

**CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
NOVARTIS PHARMACEUTICALS CORPORATION**

I. PREAMBLE

Novartis Pharmaceuticals Corporation hereby enters into this Corporate Integrity Agreement (CIA) with the Office of Inspector General (OIG) of the United States Department of Health and Human Services (HHS) to promote compliance with the statutes, regulations, and written directives of Medicare, Medicaid, and all other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) (Federal health care program requirements) and with the statutes, regulations, and written directives of the Food and Drug Administration (FDA requirements). Novartis Pharmaceuticals Corporation shall be referred to as “Novartis.”

Contemporaneously with this CIA, Novartis is entering into a Settlement Agreement with the United States. Novartis will also enter into settlement agreements with various States (State Settlement Agreements) and Novartis’ agreement to this CIA is a condition precedent to those agreements.

Prior to the Effective Date of this CIA (as defined below), Novartis established a voluntary compliance program applicable to all Novartis employees (Compliance Program). Novartis’ Compliance Program includes a Chief Compliance Officer and a Compliance Committee. The Compliance Program also includes a Code of Conduct, written policies and procedures, educational and training initiatives, a Disclosure Program that allows for the confidential disclosure and investigation of potential compliance violations and disciplinary procedures, screening measures for Ineligible Persons, and internal auditing procedures.

Novartis shall continue its Compliance Program throughout the term of this CIA and shall do so in accordance with the terms set forth below. Novartis may modify its Compliance Program as appropriate, but, at a minimum, Novartis shall ensure that during the term of this CIA, it shall comply with the obligations set forth herein.

II. TERM AND SCOPE OF THE CIA

A. The period of the compliance obligations assumed by Novartis under this CIA shall be 5 years from the effective date of this CIA, unless otherwise specified. The effective date shall be the date on which the final signatory of this CIA executes this CIA (Effective Date). Each one-year period, beginning with the one-year period following the Effective Date, shall be referred to as a "Reporting Period."

B. Sections VII, X, and XI shall expire no later than 120 days after OIG's receipt of: (1) Novartis' final Annual Report; or (2) any additional materials submitted by Novartis pursuant to OIG's request, whichever is later.

C. The scope of this CIA shall be governed by the following definitions:

1. "Covered Persons" includes:

a. all owners who are natural persons (other than shareholders who: (1) have an ownership interest of less than 5% and (2) acquired the ownership interest through public trading);

b. all officers, directors, and employees of Novartis who are: (1) based in the United States or (2) based outside the United States and who have responsibilities relating to Promotional Functions or Product Related Functions, except as carved out below in this Section II.C.1; and

c. all contractors, subcontractors, agents, and other persons who perform Promotional Functions or Product Related Functions in the United States on behalf of Novartis.

Notwithstanding the above, this term does not include (1) employees of Novartis who perform only manufacturing or building and facilities functions (i.e., facilities maintenance, grounds maintenance, and food services functions), so long as such personnel do not have responsibilities relating to Promotional Functions or Product Related Functions; (2) part-time or per diem employees, contractors,

subcontractors, agents, and other persons who are not reasonably expected to work more than 160 hours per year, except that any such individuals shall become “Covered Persons” at the point when they work more than 160 hours during the calendar year; or (3) Novartis employees in the U.S. in Global Development, Global Oncology, or LatAm GenMeds so long as they do not: (i) market, distribute, sell, or promote Government Reimbursed Products; or (ii) have responsibilities relating to Promotional Functions or Product Related Functions.

2. “Relevant Covered Persons” includes all Covered Persons whose job responsibilities relate to Promotional Functions or Product Related Functions.
3. “Government Reimbursed Products” refers to all Novartis human pharmaceutical products promoted or sold by Novartis in the United States or pursuant to contracts with the United States that are reimbursed by Federal health care programs.
4. The term “Promotional Functions” includes: (a) the selling, detailing, marketing, advertising, promoting, or branding of Government Reimbursed Products; and (b) the preparation or external dissemination of promotional materials or information about, or the provision of promotional services relating to, Government Reimbursed Products, including those functions relating to any applicable review committees.
5. The term “Product Related Functions” includes: (a) the preparation or external dissemination of non-promotional materials about Government Reimbursed Products, including those functions relating to any applicable review committees and to Novartis’ Medical Affairs Department (Medical Affairs); (b) contracting with healthcare professionals (“HCPs”) in the United States to conduct post-marketing clinical trials and post-marketing studies relating to Government Reimbursed Products; (c) authorship, publication, and disclosure of articles or study results relating to Government Reimbursed Products; and (d) activities related to the submission of information about Government Reimbursed Products in government-listed compendia

(such as Drugdex or other compendia of information about Government Reimbursed Products.)

6. The term "Third Party Personnel" shall mean personnel who perform Promotional Functions or Product Related Functions who are employees of entities with whom Novartis has entered or may in the future (during the term of this CIA) enter into agreements to promote or co-promote a Government Reimbursed Product in the United States or to engage in joint promotional activities in the United States relating to such a product. Novartis has represented that: (1) Third Party Personnel are employed by entities other than Novartis; (2) Novartis does not control the Third Party Personnel; and (3) it would be commercially impracticable to compel the compliance of Third Party Personnel with the requirements set forth in this CIA. Novartis agrees that Novartis shall promote compliance by Third Party Personnel with Federal health care program and FDA requirements by complying with the provisions set forth below in Sections III.B.2, V.A.6 and V.B.6. Provided that Novartis complies with the requirements of Sections III.B.2, V.A.6 and V.B.5, Novartis shall not be required to fulfill the other CIA obligations that would otherwise apply to Third Party Personnel who meet the definition of Covered Persons.
7. The term "Third Party Educational Activity" shall mean any continuing medical education (CME), disease awareness, or other scientific, educational, or professional program, meeting, or event governed by Federal health care program and/or FDA requirements supported by Novartis, including but not limited to, sponsorship of symposia at medical conferences.

III. CORPORATE INTEGRITY OBLIGATIONS

Novartis shall establish and maintain a Compliance Program that includes the following elements:

A. Compliance Responsibilities of Certain Novartis Employees and the Board of Directors.

1. *Chief Compliance Officer.* Prior to the Effective Date, Novartis appointed an individual to serve as its Chief Compliance Officer and Novartis shall maintain a Chief Compliance Officer for the term of the CIA. The Chief Compliance Officer shall be responsible for developing and implementing policies, procedures, and practices designed to ensure compliance with the requirements set forth in this CIA and with Federal health care program and FDA requirements. The Chief Compliance Officer shall be a member of senior management of Novartis, shall report directly to the President of Novartis, shall make periodic (at least quarterly) reports regarding compliance matters directly to the Board of Directors of Novartis, and shall be authorized to report on such matters to the Board of Directors at any time. The Chief Compliance Officer shall not be or be subordinate to the General Counsel or Chief Financial Officer. The Chief Compliance Officer shall be responsible for monitoring the day-to-day compliance activities engaged in by Novartis as well as for any reporting obligations created under this CIA. Any noncompliance job responsibilities of the Chief Compliance Officer shall be limited and must not interfere with the Chief Compliance Officer's ability to perform the duties outlined in this CIA.

Novartis shall report to OIG, in writing, any change in the identity of the Chief Compliance Officer, or any actions or changes that would affect the Chief Compliance Officer's ability to perform the duties necessary to meet the obligations in this CIA, within five days after the change.

2. *Compliance Committee.* Prior to the Effective Date, Novartis appointed a Compliance Committee. The Compliance Committee shall, at a minimum, include the Chief Compliance Officer and other members of senior management necessary to meet the requirements of this CIA (e.g., President of Novartis, Chief Financial Officer, and other senior executives of relevant departments, such as such as legal, medical and regulatory affairs, sales, and marketing, human resources, and commercial operations). The Chief Compliance Officer shall chair the Compliance Committee and the Committee shall support the Chief Compliance Officer in fulfilling his/her responsibilities (e.g., shall assist in the analysis of the Novartis' risk areas and shall oversee monitoring of internal and external audits and investigations). The Compliance Committee shall meet at least quarterly.

Novartis shall report to OIG, in writing, any changes in the composition of the Compliance Committee, or any actions or changes that would affect the Compliance

Committee's ability to perform the duties necessary to meet the obligations in this CIA, within 30 days after such a change.

3. *Board of Directors Compliance Obligations.* The Novartis Board of Directors (Board) shall be responsible for the review and oversight of matters related to compliance with Federal health care program requirements, FDA requirements, and the obligations of this CIA. The Board shall, at a minimum, be responsible for the following:

a. The Board shall meet at least quarterly to review and oversee Novartis' Compliance Program, including but not limited to the performance of the Chief Compliance Officer and other compliance personnel.

b. The Board shall arrange for the performance of a review of the effectiveness of Novartis' Compliance Program (Compliance Program Review) by a Compliance Expert (described below) for each Reporting Period of the CIA. The Board shall review the Compliance Program Review Report (described below) as part of its review and assessment of Novartis' Compliance Program. A copy of the Compliance Program Review Report shall be provided to OIG in each Annual Report submitted by Novartis.

c. The Board shall retain an independent individual or entity with expertise in compliance with Federal health care program and FDA requirements (Compliance Expert). The Compliance Expert shall create a work plan for the Compliance Program Review, oversee the performance of the Compliance Program Review, and prepare a written report about the Compliance Program Review and the results of the review. The written report (Compliance Program Review Report) shall include a description of the review and shall include recommendations with respect to the Compliance Program. This report shall also include a certification that the Compliance Expert has evaluated its professional independence and objectivity, as appropriate to the nature of the engagement with regard to the Compliance Program Review and concluded that it is, in fact, independent and objective.

d. For each Reporting Period of the CIA, the Board shall adopt a resolution, signed by each individual member of the Board, summarizing its review and oversight of Novartis' compliance with Federal health care program requirements, FDA requirements, and the obligations of this CIA.

At minimum, the resolution shall include the following language:

“The Board of Directors has made a reasonable inquiry into the operations of Novartis’ Compliance Program, including but not limited to evaluating its effectiveness and receiving updates about the performance and activities of the Chief Compliance Officer and other compliance personnel for the time period [insert time period]. In addition, the Board has retained a Compliance Expert with expertise in compliance with the Federal health care program and FDA requirements to support the Board's responsibilities. The Board also has arranged for the performance of, and reviewed the results of, the Compliance Program Review, including the Compliance Program Review Report. Based on all of these steps, the Board has concluded that, to the best of its knowledge, Novartis has implemented an effective Compliance Program to meet Federal health care program requirements, FDA requirements, and the obligations of the CIA.”

If the Board is unable to provide such a conclusion in the resolution, the Board shall include in the resolution a written explanation of the reasons why it is unable to provide the conclusion and the steps it is taking to implement an effective Compliance Program at Novartis.

Novartis shall report to OIG, in writing, any changes in the composition of the Board, or any actions or changes that would affect the Board's ability to perform the duties necessary to meet the obligations in this CIA, within 15 days after such a change.

4. *Management Accountability and Certifications:* In addition to the responsibilities set forth in this CIA for all Covered Persons, certain Novartis officers or employees (“Certifying Employees”) are specifically expected to monitor and oversee activities within their areas of authority and shall annually certify that the applicable Novartis business unit is compliant with applicable Federal health care program and FDA requirements, and with the obligations of this CIA. These Certifying Employees shall include the following: President NPC and Head Pharma, North America; Executive Vice President and North American Region Head, Oncology; Vice Presidents of commercial functions (including those vice presidents with sales, marketing, managed markets and his/her direct reports, new/mature products, Business Development & Licensing, commercial support, patient advocacy, patient services, and brand responsibilities); sales management (including general managers and direct reports, regional directors, directors of sales, and business directors); senior brand leaders and direct reports (commercial brand leaders and development brand leaders); Vice President Oncology Drug Regulatory

Affairs; Drug Regulatory Affairs US Head; Director Government Price Reporting Compliance Managed Markets Finance; the Vice President and Head Medical Affairs & Drug Regulatory Affairs; and the Senior Vice President or Head(s) Research and Development and/or Clinical Development and Medical Affairs and each of his/her respective direct reports with responsibilities for Clinical Development, Medical Affairs, Field Medical Relations, or Advertising & Promotion (as exists within respective departments); Vice President and Head Business & Administrative Services; US Oncology Head of Customer Innovation & Strategy; US Oncology Executive Director Therapeutic Area Marketing Analysis; US Oncology Executive Director Commercial Operations; and US Oncology Head Ethics & Compliance. This certification will not include individuals otherwise excluded as specified in the CIA "Covered Persons" definition.

For each Reporting Period, each Certifying Employee shall sign a certification that states:

"I have been trained on and understand the compliance requirements and responsibilities as they relate to [department or functional area], an area under my supervision. My job responsibilities include ensuring compliance with regard to the _____ [insert name of the department or functional area] with all applicable Federal health care program requirements, FDA requirements, obligations of the Corporate Integrity Agreement, and Novartis policies, and I have taken steps to promote such compliance. In the event that I have identified potential issues of noncompliance with these requirements, I have referred all such issues consistent with Novartis processes for reporting potential misconduct for further review and follow-up. Apart from those referred issues, I am not currently aware in _____ [insert department name] of any violations of applicable Federal health care program requirements, FDA requirements, requirements of the Corporate Integrity Agreement, or the requirements of Novartis policies. I understand that this certification is being provided to and relied upon by the United States."

If any Certifying Employee is unable to provide such a conclusion in the certification, the Certifying Employee shall provide a written explanation of the reasons why he or she is unable to provide the certification outlined above and the steps being taken to address the issue(s) identified in the certification.

B. Written Standards.

1. *Code of Conduct.* Prior to the Effective Date, Novartis developed, implemented, and distributed a written Code of Conduct to all Covered Persons. Novartis shall make the promotion of, and adherence to, the Code of Conduct an element in evaluating the performance of all employees. The Code of Conduct shall, at a minimum, set forth:

- a. Novartis' commitment to full compliance with all Federal health care program and FDA requirements, including its commitment to market, sell, promote, research, develop, provide information about, and advertise its products in accordance with Federal health program requirements and FDA requirements;
- b. Novartis' requirement that all of its Covered Persons shall be expected to comply with all Federal health care program and FDA requirements and with Novartis' own Policies and Procedures;
- c. the requirement that all of Novartis' Covered Persons shall be expected to report to the Chief Compliance Officer, or other appropriate individual designated by Novartis, suspected violations of any Federal health care program or FDA requirements or of Novartis' own Policies and Procedures; and
- d. the right of all individuals to use the Disclosure Program described in Section III.E, and Novartis' commitment to nonretaliation and to maintain, as appropriate, confidentiality and anonymity with respect to such disclosures.

To the extent not already accomplished within the last 150 days, within 90 days after the Effective Date, each Covered Person shall certify, in writing, that he or she has received, read, understood, and shall abide by Novartis' Code of Conduct. New Covered Persons shall receive the Code of Conduct and shall complete the required certification within 30 days after becoming a Covered Person or within 90 days after the Effective Date, whichever is later.

Novartis shall periodically review the Code of Conduct to determine if revisions are appropriate and shall make any necessary revisions based on such review. Any

revised Code of Conduct shall be distributed within 30 days after any revisions are finalized. Each Covered Person shall certify, in writing, that he or she has received, read, understood, and shall abide by the revised Code of Conduct within 30 days after the distribution of the revised Code of Conduct.

2. *Third Party Personnel.* Within 120 days after the Effective Date, and annually thereafter by the anniversary of the Effective Date, Novartis shall send a letter to each entity employing Third Party Personnel. The letter shall outline Novartis' obligations under the CIA and its commitment to full compliance with all Federal health care program and FDA requirements. The letter shall include a description of Novartis' Compliance Program. Novartis shall attach a copy of its Code of Conduct to the letter and shall request the entity employing Third Party Personnel to either: (a) make a copy of Novartis' Code of Conduct and a description of Novartis' Compliance Program available to its Third Party Personnel; or (b) represent to Novartis that it has and enforces a substantially comparable code of conduct and compliance program for its Third Party Personnel.

