

2014 PUBLIC ACCOUNTABILITY QUESTIONNAIRE

This Questionnaire Covers Calendar Year 2014.

Please return your response to amy.demske@arentfox.com no later than May 15, 2015.

On April 1, 2015, Novation's parent companies, VHA and UHC, announced the completion of their merger that combines the businesses and operations of both organizations, creating the nation's largest member-owned health care company. Novation is a wholly-owned subsidiary of the newly merged entity. The combined company will be a private, for-profit, member-owned and member-driven company. But for the purposes of this questionnaire, all answers reflect Novation and its structure as it existed in 2014.

OWNERSHIP AND ORGANIZATIONAL STRUCTURE

1. Describe the ownership structure of your GPO and/or its parent or affiliated companies, including details regarding the following:
 - Person(s) or entit(ies) that control the majority of voting interests in your GPO;
 - a. Novation is a joint venture formed and controlled by VHA Inc. ("VHA") and University HealthSystem Consortium ("UHC").
 - The types of equity holders of your GPO (e.g., publicly-held company, healthcare providers, individuals, for-profit and/or not-for-profit entities);
 - a. VHA and UHC own 77% and 23% respectively of the equity in Novation. VHA is a network of not-for-profit health care organizations. UHC is a cooperative of nonprofit academic medical centers or government hospitals or health systems with specified linkages to schools of medicine.
 - The corporate form of your GPO and/or its parent or affiliated companies – such as corporation, partnership, limited liability company, co-op;
 - a. Novation is a limited liability company. Novation is owned by one cooperative organization owned by not-for-profit academic medical centers (UHC) and by a for-profit organization owned by not-for-profit hospitals (VHA).
 - Whether the GPO is organized as a for-profit or not-for-profit organization; and
 - a. Novation is a for-profit LLC.
 - Location of corporate headquarters.
 - a. Novation is organized in Delaware and headquartered in Irving, TX.

2. Describe the composition of your Board of Directors or other governing body and reflect any changes from the previous HGPII reporting year. Include the following in your response:

- Number of individuals serving on your Board;
 - a. Novation’s Governing Board of Directors did not change (in 2014) and is comprised of executives of our parent companies, VHA and UHC. VHA and UHC in turn report to their own Boards of Directors of which the majority is comprised of member hospital executives. Novation’s Board of Directors (the “Board”) consists of 6-7 directors. These directors are the VHA President, 2-3 VHA executives, the UHC President, 1 UHC executive, and the Novation President (who serves ex officio without a vote).
 - Percentage of Board representing GPO customers;
 - a. Zero percent (0%) of the members of the Board represent entities that participate in Novation. The Board structure involves executives of our parent companies, VHA and UHC. VHA and UHC both report to their own Boards of Directors of which the majority is comprised of member hospital executives.
 - Percentage of Board that are employees of the GPO; and
 - a. One member of the Board is an employee of Novation. All other Board members are employees of either VHA or UHC. The majority of the members of the VHA Board and the UHC Board are independent.
 - Percentage of Board members also serving as employees, officers, or directors of a participating vendor.
 - b. None of Novation’s Board members serve as employees, officers or directors of any participating vendor.
3. Indicate whether any equity holder of your GPO and/or its parent or affiliated companies is a physician (or an immediate family member of a physician).
- No physician (or immediate family member of a physician) owns an equity interest in Novation, VHA or UHC.

CONFLICT OF INTEREST

4. Describe the GPO’s policies and procedures that address conflicts of interest for:
- Employees in a position of influence with regard to contracting decisions;
 - Clinical Advisory Members; and
 - Members of the GPO’s Board of Directors or other governing body.

As part of your response, provide details about reporting requirements for conflicts and provide a copy of written policies.

Novation’s Standards and Conflicts of Interest Policy cover all employees and officers. In addition, Novation has conflict of interest policies for members of its Governing Board of Directors and clinical advisory committees.

The primary conflict of interest constraints for each of these categories of individuals are as follows:

- (a) **Ownership of Individual Equity Interests in Participating Vendors:**
Officers and employees who are in position to exercise pervasive influence on contracting decisions (and their spouses and minor children) are prohibited from owning an Individual Equity Interest (defined below) in any participating vendor. Officers and employees who are in a position to influence Novation's contracting decisions in a particular product category (and their spouses and minor children) are prohibited from owning an Individual Equity Interest in a participating vendor in that product category. An individual who may be in a position to influence Novation's contracting decision may own an Individual Equity Interest in a participating vendor, if the Ethics and Compliance Officer determines that the individual has no actual influence on the contracting decision of the participating vendor. Such individual may not, however, own an Individual Equity Interest in a national participating vendor that does business across several service lines.

