

June 5, 2018

The Honorable Richard Blumenthal
United States Senate
706 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Elizabeth Warren
United States Senate
317 Hart Senate Office Building
Washington, D.C. 20510

Dear Senators Blumenthal and Warren:

Set forth below are responses to the letter dated May 14, 2018 from Senators Warren and Blumenthal to Dr. Vasant Narasimhan, the Chief Executive Officer (“CEO”) of Novartis AG (“Novartis” or the “Company”). We have organized the responses into two sections. The first section addresses questions that seek a narrative response. The second section addresses requests for documents.

I. Narrative Responses.

A. Questions 1, 2 and 3.

Question 1: Which individuals at Novartis discussed, arranged, and approved the contract with Essential Consultants?

Question 2: What was the timeframe of all discussions to the contract? Please indicate when and how the initial contacts and all other contacts were made, and which individuals at Novartis and Essential Consultants (or other entities related to Mr. Cohen) were involved.

Question 3: Explain Novartis’s decision to consider Essential Consultants and the determination that Mr. Cohen was qualified to advise on healthcare policy matters?

Michael Cohen was introduced to Joe Jimenez, the then CEO of Novartis, on November 29, 2016 by Irwin Simon, a friend and business colleague of Mr. Jimenez. Messrs. Jimenez and Simon were having dinner, during which Mr. Jimenez expressed concern about finding a consultant who could advise the Company as to how the Trump Administration would approach U.S. healthcare policy matters such as the Affordable Care Act. Novartis historically has engaged consultants, both in the U.S. and around the world, to advise on important healthcare issues. In light of the rhetoric on healthcare during the 2016 election campaign, Novartis felt it was important to understand how the Trump Administration would evaluate these issues, as well as to gain insight into which members of the Trump Administration Novartis should seek to meet with in connection with these issues.



The challenge in late 2016 and early 2017, and the issue Mr. Jimenez raised with Mr. Simon, was that the consultants Novartis had used historically were unfamiliar with the individuals likely to be appointed by President Trump. The individuals being considered (and the individuals ultimately appointed) were newcomers to government, and thus their stance on healthcare-related policy matters was unknown.

Mr. Simon suggested that Mr. Jimenez speak with Michael Cohen. Mr. Simon described Mr. Cohen as someone who previously had worked for President Trump but had decided he was not going to join the Trump Administration and planned to open a consulting firm. Mr. Simon called Mr. Cohen from the dinner, and Mr. Jimenez and Mr. Cohen spoke briefly. On that initial call, Mr. Cohen reiterated that he had worked on the Trump campaign but had decided not to take a position in the Trump Administration. Mr. Cohen said he planned to set up a consulting firm to provide advice and insight to corporations with respect to persons in the Trump Administration. Mr. Cohen was clear on the initial call that he was not a lobbyist. Mr. Jimenez told Mr. Cohen that they should schedule another call to discuss the scope and terms of a potential engagement in more detail.

Mr. Jimenez next spoke with Mr. Cohen, again by telephone, on February 10, 2017. During that call, Mr. Cohen represented that he had knowledge of persons likely to be appointed to the relevant positions in the White House and could provide the Company with information as to how these individuals would approach the healthcare-related issues Novartis was focused on. (Mr. Cohen also explained that he had been President Trump's lawyer prior to the election, but was no longer in that role.) Because this was precisely the type of information and guidance Novartis was seeking, and in light of the fact that the Company's other consultants were unable to provide such information and guidance, Mr. Jimenez determined it could be useful to retain Mr. Cohen. He believed Mr. Cohen's knowledge of the personalities in the Administration, together with Novartis's knowledge of healthcare policy issues, could be a strong combination.

Mr. Jimenez and Mr. Cohen agreed to the broad business terms of the agreement on that call.

On February 13, 2017, Mr. Cohen sent Mr. Jimenez a draft form services contract for him to review. Mr. Jimenez sent the draft to Felix Ehrat, the then General Counsel of Novartis, and asked him to review and modify the draft to ensure it complied with Novartis policies.