3. *Policies and Procedures.* Prior to the Effective Date, Novartis implemented written Policies and Procedures regarding the operation of its compliance program, including the compliance program requirements outlined in this CIA, and Novartis' compliance with Federal health care program and FDA requirements. To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall ensure that the Policies and Procedures address or shall continue to address:

- a. the subjects relating to the Code of Conduct identified in Section III.B.1;
- b. appropriate ways to conduct Promotional Functions in compliance with all applicable Federal healthcare program requirements, including, but not limited to the Federal anti-kickback statute (codified at 42 U.S.C. § 1320a-7b(b)), and the False Claims Act (codified at 31 U.S.C. §§ 3729-3733);
- c. appropriate ways to conduct Product Related Functions in compliance with all applicable Federal healthcare program requirements, including, but not limited to the Federal anti-

kickback statute (codified at 42 U.S.C. § 1320a-7b(b)), and the False Claims Act (codified at 31 U.S.C. §§ 3729-3733);

- d. appropriate ways to conduct Promotional Functions in compliance with all applicable FDA requirements;
- e. appropriate ways to conduct Product Related Functions in compliance with all applicable FDA requirements;
- f. the materials and information that may be distributed by Novartis sales representatives about Government Reimbursed Products and the manner in which Novartis sales representatives respond to requests for information about non-FDA approved (or “off-label”) uses of Government Reimbursed Products. These Policies and Procedures shall require that sales representatives refer all requests for information about non-FDA approved (“off-label”) uses of Government Reimbursed Products to Medical Affairs;
- g. the materials and information that may be distributed by Medical Information and Communications (MIC) and the mechanisms through, and manner in which, MIC receives and responds to requests for information from an HCP or a managed markets customer about off-label uses of Novartis’ Government Reimbursed Products; the form and content of information disseminated by Novartis in response to such requests; and the internal review process for the information disseminated.

The Policies and Procedures shall include a requirement that MIC develop database(s) (“Inquiries Database”) to track all requests for information about Novartis’ products to MIC. The Inquiries Database shall include the following items of information for each unique inquiry (Inquiry) received for information about Novartis’ products: 1) date of Inquiry; 2) form of Inquiry (*e.g.*, fax, phone, etc.); 3) name of the requesting HCP, managed markets customer, or health care institution (HCI) in accordance with applicable privacy laws; 4) nature and topic of request

(including exact language of the Inquiry if made in writing); 5) nature/form of the response from Novartis (including a record of the materials provided to the HCP or HCI in response to the request); and 6) the name of the Novartis representative who called on or interacted with the HCP, customer, or HCI, if known;

- h. the manner and circumstances under which medical personnel from Medical Affairs interact with or participate in meetings or events with HCPs or HCIs (either alone or with sales representatives or account executives) and the role of the medical personnel at such meetings or events, as well as how they handle responses to unsolicited requests about off-label indications of Government Reimbursed Products;
- i. the development, implementation, and review of call plans for sales representatives who promote Government Reimbursed Products. For each Government Reimbursed Product, the Policies and Procedures shall require that Novartis review the call plans for the product and the bases upon, and circumstances under which HCPs and HCIs belonging to specified medical specialties or types of clinical practice are included in, or excluded from, the call plans. The Policies and Procedures shall also require that Novartis modify the call plans as necessary to ensure that Novartis is promoting Government Reimbursed Products in a manner that complies with all applicable Federal health care program and FDA requirements. The call plan reviews shall occur at least annually and shall also occur each time when the FDA approves a new or additional indication for a Government Reimbursed Product;
- j. the development, implementation, and review of plans for the distribution of samples of Government Reimbursed Products (Sample Distribution Plans). This shall include a review of the bases upon, and circumstances under, which HCPs and HCIs belonging to specified medical specialties or types of clinical practice may receive samples from Novartis. The Policies and

Procedures shall also require that Novartis modify the Sample Distribution Plans as necessary to ensure that Novartis is promoting Government Reimbursed Products in a manner that complies with all applicable Federal health care program and FDA requirements;

- k. consultant or other fee-for-service arrangements entered into with HCPs or HCIs (including, but not limited to speaker programs, speaker training programs, presentations, consultant task force meetings, advisory boards, and ad hoc advisory activities, and any other financial engagement or arrangement with an HCP or HCI) and all events and expenses relating to such engagements or arrangements. These Policies and Procedures shall be designed to ensure that the arrangements and related events are used for legitimate and lawful purposes in accordance with applicable Federal health care program and FDA requirements. The Policies and Procedures shall include requirements about the content and circumstances of such arrangements and events;
- l. programs to educate sales representatives, including but not limited to presentations by HCPs at sales meetings, preceptorships, tutorials, and experience-based learning activities, if any. These Policies and Procedures shall be designed to ensure that the programs are used for legitimate and lawful purposes in accordance with applicable Federal health care program and FDA requirements. The Policies shall include requirements about the content and circumstances of such arrangements and events;
- m. sponsorship or funding of grants (including educational grants) or charitable contributions. These Policies and Procedures shall be designed to ensure that Novartis' funding and/or sponsorship complies with all applicable Federal health care program and FDA requirements;
- n. funding of, or participation in, any Third Party Educational Activity as defined in Section II.C.6 above. These Policies and Procedures shall be designed to ensure that Novartis' funding

and/or sponsorship of such programs satisfies all applicable Federal health care program and FDA requirements;

The Policies and Procedures shall require that: 1) Novartis disclose its financial support of the Third Party Educational Activity and, to the extent feasible consistent with subsection III.B.3.n.4 below, any financial relationships with faculty, speakers, or organizers at such Activity; 2) as a condition of funding, the third party shall agree to disclose the company's financial support of the Third Party Educational Activity and to require faculty, speakers, or organizers at such Activity to disclose any financial relationship with the applicable Novartis entity; 3) the Third Party Educational Activity have an educational focus; 4) the content, organization, and operation of the Third Party Educational Activity be independent of the Novartis entity's control; 5) Novartis support only Third Party Educational Activity that is non-promotional in tone/nature; and 6) Novartis' support of a Third Party Educational Activity shall be contingent on the provider's commitment to provide information at the Third Party Educational Activity that is fair, balanced, accurate and not misleading;

- o. review of promotional materials and information intended to be disseminated outside Novartis by appropriate qualified personnel (such as regulatory, medical, and/or legal personnel) in a manner designed to ensure that legal, regulatory, and medical concerns are properly addressed during Novartis' review and approval process and are elevated when appropriate. The Policies and Procedures shall be designed to ensure that such materials and information comply with all applicable Federal health care program and FDA requirements. The Policies and Procedures shall require that: 1) applicable review committees review all promotional materials prior to the distribution or use of such materials; and 2) deviations from the standard review committee practices and protocols (including timetables for the submission of materials for review) shall be documented and referred for appropriate follow-up;

- p. sponsorship, funding of, and disclosures relating to Product Related Functions. These Policies and Procedures shall be designed to ensure that Novartis' funding, sponsorship, and disclosure complies with all applicable Federal health care program and FDA requirements;
- q. compensation (including through salaries, bonuses, and contests) for Relevant Covered Persons who are sales representatives. These Policies and Procedures shall: 1) be designed to ensure that financial incentives do not inappropriately motivate such individuals to engage in improper promotion, sales, and marketing of Novartis' Government Reimbursed Products; and 2) include mechanisms, where appropriate, to exclude from incentive compensation sales that may indicate off-label promotion of Government Reimbursed Products;
- r. the submission of information about any Government Reimbursed Product to any compendia such as Drugdex or other published source of information used in connection with the determination of coverage by a Federal health care program for the Product ("Compendia"). This includes any initial submission of information to any Compendia and the submission of any additional, updated, supplemental, or changed information (e.g., any changes based on Novartis' discovery of erroneous or scientifically unsound information or data associated with the information in the Compendia.) The Policies and Procedures shall include a requirement that Novartis conduct an annual review of all arrangements, processing fees, or other payments or financial support (if any) provided by the company to any Compendia. Novartis U.S. compliance personnel shall be involved in this review;
- s. sponsorship of post-marketing research and investigator-sponsored studies (ISSs) (sometimes also called investigator-initiated trials) including the decision to provide financial or other support for the ISSs; the manner in which support is

provided; and support for publication of information about the ISSs, including the publication of information about the trial outcomes and results and the uses made of publications relating to ISSs;

- t. authorship of any articles or other publications about Government Reimbursed Products or about therapeutic areas or disease states that may be treated with Government Reimbursed Products, including, but not limited to, the disclosure of any and all relationships between the author and Novartis, the identification of all authors or contributors (including professional writers) associated with a given publication, and the scope and breadth of research results made available to each author or contributor; and
- u. disciplinary policies and procedures for violations of Novartis' Policies and Procedures, including policies relating to Federal health care program and FDA requirements.

Within 120 days after the Effective Date, the Policies and Procedures shall be made available to all Covered Persons. Appropriate and knowledgeable staff shall be available to explain the Policies and Procedures.

At least annually (and more frequently, if appropriate), Novartis shall assess and update, as necessary, the Policies and Procedures. Within 30 days after the effective date of any revisions, any such revised Policies and Procedures shall be made available to all Covered Persons.

C. Training and Education.

1. *General Training.* Within 120 days after the Effective Date, Novartis shall provide at least one hour of General Training to each Covered Person. This training, at a minimum, shall explain Novartis':

- a. CIA requirements; and
- b. Novartis' Compliance Program, including the Code of Conduct.

New Covered Persons shall receive the General Training described above within 30 days after becoming a Covered Person or within 120 days after the Effective Date, whichever is later. After receiving the initial General Training described above, each Covered Person shall receive at least a one hour of General Training in each subsequent Reporting Period.

2. *Specific Training.* Within 120 days after the Effective Date, each Relevant Covered Person engaged in Promotional Functions and/or Product Related Functions shall receive at least three hours of Specific Training applicable to their specific job functions in addition to the General Training required above. This Specific Training shall include a discussion of:

- a. all applicable Federal health care program requirements relating to Promotional Functions and/or Product Related Functions;
- b. all applicable FDA requirements relating to Promotional Functions and/or Product Related Functions;
- c. all Novartis Policies and Procedures and other requirements applicable to Promotional Functions and/or Product Related Functions;
- d. the personal obligation of each individual involved in Promotional Functions and/or Product Related Functions to comply with all applicable Federal health care program and FDA requirements and all other applicable legal requirements;
- e. the legal sanctions for violations of the applicable Federal health care program and FDA requirements; and
- f. examples of proper and improper practices related to Promotional Functions and/or Product Related Functions.

New Relevant Covered Persons shall receive this training within 30 days after the beginning of their employment or becoming Relevant Covered Persons, or within 120 days after the Effective Date, whichever is later.

After receiving the initial Specific Training described in this Section, each Relevant Covered Person shall receive at least 3 hours of Specific Training in each subsequent Reporting Period.

3. *Board Member Training.* Within 120 days after the Effective Date, Novartis shall provide at least one hour of training to each member of the Board of Directors, in addition to the General Training. This training shall address the responsibilities of board members and corporate governance.

New members of the Board of Directors shall receive the Board Member Training described above within 30 days after becoming a member or within 120 days after the Effective Date, whichever is later.

4. *Certification.* Each individual who is required to attend training shall certify, in writing, or in electronic form, if applicable, that he or she has received the required training. The certification shall specify the type of training received and the date received. The Chief Compliance Officer (or designee) shall retain the certifications, along with all course materials. These shall be made available to OIG, upon request.

5. *Qualifications of Trainer.* Persons providing the training shall be knowledgeable about the subject area of the training, including applicable Federal health care program and FDA requirements.

6. *Update of Training.* Novartis shall review the training annually, and, where appropriate, update the training to reflect changes in Federal health care program requirements, FDA requirements, any issues discovered during any internal audits or any IRO Review, and any other relevant information.

7. *Computer-based Training.* Novartis may provide the training required under this CIA through appropriate computer-based training approaches. If Novartis chooses to provide computer-based training, it shall make available appropriately qualified and knowledgeable staff or trainers to answer questions or provide additional information to the individuals receiving such training.

D. Review Procedures.

1. *General Description.*

a. *Engagement of Independent Review Organization.* Within 120 days after the Effective Date, Novartis shall engage an entity (or entities), such as an accounting, auditing, or consulting firm (hereinafter “Independent Review Organization” or “IRO”), to perform reviews to assist Novartis in assessing and evaluating its Promotional Functions and its Product Related Functions. The applicable requirements relating to the IRO are outlined in Appendix A to this CIA, which is incorporated by reference.

Each IRO engaged by Novartis shall have expertise in applicable Federal health care program and FDA requirements as may be appropriate to the Review for which the IRO is retained. Each IRO shall assess, along with Novartis, whether it can perform the engagement in a professionally independent and objective fashion, as appropriate to the nature of the review, taking into account any other business relationships or other engagements that may exist.

The IRO(s) shall conduct two types of reviews that assess Novartis’ systems, processes, policies, procedures, and practices relating to Promotional Functions and to Product Related Functions (collectively, “IRO Reviews”).

b. *Frequency and Brief Description of Reviews.* As set forth more fully in Appendix B, the IRO Reviews shall consist of two components - a Systems Review and a Transactions Review. The Systems Review shall assess Novartis’ systems, processes, policies, and procedures relating to Promotional Functions and Product Related Functions. If there are no material changes in Novartis’ relevant systems, processes, policies, and procedures, the IRO Systems Review shall be performed for the periods covering the first and fourth Reporting Periods. If Novartis materially changes its relevant systems, processes, policies, and procedures, the IRO shall perform a Systems Review for the Reporting Period in which such

changes were made in addition to conducting the Systems Review for the first and fourth Reporting Periods, as set forth more fully in Appendix B.

The Transactions Review shall be performed annually and shall cover each of the five Reporting Periods. The IRO(s) shall perform all components of each annual Transaction Review. As set forth more fully in Appendix B, the Transactions Review shall include several components.

In addition, each Transactions Review shall also include a review of up to three additional areas or practices of Novartis identified by the OIG in its discretion (hereafter “Additional Items”). For purposes of identifying the Additional Items to be included in the Transactions Review for a particular Reporting Period, the OIG will consult with Novartis and may consider internal audit work conducted by Novartis, the Government Reimbursed Product portfolio, the nature and scope of Novartis’ promotional practices and arrangements with HCPs and HCIs, and other information known to it.

As set forth more fully in Appendix B, Novartis may propose to the OIG that its internal audit(s) be partially substituted for one or more of the Additional Items that would otherwise be reviewed by the IRO as part of the Transactions Review. The OIG retains sole discretion over whether, and in what manner, to allow Novartis’ internal audit work to be substituted for a portion of the Additional Items review conducted by the IRO.

The OIG shall notify Novartis of the nature and scope of the IRO review for each of the Additional Items not later than 120 days prior to the end of each Reporting Period. Prior to undertaking the review of the Additional Items, the IRO and/or Novartis shall submit an audit work plan to the OIG for approval and the IRO shall conduct the review of the Additional Items based on a work plan approved by the OIG.

c. *Retention of Records.* The IRO and Novartis shall retain and make available to OIG, upon request, all work papers, supporting documentation, correspondence, and draft reports (those exchanged between the IRO and Novartis) related to the reviews.

2. *IRO Review Reports.* The IRO shall prepare a report based upon each IRO Review performed (IRO Review Report). Information to be included in the IRO Review Report is described in Appendix B.

3. *Validation Review.* In the event OIG has reason to believe that: (a) any of Novartis' IRO Reviews fail to conform to the requirements of this CIA; or (b) the IRO's findings or Review results are inaccurate, OIG may, at its sole discretion, conduct its own review to determine whether the applicable IRO Review complied with the requirements of the CIA and/or the findings or Review results are inaccurate (Validation Review). Novartis shall pay for the reasonable cost of any such review performed by OIG or any of its designated agents. Any Validation Review of Reports submitted as part of Novartis' final Annual Report shall be initiated no later than one year after Novartis' final submission (as described in Section II) is received by OIG.

Prior to initiating a Validation Review, OIG shall notify Novartis of its intent to do so and provide a written explanation of why OIG believes such a review is necessary. To resolve any concerns raised by OIG, Novartis may request a meeting with OIG to: (a) discuss the results of any IRO Review submissions or findings; (b) present any additional information to clarify the results of the IRO Review or to correct the inaccuracy of the IRO Review; and/or (c) propose alternatives to the proposed Validation Review. Novartis agrees to provide any additional information as may be requested by OIG under this Section III.D.3 in an expedited manner. OIG will attempt in good faith to resolve any IRO Review issues with Novartis prior to conducting a Validation Review. However, the final determination as to whether or not to proceed with a Validation Review shall be made at the sole discretion of OIG.

4. *Independence and Objectivity Certification.* The IRO shall include in its report(s) to Novartis a certification or sworn affidavit that it has evaluated its professional independence and objectivity, as appropriate to the nature of the engagement, with regard to the applicable IRO Review and that it has concluded that it is, in fact, independent and objective.

