

CORPORATE POLICY

U. S. LAWS AND SCHERING-PLOUGH POLICIES REGARDING HEALTHCARE FRAUD AND ABUSE

Executive Summary

- Purpose:**
- This policy provides information concerning Company policies designed to protect, prevent and punish fraud, waste and abuse. In addition, it will familiarize employees with U.S. federal and state laws concerning false claims and statements to government authorities and with the laws and Company policies protecting those who raise concerns about compliance.
- To whom it applies:**
- All employees, Company contractors, and agents who are subject to U.S. laws.
- Key policy points:**
- The Company is committed to maintaining and implementing effective policies and procedures designed to detect, prevent and punish fraud, waste and abuse.
 - The U.S. federal government and various states prohibit the filing of false claims for government payment, fraudulently reporting false pricing information to government agencies, and similar activities.
 - Individuals with evidence of fraud may file “whistleblower” claims on behalf of the government to recover lost funds, and may share in any recovery by the government.
 - U.S. law and Company policy prohibit retaliation against individuals who file whistleblower suits.

Framework for Decisions

As a participant in U.S. federal healthcare programs, the Company is dedicated to ensuring that its actions are lawful, compliant and ethical. The federal government and many state governments have enacted laws to prevent and assist in detecting fraud, waste and abuse in federal healthcare programs.

Approved:	<ul style="list-style-type: none"> • Brent Saunders • Tom Sabatino 		
Policy Owner:	Brent Saunders	Issue Date:	December 18, 2006
Title:	Sr. Vice President	Replaces Date (if applicable):	n/a
Organization:	Global Compliance & Business Practices		

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Policy Details

I. Framework for Decisions

Both the United States federal government and many state governments in the United States have enacted laws to prevent, detect, and punish healthcare fraud and abuse. Under these laws, false or fraudulent claims submitted to the government for payment reimbursement of healthcare expenses are subject to the payment of damages and punishable by substantial fines and penalties. The federal False Claims Act and some state False Claims Acts also include provisions under which individual citizens with evidence of fraud against the government may file “whistleblower” suits on the government’s behalf to recover the lost funds.

II. Policy Details

A. Schering-Plough Compliance Program

1. Framework - The Schering-Plough Compliance Program (“Compliance Program”) is organized around the seven elements of the U. S. Sentencing Guidelines for Corporations and the recommendations set forth in the “Compliance Program Guidance for Pharmaceutical Manufacturers” issued by the Office of Inspector General, U.S. Department of Health and Human Services (“HHS-OIG Guidance”). It also follows the Pharmaceutical Research and Manufacturers of America Code on Interactions with Healthcare Professionals (“PhRMA Code”). The Compliance Program is reinforced by the Company’s “Leader Behaviors”.

The Compliance Program is designed to meet the unique needs of the Company, including our obligations under a Corporate Integrity Agreement (“CIA”) with OIG. It seeks to prevent and detect violations of law or Company policy, to prevent fraud, waste, and abuse, and to ensure that each member of our workforce employs the Leader Behaviors so these behaviors become a part of everyday performance at Schering-Plough. A key element underpinning the Compliance Program is the Standards of Global Business Practices, which sets forth the ethical compliance principles that each colleague needs to follow in order to do his/her job in full compliance with the law. In addition to the Global Standards, the

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Compliance Program consists of corporate policies, divisional standard operating procedures, and other standards and guidances that apply to the Company's manufacturing, quality, research and development, and sales and marketing activities

2. Governance - The Chief Compliance Officer and Senior Vice President, Global Compliance and Business Practices ("CCO") has independent authority to review ongoing compliance activities and effectuate compliance initiatives and ongoing programs change within the organization. The CCO reports directly to the Chief Executive Officer and reports regularly to the Executive Management Team and the Business Practices Oversight Committee of the Board of Directors on compliance initiatives and programs.
- B. U.S. Sales and Marketing Activities - The Compliance Program includes a specific focus on U.S. Sales and Marketing activities, and the Company has implemented detailed policies for the prevention and detection of fraud, waste, and abuse in U.S. Healthcare Programs.
1. Policies and Procedures - With respect to the Company's U.S. commercial operations responsible for the manufacture, sales and marketing of prescription products, Schering-Plough has adopted a program to ensure that all interactions with healthcare professionals focus on informational, scientific and educational exchanges. The program includes policies and procedures relating to 1) the need to ensure data integrity pertaining to government reimbursement practices; 2) the prohibition of kickbacks and other illegal remuneration; 3) the need to ensure that interactions with healthcare professionals focus on informational, scientific and educational exchanges; 4) the need to ensure that the Company pays fair market value for all third-party services; 5) appropriate negotiation and execution of speaker contracts and managed markets service agreements; 6) the roles and responsibilities of Schering colleagues with respect to meetings with physicians and providers; 7) creation, review and approval of promotional and educational materials; and 8) the need to comply with all laws relating to drug samples.

