

Basic Agreement

between the Novartis companies:

**Novartis International AG
Novartis Pharma AG
Novartis Pharma Stein AG
Novartis Pharma Schweizerhalle AG
Novartis Animal Health AG**

and the Novartis Staff Association (referred to below as "NAV")

Article 1: Principles

1.1 The parties are convinced that mutual acceptance by the social partners is conducive to a uniform personnel policy supported by all the employees. Novartis therefore concludes this basic agreement with the interested staff associations within the group. Internal staff associations are groupings whose members are employed by a Novartis company.

1.2 Freedom of association is recognized by both sides. In particular, the social partners within the company are entitled to become affiliated to external staff associations.

1.3 Employees are free to decide whether they wish to join a staff association and support its activity and will not be disadvantaged if they do so. Members will neither be dismissed nor suffer any other disadvantages because of their lawful activity for the staff association, in so far as these duties are performed in compliance with the terms and conditions of employment.

1.4 All matters arising out of relations between the contracting parties must be dealt with loyally and objectively in a spirit of good faith.

1.5 The right of individual employees to themselves settle with the company any personal matters arising out of the employment relationship continues to be guaranteed.

Article 2 Novartis Staff Association (NAV)

2.1 Recognition

Novartis recognizes the NAV within the meaning of this basic agreement, as an independent social partner within the company. The NAV is organized as an association in private law and, as such, safeguards the interests of its

members and of the employees in general. Members of the unions affiliated to it are also regarded as NAV members.

2.2 Scope

2.2.1. Personnel concerned

The scope covers staff who are employed by one of the following Novartis companies on the basis of an individual employment contract and are not members of the management or governed by the GAV (collective employment agreement):

Novartis International AG
Novartis Pharma AG
Novartis Pharma Stein AG
Novartis Pharma Schweizerhalle AG
Novartis Animal Health AG

This agreement does not cover apprentices, trainees, doctoral students, postdoctoral students and temporary assistants.

2.2.2. Geographical coverage

This basic agreement covers all the sites in the Basel/Fricktal region.

Article 3 Rights and obligations of the NAV

The NAV has the following rights and obligations:

3.1 Right to circulate information

3.1.1 Novartis recognizes the right of the NAV or its affiliated unions, to keep the employees informed of operational or personnel policy matters and developments.

3.1.2 The NAV may post invitations to attend meetings and assemblies, together with other notices, on the designated notice boards. The necessary approval will be given in each case by the office which has central responsibility for the social partnership.

3.2 Information exchange and notification of requests

3.2.1 For the purpose of an exchange of information and opinions, at least one meeting shall be held each year between the company or its representatives and the NAV executive and any other social partners within the company. The NAV shall also receive the management notices which are

published at regular intervals. In addition, the NAV will be kept informed by its members of the Staff Committee – Office Employees (referred to below as "PV-A") .

3.2.2 For the exchange of information and opinions and for the presentation of requests, the NAV shall likewise refer in every case to the office responsible for the social partnership. At the request of either side, a joint meeting shall be convened within not more than 30 days, in so far as the matter is of substantial importance. The office responsible for the social partnership is mandated in each case by the management whose views it represents.

3.3 Right to present initiatives to the PV-A

To safeguard its members' interests, the NAV is entitled to submit business and personnel policy matters of substantial importance to the PV-A. The PV-A shall state its opinions on them and put those opinions to the company.

3.4 Negotiations on the Participation Regulation

Negotiations shall be conducted with the NAV and any other signatories of this basic agreement on the content of the participation rights of the PV-A within the company (Attachment 1 to the Participation Regulation). If no agreement is reached, the company shall take the final decision.

3.5 Assistance by the company

Novartis shall give the NAV appropriate financial and other support (infrastructure, administration etc.) for the performance of its tasks. Details will be found in Attachment 1 to the basic agreement. In particular, Novartis shall endeavour to assure through the promotion of training and further training that the NAV remains a competent discussion and social partner. The details of this support and the extent to which members of the executive are to be released from their working duties will be covered by a separate agreement.

3.6 Participation within the company

The rights of participation within the company will be exercised by the PV-A and determined by the provisions of law and of the participation regulation. The valid delegation to members of the NAV is reserved (see section 4.6 below).

Article 4 Participation of the PV-A within the company

The participation rights outlined below shall be vested exclusively in the PV-A.:

4.1 Information

The PV-A will be kept informed fully and in good time of all important events, facts and plans in the individual areas of participation.

4.2 Consultation

The PV-A deliberates on the contents agreed in the participation regulation before they are decided and delivers a reasoned opinion. The company informs the PV-A of the decision taken and gives reasons for any resolution which differs from the opinion.

4.3 Co-decision

In the matters stipulated in the participation regulation, the PV-A has a right of co-decision.

4.3.1. Minority co-decision

If no agreement can be reached in the decision-making body, the company shall decide.

4.3.2 Co-decision on a basis of parity

A decision can only be taken in agreement with the staff representatives.

4.4 Negotiations

The PV-A negotiates with the company or its representatives on the matters stipulated in the participation regulation. The negotiations shall be conducted according to the principle of good faith. If no agreement is reached, the final decision shall rest with the company.

4.5 Support and intervention function

The members of the PV-A shall be available to give advice to individual employees for the enforcement of their rights under the employment relationship and, at the request of the employee, shall also defend him or her in talks with the management and personnel service. The member of the PV-A shall work in the first instance to seek an amicable agreement. He is empowered to require the superior or personnel service to deliver an opinion.

Should a member of the NAV prefer to be assisted by another member of the union, that member may likewise perform the supporting function. This right may be used by all NAV members, regardless of their position in the hierarchy, by derogation from section 2.2.1 above.

4.6 Right of delegation of the PV-A

The members of the PV-A are entitled to delegate participation in preparatory working groups to NAV members. By mutual agreement between the company and the PV-A, staff who are not NAV members may likewise be appointed members of permanent and non-permanent working and project

groups.

These rights of delegation of the PV-A do not include the special rights of participation pursuant to Art. 10 of the Federal Law on Information and Participation of Staff in Business Establishments (Participation law) of 17 December 1993 (in particular in the area of industrial safety and health protection, the transfer of ownership of businesses and mass redundancies).

Article 5 Obligation of discretion

The members of the NAV executive shall not disclose to any persons outside the company, business matters which come to their notice in that capacity, save where such persons are responsible for safeguarding the interests of the employees. The obligation of discretion applies to all third parties whatsoever in the case of confidential communications, in particular those which concern personal matters of individual employees, or in so far as this is expressly requested by the company or by the PV-A by reason of justified interests. The obligation of discretion continues to exist even after the person concerned has ceased to be a member of the NAV or has left the employment relationship.

Article 6 Exclusivity clause

The company hereby declares that it will not conclude any agreement with the same content and scope with other employee organizations without the prior approval of the NAV or of the co-signatory social partners.

Article 7 Final provisions

7.1. The present agreement of principle takes effect on 1 August 2001 for an unlimited period and replaces the earlier version of 30 September 1997.

7.2. Six months prior notice of termination of this agreement to the end of a calendar month may be given by either party.

7.3. The text may also be amended at any time by mutual agreement.

For the:

**Novartis Companies: NOVARTIS PHARMA AG Basel,
September the 1st 2003**

Urs Niederhauser, Head of the Social Partnership

Hans Locher, Head of HR Switzerland

**NOVARTIS STAFF ASSOCIATION Basel,
September the 15th 2003**

Alex Gasser, NAV Chairman

Peter Bernauer, NAV Vice-Chairman