E. Disclosure Program.

Novartis represents that, prior to the Effective Date, it established a Disclosure Program that is designed to facilitate communications relating to compliance with Federal health care program and FDA requirements and with Novartis' policies and procedures. During the term of the CIA, Novartis shall maintain a Disclosure Program that includes a mechanism (e.g., a toll-free compliance telephone line) to enable individuals to disclose, to the Chief Compliance Officer or some other person who is not in the disclosing individual's chain of command, any identified issues or questions associated with Novartis' policies, conduct, practices, or procedures with respect to a Federal health care program or FDA requirement believed by the individual to be a potential violation of criminal, civil, or administrative law. Novartis shall appropriately publicize the existence of the disclosure mechanism (e.g., via periodic e-mails to employees or by posting the information in prominent common areas).

The Disclosure Program shall emphasize a nonretribution, nonretaliation policy, and shall include a reporting mechanism for anonymous communications for which appropriate confidentiality shall be maintained. Upon receipt of a disclosure, the Chief Compliance Officer (or designee) shall gather all relevant information from the disclosing individual. The Chief Compliance Officer (or designee) shall make a preliminary, good faith inquiry into the allegations set forth in every disclosure to ensure that he or she has obtained all of the information necessary to determine whether a further review should be conducted. For any disclosure that is sufficiently specific so that it reasonably:

- (1) permits a determination of the appropriateness of the alleged improper practice; and
- (2) provides an opportunity for taking corrective action, Novartis shall conduct an internal review of the allegations set forth in the disclosure and ensure that proper follow-up is conducted.

The Chief Compliance Officer (or designee) shall maintain a disclosure log, which shall include a record and summary of each disclosure received (whether anonymous or not), the status of the respective internal reviews, and any corrective action taken in response to the internal reviews. The disclosure log shall be made available to OIG upon request.

F. Ineligible Persons.

1. *Definitions.* For purposes of this CIA:

- a. an “Ineligible Person” shall include an individual or entity who:
 - i. is currently excluded, debarred, suspended, or otherwise ineligible to participate in the Federal health care programs or in Federal procurement or nonprocurement programs; or
 - ii. has been convicted of a criminal offense that falls within the scope of 42 U.S.C. § 1320a-7(a), but has not yet been excluded, debarred, suspended, or otherwise declared ineligible.

- b. “Exclusion Lists” include:
 - i. the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at <http://www.oig.hhs.gov>); and
 - ii. the General Services Administration’s List of Parties Excluded from Federal Programs (available through the Internet at <http://www.epls.gov>).

2. *Screening Requirements.* Novartis shall ensure that all prospective and current Covered Persons are not Ineligible Persons, by implementing the following screening requirements.

- a. as part of the hiring or contracting process, Novartis shall require all prospective and current Covered Persons to disclose whether they are Ineligible Persons and shall screen such Covered Persons against the Exclusion Lists prior to engaging their services.

- b. Novartis shall screen all Covered Persons against the Exclusion Lists within 90 days after the Effective Date and on an annual basis thereafter.

c. Novartis shall implement a policy requiring all Covered Persons to disclose immediately any debarment, exclusion, suspension, or other event that makes that person an Ineligible Person.

Nothing in this Section affects Novartis' responsibility to refrain from (and liability for) billing Federal health care programs for items or services furnished, ordered, or prescribed by excluded persons. Novartis understands that items or services furnished by excluded persons are not payable by Federal health care programs and that Novartis may be liable for overpayments and/or criminal, civil, and administrative sanctions for employing or contracting with an excluded person regardless of whether Novartis meets the requirements of Section III.F.

3. *Removal Requirement.* If Novartis has actual notice that a Covered Person has become an Ineligible Person, Novartis shall remove such Covered Person from responsibility for, or involvement with, Novartis' business operations related to the Federal health care programs and shall remove such Covered Person from any position for which the Covered Person's compensation or the items or services furnished, ordered, or prescribed by the Covered Person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with Federal funds at least until such time as the Covered Person is reinstated into participation in the Federal health care programs.

4. *Pending Charges and Proposed Exclusions.* If Novartis has actual notice that a Covered Person is charged with a criminal offense that falls within the scope of 42 U.S.C. §§ 1320a-7(a), 1320a-7(b)(1)-(3), or is proposed for exclusion during the Covered Person's employment or contract, Novartis shall take all appropriate actions to ensure that the responsibilities of that Covered Person have not and shall not adversely affect the accuracy of any claims submitted to any Federal health care program.

G. Notification of Government Investigation or Legal Proceedings.

Within 30 days after discovery, Novartis shall notify OIG, in writing, of any ongoing investigation or legal proceeding known to Novartis conducted or brought by a U.S.-based governmental entity or its agents involving an allegation that Novartis has committed a crime or has engaged in fraudulent activities. This notification shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding. Novartis shall also provide written

notice to OIG within 30 days after the resolution of the matter, and shall provide OIG with a description of the findings and/or results of the investigation or proceedings, if any.

H. Reportable Events.

1. *Definition of Reportable Event.* For purposes of this CIA, a “Reportable Event” means anything that involves:

- a. a matter that a reasonable person would consider a probable violation of criminal, civil, or administrative laws applicable to any Federal health care program for which penalties or exclusion may be authorized;
- b. a matter that a reasonable person would consider a probable violation of criminal, civil, or administrative laws applicable to any FDA requirements relating to the promotion of Government Reimbursed Products (including an FDA Warning Letter issued to Novartis);
- c. the employment of or contracting with a Covered Person who is an Ineligible Person as defined by Section III.F.1.a; or
- d. the filing of a bankruptcy petition by Novartis.

A Reportable Event may be the result of an isolated event or a series of occurrences.

2. *Reporting of Reportable Events.* If Novartis determines (after a reasonable opportunity to conduct an appropriate review or investigation of the allegations) through any means that there is a Reportable Event, Novartis shall notify OIG, in writing, in Novartis’ next Consolidated Monthly Report to OIG after making the determination that the Reportable Event exists, Novartis shall not be required to report as a Reportable Event any matter previously disclosed under Section III.G.

3. *Reportable Events under Sections III.H.1.a-c.* For Reportable Events under Sections III.I.1.a-c, the report to OIG shall include:

- a. a complete description of the Reportable Event, including the relevant facts, persons involved, and legal and Federal health care program or FDA authorities implicated;
- b. a description of Novartis' actions taken to correct the Reportable Event; and
- c. any further steps Novartis plans to take to address the Reportable Event and prevent it from recurring.

4. *Reportable Events under Section III.H.1.d.* For Reportable Events under Section III.H.1.d, the report to the OIG shall include documentation of the bankruptcy filing and a description of any Federal health care program and/or FDA authorities implicated.

I. Notification of Communications with FDA. Within 30 days after the date of any written report, correspondence, or communication between Novartis and the FDA that materially discusses Novartis' or a Covered Person's actual or potential unlawful or improper promotion of Novartis' products (including any improper dissemination of information about off-label indications), Novartis shall provide a copy of the report, correspondence, or communication to the OIG. Novartis shall also provide written notice to the OIG within 30 days after the resolution of any such disclosed off-label matter, and shall provide the OIG with a description of the findings and/or results of the matter, if any.

J. Field Force Monitoring and Review Efforts.

To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall establish a comprehensive Field Force Monitoring Program (FFMP) to evaluate and monitor its sales representatives' interactions with HCPs and HCIs. The FFMP shall be a formalized process designed to directly and indirectly observe the appropriateness of sales representatives' interactions with HCPs and HCIs and to identify potential off-label promotional activities or other improper conduct. As described in more detail below, the FFMP shall include: 1) a Speaker Monitoring Program; 2) direct field observations (Observations) of sales representatives; and 3) the monitoring and review of other records relating to sales representatives' interactions with HCPs and HCIs (Records Reviews).

Prior to the Effective Date, Novartis had systems to address detailing, sampling, and medical inquiries. The detailing systems shall continue to include controls designed to ensure compliance with Federal health care program and FDA requirements and shall permit the tracking of detailing-related activities, including the submission of Inquiries (as defined above in Section III.B.2.g) and the distribution of samples of Government Reimbursed Products to HCPs. The detailing systems shall continue to include centralized mechanisms through which sales representatives may submit Inquiries to Medical Affairs. With regard to the distribution of samples, the detailing systems and its controls shall prevent the delivery of samples of particular Government Reimbursed Products to HCPs that Novartis has identified as belonging to a specialty group that is unlikely to prescribe the particular Government Reimbursed Product for a use consistent with the FDA-approved label for the product.

1. *Speaker Program Activities.* With regard to speaker programs, Novartis shall maintain processes to require all speakers to complete training and enter written agreements that describe the scope of work to be performed, the speaker fees to be paid, and compliance obligations for the speakers (including requirements that the speaker may only use Novartis approved materials and may not directly or indirectly promote the product for off-label uses.) Novartis shall maintain centralized processes and related electronic systems through which all speaker programs are tracked. This system shall establish controls regarding eligibility and qualifications of speakers and venues for the programs, Novartis shall ensure that speakers are paid and tracked according to a centrally managed process, and using a pre-set rate structure determined based on a fair-market value analysis conducted by Novartis.

Novartis shall maintain a comprehensive list of speaker program attendees through its centralized system. In addition, Novartis shall track and review the aggregate amount (including speaker fees, travel, and other expenses) paid to each speaker in connection with speaker programs conducted during each Reporting Period. Novartis shall require certified evaluations by sales representatives or other Novartis personnel regarding whether a speaker program complied with Novartis requirements, and in the event of non-compliance, Novartis shall ensure appropriate follow up activity to address the violation. Speaker training programs are subject to the Novartis Event Oversight Committee (EOC) process described below in Section III.K.1 below.

To the extent not already accomplished, Novartis shall institute a Speaker Monitoring Program under which Novartis compliance personnel, other appropriately trained Novartis personnel who are independent from the functional area being monitored or outside personnel acting on behalf of Novartis shall attend 125 speaker programs during each Reporting Period and conduct live audits of the programs (Speaker Program Audits). The programs subject to Speaker Program Audits shall be selected both on a risk-based targeting approach and on a sampling approach. For each program reviewed, personnel conducting the Speaker Program Audits shall review slide materials and other materials used as part of the speaker program, speaker statements made during the program, and Novartis representative activities during the program to assess whether the programs were conducted in a manner consistent with Novartis' Policies and Procedures. Novartis shall maintain the controls around speaker programs as described above, and shall conduct its Speaker Program Audits as described above throughout the term of the CIA.

2. *Observations.* As a component of the FFMP, Novartis U.S. compliance personnel or other appropriately trained Novartis personnel who are independent from the monitored functional area shall conduct observations of sales representatives to assess whether the messages delivered and materials distributed to HCPs are consistent with applicable legal requirements and with Novartis' Policies and Procedures. These observations shall be full day ride-alongs with sales representatives (Observations), and each Observation shall consist of directly observing all meetings between a sales representative and HCPs during the workday. The Observations shall be scheduled throughout the year, selected by Novartis U.S. compliance personnel or other appropriately trained Novartis personnel who are independent from the monitored functional area both on a risk-based targeting approach and on a sampling approach, include each therapeutic area and actively promoted product, and be conducted across the United States. At the completion of each Observation, Novartis U.S. compliance personnel or other appropriately trained Novartis personnel who are independent from the monitored functional area shall prepare a report which includes:

- 1) the identity of the sales representative;
- 2) the identity of the Novartis compliance personnel or other appropriately trained Novartis personnel;
- 3) the date and duration of the Observation;
- 4) the product(s) promoted during the Observation;
- 5) an overall assessment of compliance with Novartis policy; and

- 6) the identification of any potential off-label promotional activity or other improper conduct by the sales representative.

Novartis U.S. compliance personnel or other appropriately trained Novartis personnel who are independent from the monitored functional area shall conduct at least 50 Observations during each Reporting Period.

3. *Records Reviews.* As a component of the FFMP, Novartis shall also review various types of records to assess sales representatives' interactions with HCPs and HCIs and to identify potential or actual compliance violations. For each Reporting Period, Novartis shall develop and implement a plan for conducting Records Reviews associated with at least three Government Reimbursed Products and a sampling of the representatives promoting those products in every separate region. The OIG shall have the discretion to identify the three Government Reimbursed Products to be reviewed for each Reporting Period. The OIG will select the products based on information about Novartis' products provided by Novartis, upon request by the OIG no later than 90 days prior to the beginning of the Reporting Period, and other information known to the OIG. If the OIG does not identify the Government Reimbursed Products to be reviewed within the first 30 days of the Reporting Period, Novartis shall select the three products to be reviewed.

These Records Reviews shall include the monitoring and review of: 1) records and systems relating to sales representatives' interactions with HCPs and HCIs (including sample distribution records, sales representative corporate charge card expense records, and aggregate spend records concerning sales representatives' interactions with HCPs); 2) requests for or inquiries relating to medical information; 3) message recall studies or other similar records (such as Verbatims) purporting to reflect the details of sales representatives' interactions with HCPs and HCIs; 4) sales representative call notes or other Novartis records reflecting the details of sales representative visits with HCPs or HCIs; 5) sales representatives' e-mails and other electronic records; and 6) recorded results of the Observations of sales representatives and applicable notes or information from the sales representatives' managers.

4. *Reporting and Follow-up.* Personnel conducting the Speaker Program Audits, Observations, and Records Reviews shall have access to all relevant records and information necessary to assess potential or actual compliance violations. Results from the FFMP audits, including the identification of potential violations of policies and/or

legal requirements, shall be compiled and reported to the U.S. Ethics & Compliance Department for review and follow-up as appropriate. In the event that a potential violation of Novartis' Policies and Procedures or of legal or compliance requirements, including but not limited to potential off-label promotion, is identified during any aspect of the FFMP, Novartis shall investigate the incident consistent with established Policies and Procedures for the handling of investigations and shall take all necessary and appropriate responsive action (including disciplinary action) and corrective action, including the disclosure of Reportable Events pursuant to Section III.H above, if applicable. Any compliance issues identified in Speaker Program Activities, Observation and/or Records Review and any corrective action shall be recorded in the files of the U.S. Ethics & Compliance Department.

Novartis shall include a summary of the FFMP and the results of the FFMP as part of each Annual Report. As part of each Annual Report, Novartis also shall provide the OIG with copies of the Observation report for any instances in which it was determined that improper promotion occurred and a description of the action(s) that Novartis took as a result of such determinations. Novartis shall make the Observation reports for all other Observations available to the OIG upon request.

K. Monitoring of Non-Promotional Activities.

To the extent not already accomplished, within 120 days after the Effective Date Novartis shall develop and implement a monitoring program for the following types of activities: 1) consultant arrangement activities; 2) research-related activities; 3) publication activities; and 4) medical education grants. This program shall be referred to as the Non-Promotional Monitoring Program.

1. *Consultant Arrangement Activities.* To the extent that Novartis engages U.S.-based HCPs or HCIs for services that relate to Promotional Functions or to Product Related Functions as defined in Sections II.C.4 and II.C.5 of this Agreement other than for speaker programs, research-related activities, or publication activities (e.g., as a member of an advisory board or to attend consultant meetings), such HCPs or HCIs shall be referred to herein as Consultants. Novartis shall require all Consultants to enter written agreements describing the scope of work to be performed, the fees to be paid, and compliance obligations for the Consultants. Consultants shall be paid based on a fair-market value analysis conducted by Novartis.

Prior to the Effective Date, Novartis established the EOC process through which individuals (e.g., sales representatives or managers) who propose that Novartis fund a particular consulting arrangement event are required to seek and obtain approval for the event from the EOC, or, in some limited instances, a subgroup of the EOC. At a minimum, the EOC review process shall continue to include evaluation of the following for each proposed consultant arrangement: i) the business purpose/necessity of the engagement including the broader context of other approved events (i.e., a needs assessment); ii) the general qualifications and experience of the consultant to provide the service; iii) the number of consultants necessary for the event; iv) venue/location (as applicable); v) payment and anticipated expenses; and vi) compliance with other applicable legal standards. Representatives from Ethics and Compliance chair the EOC, and other members of the EOC include representatives from Legal, Regulatory, Medical, and other disciplines as appropriate. A proposed consultant arrangement must be approved in accordance with EOC policy before a consultant event may occur. The EOC, as a condition of approval, may require that certain changes be made to a planned event. The person responsible for the consulting arrangement and his/her manager must certify to compliance with all applicable compliance standards and execution of the event consistent with EOC direction and approval. Violations of the policy (including failure to implement an event in compliance with the direction provided by the engagement reviewer(s)) are referred for further investigation in accordance with Novartis policy and may result in disciplinary action, up to and including termination.