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2. Communication and Training - The Company has established comprehensive communication and training programs to ensure that colleagues have ready access to these policies and receive appropriate training on them. Colleagues are trained on an annual and ongoing basis and the training is reviewed and updated accordingly. Schering-Plough has established four separate training and education sessions specifically for U.S. sales and marketing employees and supporting corporate functions. These sessions cover the Standards of Global Business Practices, Promotional and Product Services, Managed Care, and Pricing. Additional training is provided depending on an individual colleague's job function.
3. Auditing and Monitoring - The Company has also established an auditing and monitoring program to monitor, audit and evaluate compliance with the Company's fraud and abuse policies and procedures and relevant U.S. and state laws and regulations. The nature of our activities as well as the extent and frequency of our compliance monitoring and auditing is dependent upon a number of factors, including changing regulatory requirements, changes in business practices, and other considerations. The audit program is reviewed annually to ensure that it is focused on significant business activities and risks.

The U.S. Global Pharmaceutical Business Customer Spending Repository System ("USCOS") was implemented as a repository for all contract program information related to promotional and non-promotional customer spending. Information collected in the system is reviewed on a regular basis for compliance with U.S. sales and marketing policies.

4. Reporting and Disclosure - The Company requires colleagues to report actual or potential violations of law or Company policy, and encourages contractors to do so. Either colleagues or contractors may report compliance issues to a supervisor, the Global Law Department, the Global Human Resources department, the Global Compliance and Business Practices department, or the Integrity Action Line.

The Integrity Action Line is the Company's anonymous disclosure program that is intended to facilitate communications within the organization regarding compliance with Company policies and procedures and federal and state laws and regulations. The Integrity Action Line is a toll-free

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hotline which allows any individual to anonymously disclose compliance issues. It is staffed 24 hours a day, 365 days a year and has multi-lingual capabilities. As part of the disclosure program, Schering-Plough has implemented policies which prohibit retaliation against an employee for good faith reports of violations of laws or corporate policy by other employees.

5. Corrective Action Procedures - The Company is committed to preventing and detecting violations of law and internal policies and procedures and taking appropriate corrective actions as necessary. The Company has established disciplinary policies that set out the consequences that may be imposed upon employees who violate the law or Company policy, up to and including termination. Although each situation is considered on a case-by-case basis, the Company consistently undertakes appropriate disciplinary action to address inappropriate conduct and deter future violations. In addition, the program is designed to ensure that we respond promptly to potential violations of law or Company policy, assess whether the violation is in part due to gaps in policies, practices or internal controls, and take any appropriate action to prevent future violations.

C. U.S. Federal and State Laws Relating to False Claims

1. Federal and State Laws - Both the Federal government and state governments in the United States have enacted laws to prevent, detect, and punish healthcare fraud and abuse. At the federal level, these laws include (but are not limited to) the Federal Civil False Claims Act (31 U.S.C. §§ 3729-33) and the Federal Program Fraud Civil Remedies Act (31 U.S.C. §§ 3801-12). Many states have enacted similar laws, including state false claims acts ("FCAs").

The federal FCA prohibits knowingly presenting (or causing to be presented) to the federal government a false or fraudulent claim for payment or approval. A violation of the federal FCA is also committed where a false record or statement is knowingly made or used (or caused to be made or used) to get a false or fraudulent claim paid or approved by the government or its agents, such as a carrier, other claims processor, or state Medicaid program. Pharmaceutical sales and marketing activities that might violate the FCA include (but are not limited to) submitting

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false claims for government payment or reimbursement and fraudulently reporting false pricing information to government agencies. The federal FCA provides for damages of up to three times the government's losses and civil penalties of up to \$11,000 for each false claim submitted.

The Federal Program Fraud Civil Remedies Act provides for administrative remedies for false claims for the payment or reimbursement of healthcare goods or services. These remedies may include assessments of up to twice the amount lost and civil penalties of up to \$5,000 for each false claim submitted.

2. Whistleblower Protections - States have also enacted numerous civil and criminal laws that may be used to address false claims or statements in connection with the provision of healthcare. These laws are implicated when a false claim is submitted to the state. Violators of these statutes may be required to pay damages and may be punished with substantial fines or penalties for each false claim submitted. As of the date of this Policy, states which have enacted FCAs include: Arkansas, California, Colorado, Delaware, the District of Columbia, Florida, Hawaii, Illinois, Indiana, Louisiana, Massachusetts, Michigan, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, Tennessee, Texas, Utah, Virginia, and Washington. Additional information on specific state statutes can be found at www.cms.hhs.gov/apps/mfs/state_select.asp.

The federal FCA, and some state FCAs, also include provisions under which individuals with evidence of fraud against the government may sue on behalf of the government to recover the lost funds. An individual who sues under these "whistleblower" laws may be entitled to receive a portion of any money the government recovers in a lawsuit. These whistleblower laws also prohibit retaliation against persons who file whistleblower lawsuits. Generally, if a court determines that an employee was retaliated against for filing a whistleblower lawsuit, the employee has a right to whatever relief is required to make the employee whole, including if necessary back pay, interest on the back pay, reinstatement at the same seniority level the employee previously held, and other relief.

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III. Responsibility for Implementation and Maintenance

Global Compliance and Business Practices is responsible for implementing and maintaining this policy.

IV. General Information

- Contact Eve Costopoulos, Vice President, Corporate Compliance or Paul Weissman, Staff Vice President, Legal for questions regarding this policy.

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