Requiring or encouraging purchasers or suppliers to disclose prices or other commercial terms negotiated with competitors.

Abuse of Dominance (Exclusionary Conduct)

Commercial and R&D strategies should aim to deliver benefits for patients (e.g., in terms of prices, quality, and/or innovation) as we compete vigorously on the merits of our products and services. If contemplating strategies that potentially could be viewed as using our strong position in a certain market to eliminate or restrict existing or future competition in that market (or other markets), Associates should consult first with Legal.

In many countries, the following practices could violate Competition Laws when performed by a dominant company (i.e., a company with a significant market share or market power) and therefore should be avoided:

- Discontinuing supplies of ordinary orders to long-standing purchasers without a legitimate commercial reason (e.g., insolvency, repetitive breach of contract, or manufacturing supply shortage); and
- Pricing products below cost for a period to restrict or eliminate competitors' ability to compete with Novartis in the future.

Other practices that potentially could breach Competition Laws in certain circumstances when performed by a dominant company, and therefore should be considered only after discussing with Legal, include:

- Imposing direct exclusive purchase (or non-compete) commitments on purchasers;

- Rebate programs, particularly rebates or discounts granted to purchasers as a reward for purchasing all or most of their requirements from Novartis;
- Discriminating against a customer by refusing to provide comparable terms and conditions (e.g., prices, rebates) compared to other, similar customers;
- Commercial programs designed to force or encourage a purchaser to purchase a certain product or service when purchasing another Novartis product or service;
- Commercial programs selling two or more Novartis products or services only together as a bundle, or pricing the bundle lower than the sum of the individual prices;
- Imposing obligations on suppliers not to sell to Novartis' competitors; and
- Hindering purchasers from exporting or penalizing them for doing so.

Intellectual property and regulatory exclusivities can provide Novartis with the ability to legally exclude competitors with regards to certain products or services for a limited time and scope. This is because it has been recognized that such ability provides the incentive to companies to make the substantial up-front investments in R&D required in developing products and treatments that improve and extend people's lives.

Generally, obtaining and enforcing intellectual property or regulatory rights is not a breach of Competition Laws. However, we cannot engage in activities or strategies that seek to go beyond what is permitted by law to prevent or hinder generic or biosimilar entry. Examples of such activities that are subject to scrutiny under the Competition Laws include:

- Seeking to illegitimately extend patent or regulatory exclusivity beyond the period permitted under law (e.g., by knowingly providing inaccurate or incomplete information to public authorities, such as patent listings with health authorities);
- Implementing pricing, commercial, or other strategies that have no procompetitive justification in an effort to restrict generic or biosimilar entry or uptake; and
- Communicating information about Novartis's or competitors' products (for example as to efficacy or safety) that is knowingly inaccurate.

Competition Laws governing abuse of dominance (exclusionary conduct) are complex and context dependent (and can vary, sometimes significantly, by country) and the examples above are not exhaustive. If in any doubt about a strategy that may harm or exclude Novartis' competitors (including generics and biosimilars), Associates should consult with Legal before proceeding.

Transactions

In many countries, Competition Laws require companies to provide notice of certain transactions and to obtain approval from relevant competition authorities prior to closing the transaction. Whether a transaction may trigger a requirement to submit a notification to a competition authority will vary by country, but often will depend on the amount of revenue generated by the parties, or the purchase price for the proposed transaction. The purpose of the notification requirement is to provide competition authorities the ability to review proposed transactions before they are completed to assess whether a transaction may substantially decrease or eliminate competition, and thereby result in, for example, increased prices or decreased incentives for innovation.

Transactions that can trigger notification requirements include mergers, acquisitions of shares or assets, formation of joint ventures, and in some circumstances, license agreements and collaborations.

Any proposed transaction must be reviewed by Legal before it is agreed upon or signed. Associates must involve Legal early on when starting to evaluate a potential transaction, and also before interacting with the other company, to ensure appropriate antitrust safeguards are in place during the evaluation and due diligence processes. Although it may be permissible to receive confidential or sensitive information about the potential target company or licensor for

purposes of conducting due diligence, legal and antitrust safeguards are required to avoid inappropriate sharing of commercially sensitive information between actual or potential competitors during the transaction review process.

4. Implementation

Training

Associates must familiarize themselves with this Policy and participate in required Antitrust and Competition Law training sessions. Further guidance, training, and other resources can be found on Group Antitrust's Antitrust and Fair Competition intranet site:

https://portal.novartis.net/sites/OneNovartisPoliciesProcedures/SitePages/Functions/Legal/Antitrust-and-Fair-Competition-Policy.aspx

Breach of this Policy

In alignment with our Code of Ethics, breaches of our policies and guidelines or local laws will result in remedial, corrective or disciplinary actions up to and including termination of employment. Actual or suspected incidents of misconduct should be reported to the SpeakUp Office. Novartis guarantees non-retaliation and confidentiality, to the extent legally possible, for good-faith reports of such breaches.

Entry into Force and Implementation

This Policy is effective as of November 1, 2020 and must be adopted by all Novartis affiliates. It replaces Version FC 001.V1.EN of the Fair Competition Policy.

5. Change Log

Released: November 1, 2020
Approved: October 22, 2020

Version	Date	Changes	Changes made by
1.0	September 1, 2014	n/a	Group Antitrust
2.0	November 1, 2020	Revision and Update	Group Antitrust