The consultant arrangements subject to the prospective review are explicitly defined in current Novartis Event Oversight Committee policies. The arrangements subject to EOC review include, but are not limited to, most types of consulting meetings, advisory boards, speaker training and novel types of promotional programs, and consultant programs for sales representative training.

To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall amend its policies and procedures in a manner designed to ensure that each Consultant performed the work for which the Consultant was engaged and that, as applicable, Novartis received the work product generated by the Consultant.

Within 120 days after the Effective Date, Novartis shall establish a Consultant Monitoring Program through which it shall conduct audits for each Reporting Period (Consultant Program Audits) of at least 50 Consultant arrangements with HCPs. The Consultant Monitoring Program shall review Consultant arrangements both on a risk-

based targeting approach and on a sampling approach. Novartis U.S. compliance personnel conducting the Consultant Program Audits shall review needs assessment documents, consultant contracts, and materials relating to the program or work of the Consultant (including work product resulting from any program or event), in order to assess whether the programs and arrangements were conducted in a manner consistent with Novartis' Policies and Procedures. Results from the Consultant Program Audits, including the identification of potential violations of policies, shall be compiled and reported to the U.S. Compliance Department for review and follow-up as appropriate.

2. *Research-Related Activities.* To the extent that Novartis compensates U.S.-based HCPs or HCIs or provides financial or other support to conduct Phase IV post-marketing clinical studies including but not limited to ISSs, this shall be referred to collectively as "Research" for purposes of this CIA. Novartis shall require all Researchers to enter written agreements describing the scope of the clinical research or other work to be performed, the fees to be paid, and compliance obligations for the Researchers. Researchers shall be paid according to a centrally managed, pre-set rate structure that is determined based on a fair-market value analysis conducted by Novartis.

To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall establish an annual budgeting plan for Research that identifies the business or scientific need for, and the estimated numbers of, the various Research engagements and activities to occur during the year, as applicable. Novartis U.S. compliance personnel shall be involved in the review and approval of such budgeting plans, including any subsequent modification of an approved plan. The purpose of this review shall be to ensure that Research arrangements and related events are used for legitimate purposes in accordance with Novartis Policies and Procedures.

To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall establish a process to ensure that a needs assessment has been completed to justify the retention of the Researcher prior to the retention of the Researcher. The needs assessment shall identify the business or scientific need for the information and provide details about the research arrangement (including, for example, information about the numbers and qualifications of the HCPs or HCIs to be engaged, a description of the proposed research to be done (including the research protocol) and type of work product to be generated). Any deviations from the Research budgeting plans shall be documented in the needs assessment form (or elsewhere, as appropriate) and shall be subject to review and approval by Novartis U.S. compliance personnel.

To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall amend its policies and procedures in a manner designed to ensure that each Researcher performed the work for which the Researcher was engaged.

Within 120 days after the Effective Date, Novartis shall establish a Research Monitoring Program through which it shall conduct audits for each Reporting Period (Researcher Program Audits) of at least 20 Researcher arrangements with HCPs or HCIs.

The Research Monitoring Program shall review Research arrangements both on a risk-based targeting approach and on a sampling approach. Novartis U.S. compliance personnel conducting the Research Program Audits shall review needs assessment documents, proposal and/or protocol documents, approval documents, contracts, and payments in order to assess whether the programs and arrangements were supported by Novartis and performed by the Researchers in a manner consistent with Novartis' Policies and Procedures. Results from the Research Program Audits, including identification of potential violations of policies, shall be compiled and reported to the U.S. Compliance Department for review and follow-up as appropriate.

3. *Publication Activities.* To the extent that Novartis engages HCPs or HCIs to produce articles or other publications relating to Government Reimbursed Products (collectively "Publication Activities") such HCPs or HCIs shall be referred to as Authors. Novartis shall require all Authors to enter written agreements describing the scope of work to be performed, the fees to be paid in connection with the Publication Activities, and compliance obligations of the Authors. Authors shall be paid according to a centrally managed, pre-set rate structure that is determined based on a fair-market value analysis conducted by Novartis.

To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall establish a process to develop annual plans that identify the business needs for and the estimated numbers of various Publication Activities (Publications Plans). The annual Publications Plan shall also identify the budgeted amounts to be spent on Publication Activities. Novartis' compliance personnel shall be involved in the review and approval of such annual Publications Plans, including any modification of an approved plan. The purpose of this review shall be to ensure that Publication Activities and related events are used for legitimate purposes in accordance with Novartis Policies and Procedures.

To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall establish a needs assessment process for Publication Activities. This process shall ensure that a needs assessment has been completed prior to contracting with an Author for a Publication Activity. The needs assessment shall provide information about Publication Activities to be performed (including a description of the proposed work to be done, type of work product to be generated, and the purpose for the work.) Any deviations from the Publications Plan shall be documented in the needs assessment form (or elsewhere, as appropriate) and shall be subject to review and approval by Novartis compliance personnel.

Within 120 days after the Effective Date, Novartis shall establish a Publication Monitoring Program through which it shall conduct audits for each Reporting Period of at least 25 Publication Activities. The Publication Monitoring Program shall select publications for review both on a risk-based targeting approach and on a sampling approach. Novartis compliance personnel conducting the Publication Monitoring Program shall review needs assessment documents, proposal documents, approval documents, contracts, payments and materials relating to the Publication Activities (including work product resulting from the Activities), in order to assess whether the activities were conducted in a manner consistent with Novartis' Policies and Procedures. Results from the Publication Monitoring Programs, including the identification of potential violations of policies, shall be compiled and reported to the Novartis Compliance Department for review and follow-up as appropriate.

4. *Medical Education Grant Activities.* Novartis represents that it has an established process housed within its Medical Department for the prospective review of medical education grants by the Novartis Office of Grants and Education (NOGE) and the Novartis Oncology Office of Grants (OGE). All medical education grant requests received by Novartis are evaluated by individual(s) independent of Sales and Marketing. Novartis policy expressly prohibits the involvement of Sales and Marketing personnel in the medical education grant decision-making process.

Novartis represents that its sales and marketing departments have no involvement in, or influence over, the review and approval of medical education grants. Grant requests shall be processed in accordance with standardized criteria developed by the grants office. Novartis shall continue the NOGE/OGE medical education grant process described above (or an equivalent process) throughout the term of the CIA, and shall

notify the OIG in writing at least 60 days prior to the implementation of any new system subsequent to the Effective Date.

To the extent not already accomplished, within 120 days after the Effective Date, Novartis shall establish a Grants Monitoring Program through which it shall conduct audits for each Reporting Period of at least 30 medical education grants. The Grants Monitoring Program shall select grants for review both on a risk-based targeting approach and on a sampling approach. Novartis U.S. compliance personnel conducting the Grants Monitoring Program shall review proposal documents (including grant requests), approval documents, contracts, payments and materials relating to the grant office's review of the requests, and documents and materials relating to the grants and any events or activities funded through the grants in order to assess whether the activities were conducted in a manner consistent with Novartis' Policies and Procedures. Results from the Grant Monitoring Programs, including the identification of potential violations of policies, shall be compiled and reported to the U.S. Compliance Department for review and follow-up as appropriate.

5. Follow Up Reviews and Reporting. In the event that a potential violation of Novartis' Policies and Procedures or of legal or compliance requirements, including but not limited to potential off-label promotion, are identified during any aspect of the Non-Promotional Monitoring Program, Novartis shall investigate the incident consistent with established Policies and Procedures for the handling of investigations and shall take all necessary and appropriate responsive action (including disciplinary action) and corrective action, including the disclosure of Reportable Events pursuant to Section III.H above, if applicable. Any compliance issues identified during any Non-Promotional Monitoring Program referenced above, and any corrective action, shall be recorded in the files of the U.S. Compliance Department.

Novartis shall include a summary of the Non-Promotional Monitoring Program and the results of the Non-Promotional Monitoring Program as part of each Annual Report. As part of each Annual Report, Novartis also shall provide the OIG with descriptions of any instances identified through the Non-Promotional Monitoring Program in which it was determined that improper promotion of Government Reimbursed Products occurred or the activities violated Novartis' requirements or Policies and Procedures, and a description of the action(s) that Novartis took as a result of such determinations. Novartis shall make the documents relating to the Non-Promotional Monitoring Program available to the OIG upon request.

L. Notice to Health Care Providers and Entities. Within 90 days after the Effective Date, Novartis shall send, by first class mail, postage prepaid and return receipt requested, a notice containing the language set forth below to all U.S.-based HCPs and HCIs that Novartis currently details. This notice shall be dated and shall be signed by Novartis' President. The body of the letter shall state the following:

As you may be aware, Novartis Pharmaceuticals Corporation (NPC) recently entered into a global civil, criminal, and administrative settlement with the United States and individual states in connection with the promotion and use of several of its products.

This letter provides you with additional information about the settlement, explains NPC's commitments going forward, and provides you with access to information about those commitments. In general terms, the Government alleged that NPC unlawfully promoted the drugs Trileptal, Diovan, Zelnorm, Sandostatin, Exforge, and Tekturna. With respect to Trileptal, the Government alleged that NPC promoted the drug for uses not approved by the Food & Drug Administration (FDA). Novartis pled guilty to a misdemeanor criminal violation of the Federal Food, Drug & Cosmetic Act (FDCA) in connection with Trileptal and agreed to pay a fine of \$185 million. With respect to Trileptal, Diovan, Zelnorm, Sandostatin, Exforge, and Tekturna, the Government alleged that Novartis violated the False Claims Act. Novartis entered into a civil settlement to resolve those allegations pursuant to which Novartis agreed to pay \$237.5 million to the Federal Government and State Medicaid programs. More information about this settlement may be found at the following: **[Novartis shall include a link to the USAO, OCL, and Novartis websites in the letter.]**

As part of the federal settlement, NPC also entered into a five-year corporate integrity agreement with the Office of Inspector General of the U.S. Department of Health and Human Services. The corporate integrity agreement is available at <http://oig.hhs.gov/fraud/cia/index.html>. Under this agreement, NPC agreed to undertake certain obligations designed to promote compliance with Federal health care program and FDA requirements. We also agreed to notify healthcare providers about the settlement and inform them that they can report any questionable practices

by NPC's representatives to NPC's Ethics & Compliance Department or the Food & Drug Administration (FDA).

In addition, as part of our agreement with the government, we will disclose certain payments or transfers of value to U.S.-based Healthcare Professionals. This data will be posted in a prominent position on our website in an easily accessible and searchable list for public viewing.

Please call NPC at **1-800-xxx-xxx** or **visit us at [insert name of web link]** if you have questions about the settlement referenced above or to report any instances in which you believe that a Novartis representative inappropriately promoted a product or engaged in other questionable conduct. Alternatively, you may report any such instances to the FDA's Division of Drug Marketing, Advertising, and Communications at 301-796-1200. You should direct medical questions or concerns about the products to **1-800-526-7736**.

The Chief Compliance Officer (or a designee) shall maintain a log of all calls and messages received in response to the notice. The log shall include a record and summary of each call and message received (whether anonymous or not), the status of the call or message, and any corrective action taken in response to the call or message. The log of all calls and messages received in response to the notice shall be made available to OIG upon request. As part of the Implementation Report and each Annual Report, Novartis shall provide to the OIG a summary of the calls and messages received.

M. Reporting of Physician Payments.

1. *Reporting of Payment Information.*

Phase I Reporting: On or before March 31, 2011, Novartis shall post in a prominent position on its website an easily accessible and readily searchable listing of all U.S.-based physicians who received Phase I Payments (as defined in Section III.M.2) directly or indirectly from Novartis during the fourth quarter of 2010 and the aggregate value of such Payments.

Thereafter, 60 days after the end of each calendar quarter, up to and including the third quarter of 2011, Novartis shall post on its website a report of the cumulative value of the Phase I Payments provided to each physician during the preceding calendar quarter.

On or before March 1, 2012, Novartis shall also post on its website a report of the cumulative value of Phase I Payments provided to physicians by Novartis during 2011.

Phase II Reporting: On or before March 1, 2012, Novartis shall post in a prominent position on its website an easily accessible and readily searchable listing of all U.S.-based physicians and Related Entities who or which received Phase II Payments (as defined in Section III.M.2) directly or indirectly from Novartis during the fourth quarter of 2011 and the aggregate value of such Payments. Thereafter, 60 days after the end of each calendar quarter until the commencement of Phase III Reporting, Novartis shall post on its website a report of the cumulative value of the Phase II Payments provided to each physician and Related Entity during the preceding calendar quarter.

Phase III Reporting: On or before March 1, 2013, and 60 days after the end of each subsequent calendar year, Novartis shall post on its website a report of the cumulative value of the Phase III Payments provided to all U.S.-based physicians and Related Entities directly or indirectly from Novartis during the prior applicable calendar year. In addition, 60 days after the end of each calendar quarter, Novartis shall post on its website a report of the cumulative value of Phase III Payments (as defined in Section III.M.2) provided to each physician and Related Entity during the preceding calendar quarter. Each quarterly and annual report shall be easily accessible and readily searchable.

Each listing made pursuant to this Section III.M shall include a complete list of all individual physicians or Related Entities to whom or which Novartis made Payments in the preceding quarter or year (as applicable). Each listing shall be arranged alphabetically according to the physicians' last name or name of Related Entity. The Payment amounts in the lists shall be reported in the actual amount paid for all physicians or Related Entity on the listing. For each physician, the applicable listing shall include the following information: i) physician's full name; ii) name of any Related Entities (if applicable); iii) city and state that the physician has provided to Novartis for contact purposes; and (iv) the aggregate value of the payment(s) in the preceding quarter or year (as applicable). If payments for multiple physicians have been made to one Related Entity, the aggregate value of all payments to the Related Entity will be the reported amount.

2. *Definitions and Miscellaneous Provisions.*

(i) Novartis shall continue to make each annual listing and the most recent quarterly listing of Payments available on its website during the term of the

CIA. Novartis shall retain and make available to OIG, upon request, all supporting documentation, correspondence, and records related to all applicable Payments and to the annual and/or quarterly listings of Payments. Nothing in this Section III.M affects the responsibility of Novartis to comply with (or liability for noncompliance with) all applicable Federal health care program requirements and state laws as they relate to all applicable Payments made to physicians or Related Entity.

(ii) For purposes of Section III.M.1, the term “Phase I Payments” is defined as payments, fees, honoraria, or compensation made by Novartis directly or indirectly in connection with promotional speaker programs and promotional speaker training to a physician in return for contracted services for Novartis to be performed expressly by the physician, with the exception of trips or travel, educational items, and meals (which are not otherwise covered or paid for by the Physician).

(iii) For purposes of Section III.M.1, “Phase II Payments” is defined to include all “payments or transfers of value” as that term is defined in §1128G(e)(10) under Section 6002 of the Patient Protection and Affordable Care Act (Public Law 111-148) (Affordable Care Act) and any regulations promulgated thereunder except as described below. The term Phase II Payments includes, by way of example, the types of payments or transfers of value enumerated in §1128G(a)(1)(A)(vi) of the Affordable Care Act. The term includes all payments or transfers of value made to Related Entities on behalf of, at the request of, for the benefit or use of, or under the name of a physician for whom Novartis would otherwise report a Payment if made directly to the physician. The term Phase II Payments also includes any payments or transfers of value made, directly by Novartis or by a vendor retained by Novartis to a physician or Related Entity in connection with, or under the auspices of, a co-promotion arrangement. The term Phase II Payments does not include payments or other transfers of value made pursuant to product research or development agreements, or in connection with clinical investigations as defined in § 1128G(e)(10) under Section 6002 of the Affordable Care Act.

(iv) For purposes of Section III.M.1, “Phase III Payments” is defined to include all “payments or transfers of value” as that term is defined in §1128G(e)(10) under Section 6002 of the Affordable Care Act and any regulations promulgated thereunder. The term Phase III Payments includes, by way of example, the types of payments or transfers of value enumerated in §1128G(a)(1)(A)(vi) of the Affordable Care Act. The term includes all payments or transfers of value made to Related Entities on behalf of, at the request of, for the benefit or use of, or under the name

of a physician for whom Novartis would otherwise report a Payment if made directly to the physician. The term Phase III Payments also includes any payments or transfers of value made, directly by Novartis or by a vendor retained by Novartis to a physician or Related Entity in connection with, or under the auspices of, a co-promotion arrangement.