Between February 14, 2017 and February 17, 2017, Mr. Ehrat (who is a Swiss lawyer based in Basel) together with a U.S.-based Novartis lawyer (Barry Rosenfeld) negotiated the contract with Mr. Cohen. Among other things, Messrs. Ehrat and Rosenfeld incorporated into the agreement the broad compliance-related provisions that are standard in Novartis's contracts with third parties such as consultants, including,



among other things, a requirement that the consultant abide by all applicable laws, rules and regulations, Novartis's Code of Conduct, Novartis's Global Anti-Bribery Policy and Novartis's policies related to lobbying activities and political contributions and gifts. The final contract was executed on February 17, 2017. Mr. Rosenfeld sent Mr. Cohen the Novartis policies referenced for his review.

The parties to the contract are Novartis International AG and Essential Consultants, LLC (defined in the contract as the "Consultant"), Mr. Cohen's consulting firm. However, Novartis made clear in the contract that it was retaining the services of Mr. Cohen: "Except as expressly agreed . . . Consultant shall provide the personal services of Michael D. Cohen to perform the Services".

B. Question 4.

Why did Novartis determine after a single meeting that "Essential Consultants would be unable to provide the services that Novartis had anticipated"? Specifically, what information became known to Novartis at that meeting that was not, or could not have been, known before entering the contract? Which individuals at Novartis made this determination?

Immediately after the retainer agreement was executed, Mr. Jimenez asked Mr. Ehrat, Thomas Kendris (U.S. Country President and U.S. Head of Legal) and Daniel Casserly (U.S. Country Head Government Affairs) to meet with Mr. Cohen in person in order to discuss in more detail the services he would perform under the contract.

The meeting with Mr. Cohen took place on March 1, 2017 at Novartis's offices in New York City. Messrs. Ehrat, Kendris and Casserly were present for the approximately 90 minute session.

During the meeting, although Mr. Cohen demonstrated his knowledge of the people who were being named to key positions in the Administration, the Novartis executives began to realize that Mr. Cohen had made no effort to learn anything about Novartis, or the policy issues that were of concern to Novartis specifically, or the pharmaceutical industry generally. And while it was clear Mr. Cohen knew certain members of the Trump Administration, it was also clear that he was not able to provide guidance as to how those individuals would evaluate and respond to the relevant policy issues. Each of the executives felt by the end of the meeting that Mr. Cohen was not able to deliver the substantive consulting advice and insight that was the basis for Mr. Jimenez's decision to retain him.

Following the March 1 meeting, Mr. Ehrat reported the group's concerns and impressions to Mr. Jimenez, together with their collective conclusion that it was very unlikely Mr. Cohen could perform the services Novartis had contracted him to perform.



Mr. Jimenez was disappointed that Mr. Cohen had presented himself inaccurately. He accepted the advice of his General Counsel and senior U.S. executives, and while Mr. Jimenez, in April and May 2017, raised internally on one or two occasions whether it made sense to see if Mr. Cohen could set up meetings for Mr. Jimenez during an upcoming trip to Washington, D.C., the decision was made not to do so. Neither Mr. Jimenez, nor anyone else at Novartis, ever asked Mr. Cohen to set up any meetings on their behalf. Indeed, Mr. Cohen never performed any services for Novartis under the contract, and the only additional contact with Mr. Cohen occurred when Mr. Cohen contacted Mr. Jimenez on two or three occasions to ask about matters such as whether Novartis was interested in investing in a small pharma company (it was not), and for information about various proposals that were being considered as ways to reduce the cost of pharmaceuticals.

C. Question 5.

Detail the amounts and dates of all payments by Novartis to Essential Consultants. How was the amount of Novartis's contractual payments set? Was the amount and payment structure based on a proposal by Mr. Cohen or by Novartis officials?

As set forth above, Mr. Cohen informed Mr. Jimenez on the February 10 call, after some discussion, that he would perform the services for \$100,000 per month, consistent with what he was charging his other clients. The amounts and dates of all payments are set forth in the table attached as Exhibit 1.

D. Question 6.

Why did Novartis enter a \$1.2 million contract that could only be terminated for cause? Is this a typical arrangement for Novartis contracts for lobbying or public policy advice? Following the meeting mentioned above, did Novartis seek the ability to pay the remaining required payments as a lump sum and early terminate the contract?

Novartis has no one way it structures the economic or business terms of its contracts. In this case, the original draft contract from Mr. Cohen provided that the contract was for a period of one year but "shall renew automatically for successive one (1) year periods, unless terminated by [Essential Consultants] on not less than sixty (60) days prior written notice". The draft did not provide for Novartis's ability to terminate.