(v) For purposes of its annual and quarterly website postings as described above, and only with regard to payments made pursuant to product research or development agreements and clinical investigations as set forth in § 1128G(c)(E) of the Affordable Care Act, Novartis may delay the inclusion of such payments on its website listings consistent with § 1128G(c)(E) of the Act and any subsequent regulations promulgated thereunder.

(vi) The term “Payments” does not include transfers of value or other items that are not included in or are excluded from the definition of “payment” as set forth in § 1128G(e)(10) under Section 6002 of the Affordable Care Act and any regulations promulgated thereunder.

(vii) For purposes of this Section III.M, the term “Related Entity” is defined to be any entity by or in which any physician receiving Payments is employed, has tenure, or has an ownership interest.

N. Other Transparency/Disclosure Initiatives.

Beginning on February 28, 2011, consistent with the phased-in process described in this section, Novartis represents that on an annual basis, it will post on its company website the following information with respect to both medical education grants and charitable contributions: 1) the ultimate recipient organization’s name, to the extent known by Novartis; 2) a brief description of the program for which the grant or charitable contribution was requested; and 3) the amount of the grant or charitable contribution. Novartis shall continue to post (and provide updates to) the above-described information about medical education and charitable contribution grants throughout the term of this CIA. Novartis shall notify the OIG in Novartis’ Consolidated Monthly Report of any material change in the substance of its policies regarding the funding of medical education grants and charitable contributions or posting of the above-referenced information relating to such funding.

Phase I Reporting: On or before February 28, 2012, Novartis shall post in a prominent position on its website a listing of information about medical education grants and charitable contributions processed through Novartis' Grant Central Station (GCS) provided to healthcare related organizations, defined as and limited to medical education grants and charitable contributions during the calendar year 2011. Grants include continuing medical education ("CME") and non-CME funding requests; charitable contributions include funding to a healthcare related charitable organization in which the contribution's purpose is: (1) related to patient disease state education; (2) to provide health screening; or (3) to improve patient access to treatment.

Phase II Reporting: On or before August 30, 2012, Novartis shall post in a prominent position on its website a listing of information about Phase I Payments described above, plus additional medical education grants and charitable contributions provided to health care related organizations processed through other payment mechanisms beyond GCS for the first two quarters of 2012. These additional payments are defined as and limited to certain Philanthropic Grants, such as funding educational initiatives involving community initiatives and health awareness programs; Fundraising Contributions intended to provide support to the mission and activities of a non-profit, tax exempt organization; Dues provided to a non-profit group or organization for patient advocacy, professional societies or advisory panels to the organization; and Sponsorships provided to a non-profit, tax-exempt organizations to enable the organization to continue its mission and activities for an entire organization or for a specific event. Thereafter, 60 days after the end of each calendar year, Novartis shall post on its website a report of the value of Phase II Payments provided to each healthcare related organization, as defined above, during the preceding calendar year for the term of this agreement. The commencement of Phase II reporting will terminate the annual reporting requirements under Phase I Reporting for purposes of this Section III.N.

Novartis represents that it shall require all Consultants to fully comply with all applicable disclosure obligations relating to their relationship with Novartis that may be externally imposed on the Consultants based on their affiliation with formulary or P&T committees or committees associated with the development of treatment protocols or standards. Novartis shall continue this requirement throughout the term of this CIA. Within 120 days after the Effective Date, Novartis shall amend its policies relating to Consultants to explicitly state Novartis' requirement about full disclosure by Consultants consistent with the requirements of any HCI, medical committee, or other medical or scientific organization with which the Consultants are affiliated. In addition, for any

amendment to its contracts with Consultants and in any new contracts with Consultants entered into after 150 days following the Effective Date, Novartis shall include an explicit requirement that the Consultants fully comply with applicable disclosure requirements and disclose their relationship with Novartis as required pursuant to their affiliation with any HCI, medical committee, or other medical or scientific organization.

Novartis represents that it expects all Authors of biomedical manuscripts to fully comply with the International Committee of Medical Journal Editors (ICMJE) criteria regarding authorship and disclosure of their relationship with Novartis and to disclose any potential conflicts of interest, including any financial or personal relationships that might be perceived to bias their work. Within 120 days after the Effective Date, Novartis shall amend its policies relating to Authors to explicitly state Novartis' requirement about full disclosure by Authors consistent with the requirements of any HCI, medical committee or other medical or scientific organization with which the Authors are affiliated. In addition, for any amendments to its contracts with Authors and in any new contracts with Authors entered into after 120 days following the Effective Date, Novartis shall include an explicit requirement that Authors disclose in their manuscripts, journal submissions, and elsewhere as appropriate or required, any potential conflicts of interest, including their financial or personal relationship with Novartis, the names of any individuals who have provided editorial support for any manuscript or other publication, and all funding sources for the study or publication.

Within 120 days after the Effective Date, Novartis shall register all clinical studies and report results of such clinical studies on the National Institutes of Health (NIH) sponsored website (www.clinicaltrials.gov) in compliance with all current federal requirements. Novartis shall continue to comply with Federal health care program requirements, or other applicable requirements relating to the registration and results reporting of clinical studies throughout the term of this CIA. In addition, if there is a change in Federal health care program requirements, FDA requirements, NIH requirements, or other applicable requirements relating to registration and results reporting of clinical study information, Novartis shall fully comply with such requirements.

Within 120 days after the Effective Date, Novartis shall post information on its company website about postmarketing commitments (PMCs). The Novartis website shall provide access to general information about the PMC process, including study descriptions and information about the nature and status of FDA post-marketing

commitments. Novartis shall continue to post the above-described information about PMCs on its website throughout the term of this CIA.

IV. CHANGES TO BUSINESS UNITS OR LOCATIONS

A. Change or Closure of Unit or Location. In the event that, after the Effective Date, Novartis changes locations or closes a business unit or location related to Promotional Functions or Product Related Functions, Novartis shall notify OIG of this fact as soon as possible after the date of the change or closure of the location, but no later than Novartis' next Consolidated Monthly Report.

B. Purchase or Establishment of New Unit or Location. In the event that, after the Effective Date, Novartis purchases or establishes a new business unit or location related to Promotional Functions or Product Related Functions, Novartis shall notify OIG no later than five days after the date that the purchase or establishment of the new business unit or location is publicly disclosed by Novartis. This notification shall include the address of the new business unit or location, phone number, fax number, the location's Federal health care program provider number and/or supplier number(s) (if applicable); and the name and address of each Federal health care program contractor to which Novartis currently submits claims (if applicable). Each new business unit or location and all Covered Persons at each new business unit or location shall be subject to the applicable requirements of this CIA.

C. Sale of Unit or Location. In the event that, after the Effective Date, Novartis proposes to sell any or all of its business units or locations that are subject to this CIA, Novartis shall notify OIG of the proposed sale at no later than five days after the sale is publicly disclosed by Novartis. This notification shall include a description of the business unit or location to be sold, a brief description of the terms of the sale, and the name and contact information of the prospective purchaser. This CIA shall be binding on the purchaser of such business unit or location, unless otherwise determined and agreed to in writing by the OIG.

V. IMPLEMENTATION AND ANNUAL REPORTS

A. Implementation Report. Within 150 days after the Effective Date, Novartis shall submit a written report to OIG summarizing the status of its implementation of the

requirements of this CIA (Implementation Report). The Implementation Report shall, at a minimum, include:

1. the name, address, phone number, and position description of the Chief Compliance Officer required by Section III.A, and a summary of other noncompliance job responsibilities the Chief Compliance Officer may have;
2. the names and positions of the members of the Compliance Committee required by Section III.A;
3. the names of the members of the Board of Directors referenced in Section III.A.3;
4. the names and positions of the Certifying Employees required by Section III.A.4;
5. a copy of Novartis' Code of Conduct required by Section III.B.1;
6. (a) a copy of the letter (including all attachments) required by Section II.C.6 and III.B.2 sent to each party employing Third Party Personnel; (b) a list of all such existing co-promotions and other applicable agreements; and (c) a description of the entities' response to Novartis' letter;
7. the number of individuals required to complete the Code of Conduct certification required by Section III.B.1, the percentage of individuals who have completed such certification, and an explanation of any exceptions (the documentation supporting this information shall be available to OIG, upon request);
8. a summary of all Policies and Procedures required by Section III.B.2 (a copy of such Policies and Procedures shall be made available to OIG upon request);
9. the following information regarding each type of training required by Section III.C:
 - a. a description of such training, including a summary of the topics covered, the length of sessions, and a schedule of training sessions; and

- b. the number of individuals required to be trained, percentage of individuals actually trained, and an explanation of any exceptions.

A copy of all training materials and the documentation supporting this information shall be available to OIG, upon request.

10. the following information regarding the IRO(s): (a) identity, address, and phone number; (b) a copy of the engagement letter; and (c) a summary and description of any and all current and prior engagements and agreements between Novartis and the IRO;

11. a certification from the IRO regarding its professional independence and objectivity with respect to Novartis;

12. a description of the Disclosure Program required by Section III.E;

13. a description of the process by which Novartis fulfills the requirements of Section III.F regarding Ineligible Persons;

14. a certification by the U.S. Chief Compliance Officer that the notice required by Section III.L was mailed to each HCP and HCI, the number of HCPs and HCIs to whom the notice was mailed, a sample copy of the notice required by Section III.L, and a summary of the calls or messages received in response to the notice;

15. a certification from the U.S. Chief Compliance Officer that, if required under Section III.M and to the best of his/her knowledge, information regarding Payments has been posted on Novartis' website as required by Section III.M;

16. a list of all of Novartis' locations (including locations and mailing addresses); the corresponding name under which each location is doing business; the corresponding phone numbers and fax numbers; each location's Federal health care program provider number and/or supplier number(s) (if applicable); and the name and address of any each Federal health care program contractor to which Novartis currently submits claims (if applicable);

17. a description of Novartis' corporate structure, including identification of any parent and sister companies, subsidiaries, and their respective lines of business; and

18. the certifications required by Section V.C.

B. Annual Reports. Novartis shall submit to OIG annually a report with respect to the status of, and findings regarding, Novartis' compliance activities for each of the five Reporting Periods (Annual Report).

Each Annual Report shall include, at a minimum:

1. any change in the identity, position description, or other noncompliance job responsibilities of the Chief Compliance Officer and any change in the membership of the Compliance Committee, the Board of Directors, or the group of Certifying Employees described in Sections III.A.2-4;

2. the following information regarding the Compliance Expert: (a) identity, address, and phone number; (b) a copy of the engagement letter; and (c) a summary and description of any and all current and prior engagements and agreements between Novartis and the Compliance Expert;

3. a complete copy of the Compliance Review Report (including the certification from the Compliance Expert regarding its professional independence and objectivity with respect to Novartis);

4. a copy of the resolution by the Board required by Section III.A.3;

5. the number of individuals required to complete the Code of Conduct certification required by Section III.B.1, the percentage of individuals who have completed such certification, and an explanation of any exceptions (the documentation supporting this information shall be available to OIG, upon request);

6. (a) a copy of the letter (including all attachments) required by Section II.C.6 and III.B.2 sent to each party employing Third Party Personnel; (b) a list of all such existing co-promotions and other applicable agreements; and (c) a description of the entities' response to Novartis' letter;

7. a summary of any significant changes or amendments to the Policies and Procedures required by Section III.B and the reasons for such changes (e.g., change in applicable requirements);

8. the following information regarding each type of training required by Section III.C:

a. a description of the initial and annual training, including a summary of the topics covered, the length of sessions, and a schedule of training sessions; and

b. the number of individuals required to complete the initial and annual training, the percentage of individuals who actually completed the initial and annual training, and an explanation of any exceptions.

A copy of all training materials and the documentation supporting this information shall be available to OIG, upon request.

9. a complete copy of all reports prepared pursuant to Section III.D, along with a copy of the IRO's engagement letter;

10. Novartis' response to the reports prepared pursuant to Section III.D, along with corrective action plan(s) related to any issues raised by the reports;

11. a summary and description of any and all current and prior engagements and agreements between Novartis and the IRO, (if different from what was submitted as part of the Implementation Report);

12. a certification from the IRO regarding its professional independence and objectivity with respect to Novartis;

13. a summary of the disclosures in the disclosure log required by Section III.E that relate to Federal health care programs or Government Reimbursed Products;

14. any changes to the process by which Novartis fulfills the requirements

of Section III.F regarding Ineligible Persons;

15. a summary describing any ongoing investigation or legal proceeding required to have been reported pursuant to Section III.G. The summary shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding;

16. a summary of Reportable Events (as defined in Section III.H) identified during the Reporting Period and the status of any corrective and preventative action relating to all such Reportable Events;

17. a summary describing any written communication with the FDA required to have been reported pursuant to Section III.I. This summary shall include a description of the matter and the status of the matter;

18. a summary of the FFMP and the results of the FFMP required by Section III.J, including copies of the Observation report for any instances in which it was determined that improper promotion occurred and a description of the action(s) that Novartis took as a result of such determinations;

19. a summary of the Non-Promotional Monitoring Program and the results of the program described in Section III.K, including detailed description of any identified instances in which it was determined that the activities violated Novartis' policies or that improper promotion of Government Reimbursed Products occurred and a description of the action(s) Novartis took as a result of such determinations;

20. a summary of the calls and messages received in response to the notice required by Section III.L and the disposition of those calls and messages;

21. a description of all changes to the most recently provided list of Novartis' locations (including addresses) as required by Section V.A.16; the corresponding name under which each location is doing business; and the corresponding phone numbers and fax numbers;

22. a description of any additional, updated, supplemental or changed information submitted to any Compendia in accordance with Section III.B.3.r; and a description of all arrangements, processing fees, and other payments or financial support

(if any) with or made to any Compendia evaluated during the annual review described in Section III.B.3.r; and

23. the certifications required by Section V.C.

The first Annual Report shall be received by OIG no later than 90 days after the end of the first Reporting Period. Subsequent Annual Reports shall be received by OIG no later than the anniversary date of the due date of the first Annual Report.

C. Certifications.

1. Certifying Employees: In each Annual Report, Novartis shall include the certifications of Certifying Employees as required by Section III.A.4;

2. Compliance Officer: In each Implementation Report and Annual Report, Novartis shall include the following individual certification by the Chief Compliance Officer:

1. to the best of his or her knowledge, except as otherwise described in the report, Novartis is in compliance with in compliance with the Federal health care program and FDA requirements and all of the requirements of this CIA;

2. he or she has reviewed the report and has made reasonable inquiry regarding its content and believes that the information in the report is accurate and truthful;

3. Novartis': 1) Policies and Procedures as referenced in Section III.B.3 above; 2) templates for standardized contracts and other similar documents; and 3) the training materials used for purposes of Section III.C all have been reviewed by competent legal counsel and have been found by these individuals to be in compliance with all applicable Federal health care program and FDA requirements. In addition, Novartis' promotional materials containing claims or information about Government Reimbursed Products and other materials and information intended to be disseminated outside Novartis have been reviewed by competent regulatory, medical, or, as appropriate, legal counsel in accordance with applicable Policies and Procedures to ensure that legal, medical, and regulatory concerns have been addressed by Novartis and brought to the attention of the appropriate individuals when required, and that the materials and

information when finally approved have been found by these individuals to be in compliance with all applicable Federal health care program and FDA requirements. If the applicable legal requirements have not changed, after the initial review of the documents listed above, only material changes to the documents must be reviewed by competent legal counsel. The certification shall include a description of the document(s) reviewed and approximately when the review was completed. The documentation supporting this certification shall be available to OIG, upon request; and

4. Novartis' call plans for Government Reimbursed Products were reviewed at least once during the Reporting Period (consistent with Section III.B.3.f) and, for each product the call plans were found to be consistent with Novartis' policy objectives as referenced above in Section III.B.3.i.

D. Designation of Information. Novartis shall clearly identify any portions of its submissions that it believes are trade secrets, or information that is commercial or financial and privileged or confidential, and therefore potentially exempt from disclosure under the Freedom of Information Act (FOIA), 5 U.S.C. § 552. Novartis shall refrain from identifying any information as exempt from disclosure if that information does not meet the criteria for exemption from disclosure under FOIA.

VI. NOTIFICATIONS AND SUBMISSION OF REPORTS

Unless otherwise stated in writing after the Effective Date, all notifications and reports required under this CIA shall be submitted to the following entities:

OIG: Administrative and Civil Remedies Branch
Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services
Cohen Building, Room 5527
330 Independence Avenue, S.W.
Washington, DC 20201
Telephone: 202.619.2078
Facsimile: 202.205.0604

Novartis: Cynthia Cetani
Vice President, Ethics & Compliance

(Chief Compliance Officer)
Novartis Pharmaceuticals Corporation
One Health Plaza
East Hanover, NJ 07936-1080
Phone: 862.778.3949
Fax: 973.781.2984

Unless otherwise specified, all notifications and reports required by this CIA may be made by certified mail, overnight mail, hand delivery, or other means, provided that there is proof that such notification was received. For purposes of this requirement, internal facsimile confirmation sheets do not constitute proof of receipt. Upon request by OIG, Novartis may be required to provide OIG with an electronic copy of each notification or report required by this CIA in searchable portable document format (pdf), either instead of or in addition to, a paper copy.

VII. OIG INSPECTION, AUDIT, AND REVIEW RIGHTS

In addition to any other rights OIG may have by statute, regulation, or contract, OIG or its duly authorized representative(s) may examine or request copies of Novartis' books, records, and other documents and supporting materials and/or conduct on-site reviews of any of Novartis' locations for the purpose of verifying and evaluating: (a) Novartis' compliance with the terms of this CIA; and (b) Novartis' compliance with the requirements of the Federal health care programs in which it participates and with all applicable FDA requirements. The documentation described above shall be made available by Novartis to OIG or its duly authorized representative(s) at all reasonable times for inspection, audit, or reproduction. Furthermore, for purposes of this provision, OIG or its duly authorized representative(s) may interview any of Novartis' employees, contractors, or agents who consent to be interviewed at the individual's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the individual and OIG. Novartis shall assist OIG or its duly authorized representative(s) in contacting and arranging interviews with such individuals upon OIG's request. Novartis' employees may elect to be interviewed with or without a representative of Novartis present.

VIII. DOCUMENT AND RECORD RETENTION

Novartis shall maintain for inspection all documents and records relating to reimbursement from the Federal health care programs and to compliance with this CIA for six years (or longer if otherwise required by law) from the Effective Date.

IX. DISCLOSURES

Consistent with HHS's FOIA procedures, set forth in 45 C.F.R. Part 5, OIG shall make a reasonable effort to notify Novartis prior to any release by OIG of information submitted by Novartis pursuant to its obligations under this CIA and identified upon submission by Novartis as trade secrets, or information that is commercial or financial and privileged or confidential, under the FOIA rules. With respect to such releases, Novartis shall have the rights set forth at 45 C.F.R. § 5.65(d).

X. BREACH AND DEFAULT PROVISIONS

Novartis is expected to fully and timely comply with all of its CIA obligations. The breach and default remedies available to the OIG under this Section X do not preempt any actions that individual States may take against Novartis under any applicable settlement agreement or consent decree between the State and Novartis.

A. Stipulated Penalties for Failure to Comply with Certain Obligations. As a contractual remedy, Novartis and OIG hereby agree that failure to comply with certain obligations as set forth in this CIA may lead to the imposition of the following monetary penalties (hereinafter referred to as "Stipulated Penalties") in accordance with the following provisions.

1. A Stipulated Penalty of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Novartis fails to establish and implement any of the following obligations as described in Section III:

- a. a Chief Compliance Officer;
- b. a Compliance Committee;

- c. the resolution from the Board;
- c. a written Code of Conduct;
- d. written Policies and Procedures;
- e. the training of Covered Persons and Relevant Covered Persons;
- f. a Disclosure Program;
- g. Ineligible Persons screening and removal requirements;
- h. notification of Government investigations or legal proceedings;
- i. reporting of Reportable Events;
- j. notification of written communications with FDA as required by Section III.I;
- k. a program for FFMP as required by Section III.J;
- l. a program for Non-Promotional Monitoring Program as required by Section III.K;
- m. notification to HCPs and HCIs as required by Section III.L; and
- n. posting of any Payments as required by Section III.M.

2. A Stipulated Penalty of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Novartis fails to engage a Compliance Expert as required in Section III.A.3, or an IRO, as required in Section III.D, Appendix A, and Appendix B.

3. A Stipulated Penalty of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Novartis fails to submit the Implementation Report or any Annual Reports to OIG in accordance with the requirements of Section V by the deadlines for submission.

4. A Stipulated Penalty of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Novartis fails to submit any IRO Review Report in accordance with the requirements of Section III.D and Appendix B.

5. A Stipulated Penalty of \$1,500 for each day Novartis fails to grant access as required in Section VII. (This Stipulated Penalty shall begin to accrue on the date Novartis fails to grant access.)

6. A Stipulated Penalty of \$5,000 for each false certification submitted by or on behalf of Novartis as part of its Implementation Report, Annual Report, additional documentation to a report (as requested by the OIG), or otherwise required by this CIA.

7. A Stipulated Penalty of \$1,000 for each day Novartis fails to comply fully and adequately with any obligation of this CIA. OIG shall provide notice to Novartis stating the specific grounds for its determination that Novartis has failed to comply fully and adequately with the CIA obligation(s) at issue and steps Novartis shall take to comply with the CIA. (This Stipulated Penalty shall begin to accrue 10 days after Novartis receives this notice from OIG of the failure to comply.) A Stipulated Penalty as described in this Subsection shall not be demanded for any violation for which OIG has sought a Stipulated Penalty under Subsections 1- 6 of this Section.

B. Timely Written Requests for Extensions. Novartis may, in advance of the due date, submit a timely written request for an extension of time to perform any act or file any notification or report required by this CIA. Notwithstanding any other provision in this Section, if OIG grants the timely written request with respect to an act, notification, or report, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until one day after Novartis fails to meet the revised deadline set by OIG. Notwithstanding any other provision in this Section, if OIG denies such a timely written request, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until three business days after Novartis receives OIG's written denial of such request or the original due date, whichever is later. A "timely written request" is defined as a request in writing received by OIG at least five business days prior to the date by which any act is due to be performed or any notification or report is due to be filed.

C. Payment of Stipulated Penalties.

1. *Demand Letter.* Upon a finding that Novartis has failed to comply with any of the obligations described in Section X.A and after determining that Stipulated Penalties are appropriate, OIG shall notify Novartis of: (a) Novartis' failure to comply; and (b) OIG's exercise of its contractual right to demand payment of the Stipulated Penalties (this notification is referred to as the "Demand Letter").

2. *Response to Demand Letter.* Within 10 days after the receipt of the Demand Letter, Novartis shall either: (a) cure the breach to OIG's satisfaction and pay the applicable Stipulated Penalties or (b) request a hearing before an HHS administrative law judge (ALJ) to dispute OIG's determination of noncompliance, pursuant to the agreed upon provisions set forth below in Section X.E. In the event Novartis elects to request an ALJ hearing, the Stipulated Penalties shall continue to accrue until Novartis cures, to OIG's satisfaction, the alleged breach in dispute. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this CIA and shall be grounds for exclusion under Section X.D.

3. *Form of Payment.* Payment of the Stipulated Penalties shall be made by electronic funds transfer to an account specified by OIG in the Demand Letter.

4. *Independence from Material Breach Determination.* Except as set forth in Section X.D.1.d, these provisions for payment of Stipulated Penalties shall not affect or otherwise set a standard for OIG's decision that Novartis has materially breached this CIA, which decision shall be made at OIG's discretion and shall be governed by the provisions in Section X.D, below.

D. Exclusion for Material Breach of this CIA.

1. *Definition of Material Breach.* A material breach of this CIA means:

a. a repeated or flagrant violation of the obligations under this CIA, including, but not limited to, the obligations addressed in Section X.A;

b. a failure by Novartis to report a Reportable Event and take corrective action as required in Section III.H;

- c. a failure to engage and use an IRO in accordance with Section III.D and Appendix B;
- d. a failure to respond to a Demand Letter concerning the payment of Stipulated Penalties in accordance with Section X.C; or
- e. a failure of the Board to issue a resolution in accordance with Section III.A.3.

2. *Notice of Material Breach and Intent to Exclude.* The parties agree that a material breach of this CIA by Novartis constitutes an independent basis for Novartis' exclusion from participation in the Federal health care programs. Upon a determination by OIG that Novartis has materially breached this CIA and that exclusion is the appropriate remedy, OIG shall notify Novartis of: (a) Novartis' material breach; and (b) OIG's intent to exercise its contractual right to impose exclusion (this notification is hereinafter referred to as the "Notice of Material Breach and Intent to Exclude").

3. *Opportunity to Cure.* Novartis shall have 30 days from the date of receipt of the Notice of Material Breach and Intent to Exclude to demonstrate to OIG's satisfaction that:

- a. Novartis is in compliance with the obligations of the CIA cited by OIG as being the basis for the material breach;
- b. the alleged material breach has been cured; or
- c. the alleged material breach cannot be cured within the 30 day period, but that: (i) Novartis has begun to take action to cure the material breach; (ii) Novartis is pursuing such action with due diligence; and (iii) Novartis has provided to OIG a reasonable timetable for curing the material breach.

4. *Exclusion Letter.* If, at the conclusion of the 30 day period, Novartis fails to satisfy the requirements of Section X.D.3, OIG may exclude Novartis from participation in the Federal health care programs. OIG shall notify Novartis in writing of its determination to exclude Novartis (this letter shall be referred to hereinafter as the "Exclusion Letter"). Subject to the Dispute Resolution provisions in Section X.E, below,

the exclusion shall go into effect 30 days after the date of Novartis' receipt of the Exclusion Letter. The exclusion shall have national effect and shall also apply to all other Federal procurement and nonprocurement programs. Reinstatement to program participation is not automatic. After the end of the period of exclusion, Novartis may apply for reinstatement by submitting a written request for reinstatement in accordance with the provisions at 42 C.F.R. §§ 1001.3001-.3004.

E. Dispute Resolution

1. *Review Rights.* Upon OIG's delivery to Novartis of its Demand Letter or of its Exclusion Letter, and as an agreed-upon contractual remedy for the resolution of disputes arising under this CIA, Novartis shall be afforded certain review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. Part 1005 as if they applied to the Stipulated Penalties or exclusion sought pursuant to this CIA. Specifically, OIG's determination to demand payment of Stipulated Penalties or to seek exclusion shall be subject to review by an HHS ALJ and, in the event of an appeal, the HHS Departmental Appeals Board (DAB), in a manner consistent with the provisions in 42 C.F.R. § 1005.2-1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving Stipulated Penalties shall be made within 10 days after receipt of the Demand Letter and the request for a hearing involving exclusion shall be made within 25 days after receipt of the Exclusion Letter.

2. *Stipulated Penalties Review.* Notwithstanding any provision of Title 42 of the United States Code or Title 42 of the Code of Federal Regulations, the only issues in a proceeding for Stipulated Penalties under this CIA shall be: (a) whether Novartis was in full and timely compliance with the obligations of this CIA for which OIG demands payment; and (b) the period of noncompliance. Novartis shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. OIG shall not have the right to appeal to the DAB an adverse ALJ decision related to Stipulated Penalties. If the ALJ agrees with OIG with regard to a finding of a breach of this CIA and orders Novartis to pay Stipulated Penalties, such Stipulated Penalties shall become due and payable 20 days after the ALJ issues such a decision unless Novartis requests review of the ALJ decision by the DAB. If the ALJ decision is properly appealed to the DAB and the DAB upholds the determination of OIG, the Stipulated Penalties shall become due and payable 20 days after the DAB issues its decision.

3. *Exclusion Review.* Notwithstanding any provision of Title 42 of the United States Code or Title 42 of the Code of Federal Regulations, the only issues in a proceeding for exclusion based on a material breach of this CIA shall be:

- a. whether Novartis was in material breach of this CIA;
- b. whether such breach was continuing on the date of the Exclusion Letter; and
- c. whether the alleged material breach could not have been cured within the 30-day period, but that: (i) Novartis had begun to take action to cure the material breach within that period; (ii) Novartis has pursued and is pursuing such action with due diligence; and (iii) Novartis provided to OIG within that period a reasonable timetable for curing the material breach and Novartis has followed the timetable.

For purposes of the exclusion herein, exclusion shall take effect only after an ALJ decision favorable to OIG, or, if the ALJ rules for Novartis, only after a DAB decision in favor of OIG. Novartis' election of its contractual right to appeal to the DAB shall not abrogate OIG's authority to exclude Novartis upon the issuance of an ALJ's decision in favor of OIG. If the ALJ sustains the determination of OIG and determines that exclusion is authorized, such exclusion shall take effect 20 days after the ALJ issues such a decision, notwithstanding that Novartis may request review of the ALJ decision by the DAB. If the DAB finds in favor of OIG after an ALJ decision adverse to OIG, the exclusion shall take effect 20 days after the DAB decision. Novartis shall waive its right to any notice of such an exclusion if a decision upholding the exclusion is rendered by the ALJ or DAB. If the DAB finds in favor of Novartis, Novartis shall be reinstated effective on the date of the original exclusion.

4. *Finality of Decision.* The review by an ALJ or DAB provided for above shall not be considered to be an appeal right arising under any statutes or regulations. Consequently, the parties to this CIA agree that the DAB's decision (or the ALJ's decision if not appealed) shall be considered final for all purposes under this CIA.

XI. EFFECTIVE AND BINDING AGREEMENT

Novartis and OIG agree as follows:

- A. This CIA shall be binding on the successors, assigns, and transferees of Novartis;
- B. This CIA shall become final and binding on the date the final signature is obtained on the CIA;
- C. This CIA constitutes the complete agreement between the parties and may not be amended except by written consent of the parties to this CIA;
- D. The undersigned Novartis signatories represent and warrant that they are authorized to execute this CIA. The undersigned OIG signatory represents that he is signing this CIA in his official capacity and that he is authorized to execute this CIA.
- E. This CIA may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same CIA. Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this CIA.

ON BEHALF OF NOVARTIS PHARMACEUTICALS CORPORATION

Cynthia Cetani
Cynthia Cetani
Vice President, Ethics & Compliance
(Chief Compliance Officer)
Novartis Pharmaceuticals Corporation

9/29/10
DATE

Robert P. Brady
Hogan Lovells
Counsel for Novartis Pharmaceuticals Corporation

DATE

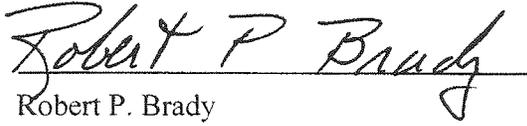
Evan R. Chesler
Cravath, Swaine & Moore, LLP
Counsel for Novartis Pharmaceuticals Corporation

DATE

ON BEHALF OF NOVARTIS PHARMACEUTICALS CORPORATION

Cynthia Cetani
Vice President, Ethics & Compliance
(Chief Compliance Officer)
Novartis Pharmaceuticals Corporation

DATE


Robert P. Brady
Hogan Lovells
Counsel for Novartis Pharmaceuticals Corporation


DATE

Evan R. Chesler
Cravath, Swaine & Moore, LLP
Counsel for Novartis Pharmaceuticals Corporation

DATE

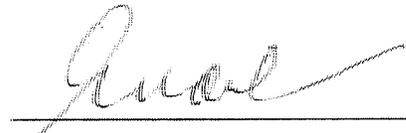
ON BEHALF OF NOVARTIS PHARMACEUTICALS CORPORATION

Cynthia Cetani
Vice President, Ethics & Compliance
(Chief Compliance Officer)
Novartis Pharmaceuticals Corporation

DATE

Robert P. Brady
Hogan Lovells
Counsel for Novartis Pharmaceuticals Corporation

DATE



Evan R. Chesler
Crawath, Swaine & Moore, LLP
Counsel for Novartis Pharmaceuticals Corporation

DATE

Sept. 29, 2010

**ON BEHALF OF THE OFFICE OF INSPECTOR GENERAL
OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES**



GREGORY E. DEMSKE
Assistant Inspector General for Legal Affairs
Office of Inspector General
U. S. Department of Health and Human Services

9/29/10

DATE

APPENDIX A

INDEPENDENT REVIEW ORGANIZATION

This Appendix contains the requirements relating to the Independent Review Organization (IRO) required by Section III.D of the CIA.