In revising the agreement, Messrs. Ehrat and Rosenfeld replaced the automatic renewal with a provision that stated the contract "shall expire on February 28, 2018". Because the contract was for a one-year fixed term, it was structured as one where either party could terminate for a material breach of the contract, but not at will.



E. Question 7.

Did you or any other Novartis official request or direct any contacts between Mr. Cohen and President Trump (either before or after the Presidential inauguration) or any other official working for the Administration or on the Presidential Transition? Are you aware of any such contacts? If so, please list and describe them.

At no point in time did anyone at Novartis ever ask Mr. Cohen to meet with President Trump -- or any other official working for the Administration or on the Presidential Transition. Nor is Novartis aware of any such contacts. As described above, Mr. Cohen was not engaged to provide lobbying services or to himself meet with anyone on Novartis's behalf.

F. Question 8.

When Novartis signed the contract, or during the term of the contract, did Novartis at any time make a determination of whether the relationship with and payments to Mr. Cohen were required to be reported to the FEC, any other campaign finance officials, or any other federal or state authorities? If so, please provide copies of all documents and communications related to this discussion.

This is not an issue Mr. Jimenez or anyone else at the Company considered prior to entering the contract, or during the term of the contract. As mentioned above, Mr. Jimenez understood from Mr. Cohen that he no longer worked for President Trump or the Trump Administration in any capacity. Mr. Cohen also was not retained to provide lobbying services.

G. Question 9.

Do you or do any other current or former Novartis officials have any knowledge of the disposition of the \$1.2 million that Novartis paid to Essential Consultants? Were any of these funds ultimately received by Mr. Trump, or any member of the Trump family, or the Trump Organization, or were they used to pay debts or liabilities of President Trump, his family, or the Trump Organization? Did any Novartis official believe, or have reason to believe, that any payments made to Mr. Cohen would be provided, in full or in part, to Mr. Trump or to any legal entity in which Mr. Trump or his immediate family had an ownership interest?

Novartis, including its current and former employees, has no knowledge of the disposition of the money it paid to Essential Consultants under the service agreement,



including whether any of the funds were ultimately received by President Trump, his family or the Trump Organization or used to pay their debts or liabilities. No one at Novartis believed, or had reason to believe, that payments made to Essential Consultants would be provided in any manner to President Trump or any legal entity in which he or his family have an ownership interest.

Again, Mr. Jimenez understood from Mr. Cohen that he no longer worked for President Trump or the Trump Administration in any capacity. Moreover, the contract between Novartis and Essential Consultants explicitly precludes Mr. Cohen from making any political contributions or payments, directly or indirectly, in whatever form, on Novartis's behalf.

H. Question 10.

Did Novartis, or any of its affiliates, have any contractual relationship or pay any funds to any other entity or individual affiliated with, associated with, or represented by Mr. Cohen? If so, please list all such relationships or payments.

To the best of its knowledge, Novartis did not (and does not) have any contractual relationship with any individual or entity affiliated, associated with or represented by Mr. Cohen, other than Essential Consultants. Nor to the best of its knowledge has it made payments to any such individuals or entities. The same is true for its affiliates.

I. Question 14.

Did or does Novartis have any other contractual relationship with or pay any funds to any other entity or individual affiliated with, associated with, the Trump Organization? If so, please list all such relationships or payments, including relevant dates.

To the best of its knowledge, Novartis does not have any other contractual relationship with — nor does it pay any funds to — any other entity or individual affiliated or associated with the Trump Organization.

J. Question 15.

Is Novartis fully cooperating with any and all federal or state law enforcement inquiries related to Essential Consulting or Mr. Cohen?

Novartis has cooperated, and will continue to cooperate as requested, fully with any and all federal or state law enforcement inquiries related to Essential Consulting or Mr. Cohen.



II. Document Requests.

Exhibit 2 to this submission contains copies of all communications between Novartis and Michael Cohen/Essential Consultants.

Exhibit 3 to this submission contains copies of the relevant guidance documents.

Sincerely,

A handwritten signature in black ink that reads 'Thomas N. Kendris'.

Thomas N. Kendris
President, Novartis Corporation,
US Country Head

TNK:enf

\\phuseh-s1802\funesc1\\$\data\warren_blumenthal_itr_06_05_18_tkendris.doc