A. IRO Engagement

1. Novartis shall engage an IRO that possesses the qualifications set forth in Paragraph B, below, to perform the responsibilities in Paragraph C, below. The IRO shall conduct its reviews in a professionally independent and objective fashion, as set forth in Paragraph D. Within 30 days after OIG receives the information identified in Section V.A.10 of the CIA or any additional information submitted by Novartis in response to a request by OIG, whichever is later, OIG will notify Novartis if the IRO is unacceptable. Absent notification from OIG that the IRO is unacceptable, Novartis may continue to engage the IRO.

2. If Novartis engages a new IRO during the term of the CIA, this IRO shall also meet the requirements of this Appendix. If a new IRO is engaged, Novartis shall submit the information identified in Section V.A.10 of the CIA to OIG within 30 days of engagement of the IRO. Within 30 days after OIG receives this information or any additional information submitted by Novartis at the request of OIG, whichever is later, OIG will notify Novartis if the IRO is unacceptable. Absent notification from OIG that the IRO is unacceptable, Novartis may continue to engage the IRO.

B. IRO Qualifications

The IRO shall:

1. assign individuals to conduct the IRO Reviews who have expertise in all applicable Federal health care program and FDA requirements relating to Promotional Functions and to Product Related Functions. The assigned individuals also shall be knowledgeable about the general requirements of the Federal health care program(s) under which Government Reimbursed Products are reimbursed;

2. assign individuals to design and select samples for the Transactions Reviews who are knowledgeable about the appropriate statistical sampling techniques; and

3. have sufficient staff and resources to conduct the reviews required by the CIA on a timely basis.

C. IRO Responsibilities

The IRO shall:

1. perform each IRO Review in accordance with the specific requirements of the CIA;
2. follow all applicable Federal health care program and FDA requirements in making assessments in each IRO Review;
3. if in doubt of the application of a particular Federal health care program or FDA requirement, policy, or regulation, request clarification from the appropriate authority (e.g., CMS or FDA);
4. respond to all OIG inquiries in a prompt, objective, and factual manner; and
5. prepare timely, clear, well-written reports that include all the information required by Appendix B to the CIA.

D. IRO Independence and Objectivity

The IRO must perform the IRO Review in a professionally independent and objective fashion, as appropriate to the nature of the engagement, taking into account any other business relationships or engagements that may exist between the IRO and Novartis.

E. IRO Removal/Termination

1. *Provider and IRO.* If Novartis terminates its IRO or if the IRO withdraws from the engagement during the term of the CIA, Novartis must submit a notice explaining its reasons for termination or the reason for withdrawal to OIG no later than 30 days after termination or withdrawal. Novartis must engage a new IRO in accordance with Paragraph A of this Appendix and within 60 days of termination or withdrawal of the prior IRO or at least 60 days prior to the end of the current Reporting Period, whichever is earlier.
2. *OIG Removal of IRO.* In the event OIG has reason to believe that the IRO does not possess the qualifications described in Paragraph B, is not independent and/or objective as set forth in Paragraph D, or has failed to carry out its responsibilities as described in Paragraph C, OIG may, at its sole discretion, require Novartis to engage a new IRO in accordance with Paragraph A of this Appendix. Novartis must engage a new

IRO within 60 days of termination of the prior IRO or at least 60 days prior to the end of the current Reporting Period, whichever is earlier.

Prior to requiring Novartis to engage a new IRO, OIG shall notify Novartis of its intent to do so and provide a written explanation of why OIG believes such a step is necessary. To resolve any concerns raised by OIG, Novartis may present additional information regarding the IRO's qualifications, independence, or performance of its responsibilities. OIG will attempt in good faith to resolve any differences regarding the IRO with Novartis prior to requiring Novartis to terminate the IRO. However, the final determination as to whether or not to require Novartis to engage a new IRO shall be made at the sole discretion of OIG.

**Appendix B to CIA
Promotional and Product Related Review**

I. Promotional and Product Related Review, General Description

As specified more fully below, Novartis shall retain an Independent Review Organization (IRO) to perform reviews to assist Novartis in assessing and evaluating its systems, processes, policies, procedures, and practices related to Novartis' Promotional Functions and Product Related Functions (IRO Review). The IRO Review shall consist of two components - a systems review (Systems Review) and a transactions review (Transactions Review) as described more fully below. Novartis may engage, at its discretion, a single IRO to perform both components of the IRO Review provided that the entity has the necessary expertise and capabilities to perform both.

If there are no material changes in Novartis' systems, processes, policies, and procedures relating to applicable Promotional Functions and/or Product Related Functions, the IRO shall perform the Systems Review for the first and fourth Reporting Periods. If Novartis materially changes its systems, processes, policies, and procedures relating to applicable Promotional Functions and/or Product Related Functions, the IRO shall perform a Systems Review for the Reporting Period(s) in which such changes were made in addition to conducting the Review for the first and fourth Reporting Periods. The additional Systems Review(s) shall consist of: 1) an identification of the material changes; 2) an assessment of whether other systems, processes, policies, and procedures previously reported did not materially change; and 3) a review of the systems, processes, policies, and procedures that materially changed. The IRO shall conduct the Transactions Review for each Reporting Period of the CIA.

II. IRO Systems Review

A. Description of Reviewed Policies and Procedures

The Systems Review shall be a review of Novartis' systems, processes, policies, and procedures (including the controls on those systems, processes, policies, and procedures) relating to certain Promotional Functions and Product Related Functions. Where practical, Novartis personnel may compile documentation, schedule and organize interviews, and undertake other efforts to assist the IRO in performing the Systems Review. The IRO is not required to undertake a de novo review of the information gathered or activities undertaken by Novartis pursuant to the preceding sentence.

Specifically, the IRO shall review Novartis' systems, processes, policies, and procedures associated with the following (hereafter "Reviewed Policies and Procedures"):

- 1) Novartis' systems, policies, processes, and procedures applicable to the manner in which Novartis sales representatives handle and submit requests or inquiries to Medical Information & Communications ("MIC") relating to information about the uses of Novartis Government Reimbursed Products

(including non-FDA-approved (i.e., off-label) uses) and the dissemination of materials relating to off-label uses of Novartis Government Reimbursed Products.

This review shall include:

- a) the manner in which Novartis sales representatives handle and submit or generate requests for information about off-label uses of Government Reimbursed Products to MIC;
 - b) the manner in which MIC personnel handle and respond to requests for information about off-label uses of Government Reimbursed Products (including tracking the requests and using the materials provided in response to the request);
 - c) the form and content of information and materials related to Government Reimbursed Products that are disseminated to physicians, pharmacists, or other health care professionals (collectively “HCPs”) or health care institutions (HCIs) by Novartis;
 - d) Novartis’ systems, processes, and procedures (including the Inquiries Database) used to track requests for information about off-label uses of Novartis Government Reimbursed Products and responses to those requests;
 - e) the manner in which Novartis collects and supports information reported in any systems used to track and respond to requests for product information, including the Inquiries Database;
 - f) the processes and procedures by which MIC and Novartis’ Compliance Department or their designees monitor and identify situations in which it appears that improper off-label promotion may have occurred; and
 - g) Novartis’ processes and procedures for investigating, documenting, resolving, and taking appropriate disciplinary action for potential situations involving improper promotion;
- 2) Novartis’ systems, processes, policies and procedures applicable to the manner and circumstances under which personnel from Medical Affairs (e.g., medical science liaisons or other medical or scientific personnel) interact with or participate in meetings or events with HCPs or HCIs (either alone or with sales representatives) and the role of the Medical Affairs personnel at such meetings or events, including the manner in which the Medical Affairs personnel handle responses to unsolicited requests about off-label indications of Government Reimbursed Products. This review shall include any internal monitoring plan designed to monitor the activities of Medical Affairs personnel;
- 3) Novartis’ systems, policies, processes, and procedures relating to Novartis’ internal review and approval of information and materials related

to Government Reimbursed Products that are disseminated to HCPs or HCIs by Novartis;

- 4) Novartis' systems, processes, policies, and procedures relating to incentive compensation (including through salaries, bonuses, or contests) for Relevant Covered Persons who are sales representatives, with regard to whether the systems, policies, processes, and procedures are designed to ensure that financial incentives do not inappropriately motivate such individuals to engage in the improper promotion, sales, and marketing of Novartis' Government Reimbursed Products. This shall include a review of the bases upon which compensation is determined and the extent to which compensation is based on product performance. To the extent that Novartis establishes different methods of compensation for different Government Reimbursed Products, the IRO shall review each type of compensation arrangement separately;
- 5) Novartis' systems, processes, policies, and procedures relating to the development, implementation, and review of Call Plans (as defined in Section III.B.3.i of the CIA.) This shall include a review of the bases upon which HCPs and HCIs belonging to specified medical specialties are included in, or excluded from, the Call Plans based on, among other factors, expected utilization of Government Reimbursed Products for FDA-approved uses or non-FDA-approved uses;
- 6) Novartis' systems, processes, policies, and procedures relating to the development, implementation, and review of Sample Distribution Plans (as defined in Section III.B.3.j of the CIA). This shall include a review of the bases upon, and circumstances under, which HCPs and HCIs belonging to specified medical specialties or types of clinical practice may receive samples from Novartis (including, separately, from Novartis sales representatives and other Novartis personnel, components, or vendors);
- 7) Novartis' systems (including any centralized electronic system), processes, policies, and procedures relating to speaker programs, speaker training programs, and all events and expenses relating to such engagements or arrangements;
- 8) Novartis' systems, processes, policies, and procedures relating to non-speaker related consultant or other fee-for-service arrangements entered into with HCPs or HCIs (including, but not limited to, presentations, consultant task force meetings, advisory boards, preceptorships, mentorships (if any), and ad hoc advisory activities, and any other financial engagement or arrangement with an HCP or HCI) and all events and expenses relating to such engagements or arrangements;
- 9) Novartis' systems, processes, policies and procedures relating to the

submission of information about any Government Reimbursed Products to any compendia such as Drugdex or other published source of information used in connection with the determination of coverage by a Federal health care program for the such products (“Compendia”). This includes any initial submission of information to any Compendia and the submission of any additional, updated, supplemental, or changed information, (e.g., any changes based on Novartis’ discovery of erroneous or scientifically unsound information or data associated with the information in the Compendia.) The review shall also assess Novartis’ processes relating to its annual review of all arrangement, processing fees, or other payments or financial support (if any) provided by the company to any Compendia;

10) Novartis’ systems, processes, policies, and procedures relating to investigator-initiated studies (ISSs) including the decision to provide financial or other support for those studies; the manner in which support is provided for those studies; and support for publication of the information about those studies, including publication of information about the trial outcomes and results and the uses made of publications relating to those studies; and

11) Novartis’ systems, processes, policies and procedures relating to authorship or any articles or other publications about Novartis products or about therapeutic areas or disease states that may be treated with Novartis products, including, but not limited to, the disclosure of any and all relationships between the author and Novartis, the identification of all authors or contributors (including professional writer, if any) associated with a given publication, and the scope and breadth of research results made available to each author or contributor.

B. IRO Systems Review Report

The IRO shall prepare a report based upon each Systems Review. For each of the Reviewed Policies and Procedures identified in Section II.A above, the report shall include the following items:

- 1) a description of the documentation (including policies) reviewed and any personnel interviewed;
- 2) a detailed description of Novartis’ systems, policies, processes, and procedures relating to the items identified in Sections II.A. 1-11 above, including a general description of Novartis’ control and accountability systems (e.g., documentation and approval requirements, and tracking mechanisms) and written policies regarding the Reviewed Policies and Procedures;
- 3) a description of the manner in which the control and accountability systems and the written policies relating to the items identified in Sections II.A. 1-11 above are made known or disseminated within Novartis;

- 4) a detailed description of any system(s) used to track and respond to requests for information about Novartis' Government Reimbursed Products (including the Inquiries Database);
- 5) a detailed description of Novartis' incentive compensation system for Relevant Covered Persons who are sales representatives, including a description of the bases upon which compensation is determined and the extent to which compensation is based on product performance. To the extent that Novartis may establish compensation differently for individual products, the IRO shall report separately on each such type of compensation arrangement;
- 6) findings and supporting rationale regarding any weaknesses in Novartis' systems, processes, policies, and procedures relating to the Reviewed Policies and Procedures, if any; and
- 7) recommendations to improve any of the systems, policies, processes, or procedures relating to the Reviewed Policies and Procedures, if any.

III. IRO Transaction Review

As described more fully below in Sections III.A-E, the Transactions Review shall include: (1) a review of a sample of Inquiries reflected in the Inquiries Database; (2) a review of Novartis' Call Plans and Novartis' Call Plan review process; (3) a review of Sampling Events as defined below in Section III.C and Novartis' Sample Distribution Plan review process; (4) a review of records relating to a sample of the Payments that are reported by Novartis pursuant to Section III.M of the CIA; and (5) a review of up to three additional items identified by the OIG in accordance with Section III.D. 1 .b of the CIA (hereafter "Additional Items".) The IRO shall report on all aspects of its reviews in the Transactions Review Reports.

A. Review of Inquiries and Inquiries Database

1) Description of Inquiries Database

As set forth in Section III.B.3.g of the CIA, Novartis shall establish a database (Inquiries Database) to track information relating to all requests for information received by Novartis about its Government Reimbursed Products (Inquiries). Novartis shall record in the Inquiries Database the following information for each Inquiry received: 1) date of Inquiry; 2) form of Inquiry (e.g., fax, phone, medical information request form); 3) name of requesting HCP, managed markets customer, or HCI; 4) nature and topic of request including exact language of the Inquiry if made in writing); 5) the nature/form of the response from Novartis (including a record of any materials provided in response to the request); and 6) the name of the Novartis representative who called upon or interacted with the HCP, managed markets customer, or HCI (if known).

2) Internal Review of Inquiries Database

On a semi-annual basis, the Chief Compliance Officer or designee shall review the Inquiries Database and related information, as appropriate, and shall generate a report summarizing the items of information outlined in Section III.A. 1 above for each Inquiry received during the preceding two quarters (Inquiry Report). The Chief Compliance Officer or designee shall review the Inquiry Reports to assess whether the information contained in the report suggests that improper off-label promotion may have occurred in connection with any Inquiry(ies). If the Chief Compliance Officer or designee, in consultation with other appropriate Novartis personnel, suspects that improper off-label promotion may have occurred in connection with any Inquiry, the Chief Compliance Officer or designee shall undertake a follow-up review of the Inquiry (Off-Label Review), make specific findings based on his/her Off-Label Review, and take all appropriate responsive action (including disciplinary action of the Covered Person and reporting of the conduct, including disclosing Reportable Events pursuant to Section III.H of the CIA, if applicable).

3) IRO Review of Inquiries Reflected in Inquiries Database

The IRO shall select and review a random sample of 50 Inquiries from among the Inquiries reflected in the Inquiries Database for each Reporting Period. Forty of the Inquiries reviewed by the IRO shall be Inquiries for which Novartis conducted an Off-Label Review, and the other 10 shall be Inquiries for which Novartis did not conduct an Off-Label Review. If Novartis conducted an Off-Label Review on fewer than 40 Inquiries, additional Inquiries may be selected for which an Off-Label Review was not conducted to reach a total of 50 Inquiries. For each Inquiry reviewed, the IRO shall determine:

- a) Whether each item of information listed above in Section III.A. 1 is reflected in the Inquiries Database for each reviewed Inquiry; and
- b) For each Inquiry for which the Chief Compliance Officer or designee conducted an Off-Label Review, the basis for suspecting that improper off-label promotion may have occurred; the steps undertaken as part of the Off-Label Review; the findings of the Chief Compliance Officer or designee as a result of the Off-Label Review; and any follow-up actions taken by Novartis based on the Off-Label Review findings.

B. IRO Review of Novartis' Call Plans and Call Plan Review Process

The IRO shall conduct a review and assessment of Novartis' review of its Call Plans as set forth in Section III.B.3.i of the CIA. Novartis shall provide the IRO with: i) a list of Government Reimbursed Products promoted by Novartis during the Reporting Period; ii) information about the FDA-approved uses for each Novartis Government Reimbursed

Product; and iii) the Call Plans for each Government Reimbursed Product. Novartis shall also provide the IRO with information about the reviews of Call Plans that Novartis conducted during the Reporting Period and any modifications to the Call Plans made as a result of Novartis' reviews.

For each Call Plan, the IRO shall select a sample of 50 of the HCPs and HCIs included on each Call Plan. For each Call Plan, the IRO shall compare the sampled HCPs and HCIs against the criteria (e.g., medical specialty or practice area) used by Novartis in conducting its review and/or modification of the Call Plan in order to determine whether Novartis followed its criteria and Policies and Procedures in reviewing and modifying the Call Plan.

The IRO shall note any instances in which it appears that the sampled HCPs and HCIs on a particular Call Plan are inconsistent with Novartis' criteria relating to the Call Plan and/or Novartis' Policies and Procedures. The IRO shall also note any instances in which it appears that Novartis failed to follow its criteria or Policies and Procedures.

C. IRO Review of the Distribution of Samples of Novartis Government Reimbursed Products

The IRO shall conduct a review and assessment of the distribution of samples of Novartis Government Reimbursed Products to HCPs and HCIs. Novartis shall provide the IRO with: i) a list of Government Reimbursed Products for which Novartis distributed samples during the Reporting Period; ii) information about the FDA-approved uses for each Novartis Government Reimbursed Product; and iii) information about Novartis' policies and procedures relating to the distribution of samples of each type of product, including Novartis' Sample Distribution Plans showing which particular medical specialties or types of clinical practices are eligible to receive samples of particular Novartis Government Reimbursed Products. Novartis shall also provide the IRO with information about the reviews of Sample Distribution Plans that Novartis conducted during the Reporting Period as set forth in Section III.B.3.j of the CIA and any modifications to the plans made as a result of Novartis' reviews.

For each Government Reimbursed Product for which Novartis distributed samples during the Reporting Period, the IRO shall randomly select a sample of 50 separate instances in which Novartis provided samples of the Government Reimbursed Product to HCPs or HCIs. Each such instance shall be known as a "Sampling Event."

For each Sampling Event, the IRO shall review all documents and information relating to the distribution of the sample to the HCP or HCI. The reviewed materials shall include materials about the following: 1) the quantity, dosage, and form of the Government Reimbursed Product sample provided to the HCP or HCI; 2) the identity and type of medical specialty or clinical practice of the HCP or HCI; 3) which individual Novartis sales representative or department (e.g., medical services) provided the sample to the HCP or HCI; 4) the manner and mechanism through which the sample was requested (e.g., sample request form, letter or call to medical services department); and 5) the manner and mechanism through which the request was fulfilled (e.g., sales representative distribution or direct shipment.)

For each Sampling Event, the IRO shall evaluate whether the sample was provided to an

HCP or HCI whose medical specialty or clinical practice is consistent with the uses of the Government Reimbursed Product approved by the FDA and whether the sample was distributed by a Novartis representative in a manner consistent with Novartis' sample distribution policy for the Government Reimbursed Product(s) provided during the Sampling Event. To the extent that a sample was provided to an HCP or HCI by a Novartis representative other than a sales representative, the IRO shall contact the HCP or HCI by letter. The letter shall request that the HCP or HCI: 1) verify that he/she/it received the quantity and type of samples identified by the IRO as the Sampling Event; 2) verify that he/she/it requested the samples provided during the Sampling Event; 3) explain or confirm its type of medical specialty or clinical practice; and 4) identify the basis for requesting the sample (e.g., conversations with a Novartis sales representative, conversation with a representative of Novartis' medical services department, independent research or knowledge of the HCP or HCI, etc.)

For each Sampling Event, the IRO shall compare the medical specialty and type of clinical practice of the HCPs and HCIs that received the sample with uses of the Government Reimbursed Product approved by the FDA. The IRO shall note any instances in which it appears that the medical specialty or clinical practice of the HCPs or HCIs that received a sample during a Sampling Event were not consistent with the uses of the Government Reimbursed Product approved by the FDA. For each such situation, the IRO shall note the process followed by Novartis in determining that it was appropriate to provide a sample to such HCP or HCI and the basis for such determination. The IRO shall also note any instances in which it appears that Novartis failed to follow its Sample Distribution Plan for the Government Reimbursed Product(s) provided during the Sampling Event.

D. IRO Review of Physician Payment Listings

1. Information Contained in Physician Payment Listings

As set forth in Section III.M of the CIA, Novartis shall post quarterly and annual listings of physicians and Related Entities who received Payments, as defined in the CIA, directly or indirectly from Novartis. For purposes of the IRO review as set forth in this Section III.D, each annual listing shall be referred to as the "Physician Payment Listing" or "Listing." For each physician and Related Entity, each Physician Payment Listing shall include the following information: i) full name of physician; ii) name of Related Entity (if applicable); iii) city and state of the physician's practice or the Related Entity; and iv) the aggregate value of the Payment(s) in the preceding quarter(s) or year, as applicable.

For purposes of this IRO review, the term "Control Documents" shall include all documents or electronic records associated with each Payment reflected in the Physician Payment Listing for the sampled physician and/or Related Entity. For example, the term "Control Documents" includes, but is not limited to, documents relating to the nature, purpose, and amount of all Payments reflected in the Listing; contracts relating to the Payment(s) reflected in the Listing; documents relating to the occurrence of Payment(s) reflected in the Listing; documents reflecting any work product generated in connection with the Payment(s); documents submitted by sales representatives or headquarters personnel to

request approval for the Payment(s); and business rationale or justification forms relating to the Payment(s).

2. Selection of Sample for Review

For each Reporting Period, the OIG shall have the discretion to identify up to 50 physicians or Related Entities from the applicable Physician Payment Listing that will be subject to the IRO review described below. If the OIG elects to exercise this discretion, it shall notify the IRO, at least 90 days prior to the end of the Reporting Period, of the physicians and/or Related Entities subject to the IRO review. If the OIG elects not to exercise its discretion as described above, the IRO shall randomly select 50 physicians and/or Related Entities to be included in the review. For each selected physician and/or Related Entity, the IRO shall review the entry in the Physician Payment Listing and the Control Documents relating to Payments reflected in the Listing in order to validate the Payment information in the Listing.

3. IRO Review of Control Documents for Selected Physicians and/or Related Entities

For each physician and/or Related Entity selected as part of the sample, the IRO shall review the Control Documents identified by the IRO as necessary and sufficient to validate each Payment reflected in the Listing to evaluate the following:

- a) Whether Control Documents are available relating to each Payment reflected in the Listing for the sampled physician and/or Related Entity;
- b) Whether the Control Documents were completed and archived in accordance with the requirements set forth in Novartis' policies and procedures;
- c) Whether the aggregate value of the Payment(s) as reflected in the Listing for the sampled Physician is consistent with the value of the Payments(s) reflected in the Control Documents; and
- d) Whether the Control Documents reflect that Novartis' policies were followed in connection with Payment(s) reflected in the Listing (e.g., all required written approvals for the activity were obtained in accordance with Novartis' policies.)

4. Identification of Material Errors and Additional Review

A Material Error is defined as any of the following:

- a) A situation in which all required Control Documents relating to Payments reflected in the Listing for the sampled physician and/or Related Entity do not exist and:
 - i. no corrective action was initiated prior to the selection of

the sampled physicians and/or Related Entities; or

- ii. the IRO cannot confirm that Novartis otherwise followed its policies and procedures relating to the entry in the Listing for the sampled physician or Related Entity, including its policies and procedures relating to any Payment(s) reflected in the Listing; or

- b) Information or data is omitted from key fields in the Control Documents that prevents the IRO from assessing compliance with Novartis' policies and procedures, and the IRO cannot obtain this information from reviewing other Control Documents.

If a Control Document does not exist, but Novartis has initiated corrective action prior to the selection of the sampled physicians and/or Related Entities, or if a Control Document does not exist but the IRO can determine that Novartis otherwise followed its policies and procedures with regard to each entry in the Listing for a sampled physician or Related Entity, the IRO shall consider such a situation to be an exception (rather than a Material Error) and the IRO shall report the situation as such. Similarly, the IRO shall note as exceptions any Control Documents for which non-material information or data is omitted.

If the IRO identifies any Material Errors, the IRO shall conduct such Additional Review of the underlying Payment associated with the erroneous Control Documents as may be necessary to determine the root cause of the Material Errors. For example, the IRO may need to review additional documentation and/or conduct interviews with appropriate personnel to identify the root cause of the Material Error(s) discovered.

E. IRO Review of Additional Items

As set forth in Section III.D.1.b of the CIA, for each Reporting Period, the OIG at its discretion may identify up to three additional items for the IRO to review (hereafter "Additional Items".) No later than 120 days prior to the end of the applicable Reporting Period, the OIG shall notify Novartis of the nature and scope of the IRO review to be conducted for each of the Additional Items. Prior to undertaking the review of the Additional Items, the IRO and/or Novartis shall submit an audit work plan to the OIG for approval and the IRO shall conduct the review of the Additional Items based on a work plan approved by the OIG. The IRO shall include information about its review of each Additional Item in the Transactions Review Report (including a description of the review conducted for each Additional Item; the IRO's findings based on its review for each Additional Item; and the IRO's recommendations for any changes in Novartis' systems, processes, policies, and procedures based on its review of each Additional Item.)

Novartis may propose to the OIG that its internal audit(s) and/or reviews conducted as part of the Field Force Monitoring Program described in Section III.J of the CIA or the Non-Promotional Monitoring Program described in Section III.K of the CIA be substituted, subject to the Verification Review requirements set forth below, for one or more of the Additional Items that would otherwise be reviewed by the IRO for the applicable

Reporting Period. The OIG retains sole discretion over whether, and in what manner, to allow Novartis' internal audit work and monitoring activities to be substituted for a portion of the Additional Items review conducted by the IRO.

In making its decision, the OIG agrees to consider, among other factors, the nature and scope of Novartis' planned monitoring activities and internal audit work, the results of the Transactions Review(s) during prior Reporting Period(s), and Novartis' demonstrated audit capabilities to perform the proposed audit work internally. If the OIG denies Novartis' request to permit its monitoring activities or internal audit work to be substituted for a portion of the IRO's review of Additional Items in a given Reporting Period, Novartis shall engage the IRO to perform the Review as outlined in this Section III.

If the OIG agrees to permit certain of Novartis' monitoring activities or internal audit work for a given Reporting Period to be substituted for a portion of Additional Items review, such internal work would be subject to verification by the IRO (Verification Review). In such an instance, the OIG would provide additional details about the scope of the Verification Review to be conducted by the IRO. However, for purposes of any Verification Review, the IRO shall review at least 20% of the sampling units reviewed by Novartis in its internal audits.

F. Promotional and Product Related Transactions Review Report

For each Reporting Period, the IRO shall prepare a report based on its Transactions Review. The report shall include the following:

- 1) General Elements to Be Included in Report
 - a) Review Objectives: A clear statement of the objectives intended to be achieved by each part of the review;
 - b) Review Protocol: A detailed narrative description of the procedures performed and a description of the sampling unit and universe utilized in performing the procedures for each sample reviewed; and
 - c) Sources of Data: A full description of documentation and other information, if applicable, relied upon by the IRO in performing the Transactions Review.

2) Results to be Included in Report

The following results shall be included in each Transactions Review Report:

(Relating to the Review of Inquiries)

- a) in connection with the review of Inquiries, a description of each type of sample unit reviewed, including the number of each type of sample units reviewed (e.g., the number of Inquiries) and an identification of the types of documents and information reviewed for the Inquiries;

- b) for each Inquiry sample unit, the IRO shall summarize the information about the Inquiry contained in the Inquiries Database;
- c) for each Inquiry sample unit, findings and supporting rationale as to whether: (i) each item of information listed in Section III.A. 1 is reflected in the Inquiries Database; and (ii) for each Inquiry for which an Off-Label Review was conducted, the basis for suspecting that improper off-label promotion may have occurred; the steps undertaken as part of the Off-Label Review; the findings of the Chief Compliance Officer or designee as a result of the Off-Label Review; and any follow-up actions taken by Novartis as a result of the Chief Compliance Officer's findings;
- d) the findings and supporting rationale regarding any weaknesses in Novartis' systems, processes, policies, procedures, and practices relating to the Inquiries, and the Inquiries Database, if any;
- e) recommendations for improvement in Novartis' systems, processes, policies, procedures, and practices relating to the Inquiries and the Inquiries Database, if any;

(Relating to the Call Plan Reviews)

- f) a list of the Government Reimbursed Products promoted by Novartis during the Reporting Period and a summary of the FDA-approved uses for such products;
- g) for each Novartis Government Reimbursed Product: i) a description of the criteria used by Novartis in developing or reviewing the Call Plans and for including or excluding specified types of HCPs or HCIs from the Call Plans; ii) a description of the review conducted by Novartis of the Call Plans and an indication of whether Novartis reviewed the Call Plans as required by Section III.B.3.i of the CIA; iii) a description of all instances for each Call Plan in which it appears that the HCPs and HCIs included on the Call Plan are inconsistent with Novartis' criteria relating to the Call Plan and/or Novartis' Policies and Procedures; and iv) a description of all instances in which it appears that Novartis failed to follow its criteria or Policies and Procedures relating to Call Plans or the review of the Call Plans;
- h) the findings and supporting rationale regarding any weaknesses in Novartis' systems, processes, policies, procedures, and practices relating to Novartis' Call Plans or the review of the Call Plans, if any;
- i) recommendations, if any, for changes in Novartis' systems, processes, policies, procedures, and practices that would correct or address any weaknesses or deficiencies uncovered during the Transactions Review

with respect to Call Plans or the review of the Call Plans;

(Relating to the Sampling Event Reviews)

- j) for each Novartis Government Reimbursed Products for which samples were distributed during the Reporting Period: i) a description of the Sample Distribution Plan (including whether sales representatives may provide samples of the Government Reimbursed Product and, if so, to HCPs or HCIs of which medical specialty or type of clinical practice a sales representative may provide samples); ii) a description of the review conducted by Novartis of the Sample Distribution Plans and an indication of whether Novartis reviewed the Sample Distribution Plans as required by Section III.B.3.j of the CIA; iii) a detailed description of any instances in which it appears that the medical specialty or clinical practice of the HCPs or HCIs that received a sample during a Sampling Event were not consistent with the uses of the Government Reimbursed Product approved by the FDA. This description shall include a description of the process followed by Novartis in determining that it was appropriate to provide a sample to such HCP or HCI and the basis for such determination; and iv) a detailed description of any instances in which it appears that Novartis failed to follow its Sample Distribution Plan for the Government Reimbursed Product(s) provided during the Sampling Event;
- k) the findings and supporting rationale regarding any weaknesses in Novartis 's systems, processes, policies, procedures, and practices relating to the distribution of samples of Novartis Government Reimbursed Products, if any;
- l) recommendations, if any, for changes in Novartis' systems, processes, policies, procedures, and practices that would correct or address any weaknesses or deficiencies uncovered during the Transactions Review with respect to the distribution of samples;

(Relating to the Physician Payment Listing Reviews)

- m) a description of the entries in the Physician Payment Listing for each physician or Related Entity sampled and a description of Control Documents reviewed in connection with each selected physician or Related Entity;
- n) for each sampled physician or Related Entity, findings and supporting rationale as to whether: (i) all required Control Documents exist; (ii) each Control Document was completed in accordance with all of the requirements set forth in the applicable Novartis policy or procedure; (iii) the aggregate value of the Payment(s) as reflected in the Listing for the sampled physician or entity is consistent with the value of the

Payment(s) reflected in the Control Documents; (iv) each Control Document reflects that Novartis' policies and procedures were followed in connection with the underlying activity reflected in the document (e.g., all required approvals were obtained); and (v) any corrective action or disciplinary action was undertaken in those instances in which Novartis policies and procedures were not followed;

- o) for each sampled physician or Related Entity unit reviewed, an identification and description of all exceptions discovered. The report shall also describe those instances in which corrective action was initiated prior to the selection of the sampled physicians or Related Entities, including a description of the circumstances requiring corrective action and the nature of the corrective action;
- p) if any Material Errors are discovered in any sample unit reviewed, a description of the error, the Additional Review procedures performed and a statement of findings as to the root cause(s) of the Material Error;

(Relating to the Review of Additional Items)

- q) for each Additional Item reviewed, a description of the review conducted;
- r) for each Additional Item reviewed, the IRO's findings based on its review;
- s) for each Additional Item reviewed, the findings and supporting rationale regarding any weaknesses in Novartis' systems, processes, procedures, and practices relating to the Additional Item, if any; and
- t) for each Additional Item reviewed, recommendations, if any, for changes in Novartis' systems, processes, policies, and procedures that would correct or address any weaknesses or deficiencies uncovered during the review.