All other employees who do not influence contracting decisions and members of advisory committees must disclose individual equity interests in participating vendors and recuse themselves from any negotiations or decisions regarding those participating vendors. The term "Individual Equity Interest" means securities, options, warrants, debt instrument (including loans) or rights to acquire any of the foregoing; provided, however, that (i) interests in mutual funds, or (ii) interests held in blind trust shall not be included. Members of Novation's Governing Board of Directors and advisory committees must adhere to conflicts of interest policies that require the member to disclose ownership of an Individual Equity Interest in a participating vendor and be recused from any decisions relating to such vendors.

- (b) **Service on Board of Participating Vendors.**
Employees and officers are prohibited from serving as an officer, director, employee or consultant of a participating vendor. Members of Novation's Governing Board of Directors and advisory committees must adhere to conflicts of interest policies that require the member to disclose service on any board of directors of any participating vendor and be recused from any decisions relating to such vendors.
- (c) **Vendor Gifts, Services, Entertainment and Favors.**
Employees and officers may not accept gifts, services, entertainment, favors, honoraria from a participating vendor, unless the item or service is of Nominal Value. The term "Nominal Value" means any item, service or other thing of value (not including cash or cash equivalents) that does not exceed \$50 per instance or \$100 in any given calendar year. The total retail value of all nominal value gifts received by each employee during each calendar year from all sources shall not exceed \$300.00. Members of Novation's Governing Board of Directors and advisory committees must adhere to conflicts of interest policies that require the member to disclose the acceptance of any gifts, favors, honoraria or personal services payments, other than those of Nominal Value, from any participating vendor to the appropriate governing body. The member is then recused from any decisions relating to such vendors.

- (d) GPO's process for addressing ethics violations. Reports of potential ethics violations can be made to any member of management; to any member of the Human Resources, Legal or Compliance Departments; or through Novation's compliance hotline/website managed by EthicsPoint. All potential ethics violations are reviewed by the Compliance Department. In the Compliance Officer's discretion, independent outside counsel may be utilized to investigate potentially serious issues. Action is taken on a case-by-case basis depending on the nature of the report and the results of the investigation. All reports of ethics violations and management's responses thereto, are reported to the independent Compliance and Audit Committee.

An electronic copy of Novation's Conflict of Interest policy is included with this response.

5. Describe actions the GPO takes to avoid conflict of interest issues for members of the Board of Directors (e.g. disclosure and/or prevention of equity investments in participating vendor relationships and acceptance of gifts/meals/travel/entertainment paid for by vendors.)

Novation has a conflict of interest policy for members of its Governing Board of Directors. Members of Novation's Governing Board of Directors must adhere to conflicts of interest policies that require the member to disclose the acceptance of any gifts, favors, honoraria or personal services payments, other than those of nominal value, from any participating vendor to the appropriate governing body. In addition, members of Novation's Governing Board of Directors must adhere to conflicts of interest policies that require the Board member to disclose ownership of an Individual Equity Interest in a participating vendor and be recused from any decisions relating to such vendors. See also response to Question 4.

6. Describe the GPO's policies and procedures that address activities, including other lines of business of the GPO and/or its affiliates (including non GPO services and strategic investments) that might constitute conflicts of interest to the independence of its purchasing activity.¹

Novation does not offer services that might constitute conflicts of interest with our contracting activities. Novation maintains and continues to develop our Information and Data Services business unit, which offers supply chain data analytics and related services that facilitate and enhance supply chain operations. Participation in these programs is voluntary and at the sole discretion of the member. In addition, Novation offers non-GPO contracting services through a wholly-owned subsidiary, aptitude, LLC.

¹ Business concerns, organizations, or individuals are affiliates of each other if, directly or indirectly, (1) either one controls or has the power to control the other, or (2) a third party controls or has the power to control both. (See 48 CFR, Section 9.403 (2007): Securities Act, Sec. 16, 15 USC 77p(f)).

Information regarding activities and other lines of business of Novation's parent company, VHA, Inc. ("VHA"), may be found at <http://www.vha.com/>. Information regarding activities and other lines of business of Novation's parent company, UHC, may be found at <http://www.uhc.edu>. Information regarding Provista, LLC ("Provista"), a subsidiary of VHA, is available at <http://www.provistaco.com>. In addition to providing supply chain services to VHA, UHC and Provista (a subsidiary of VHA that primarily services the non-acute marketplace), Novation provides supply chain services to two additional GPOs. Effective January 1, 2013, Novation became the exclusive contracts management and supply chain partner for Children's Hospital Association ("CHA"), a network of children's hospitals and a member of HGPII. In addition, during 2013, VHA entered into a joint venture with the Cleveland Clinic to develop a specialty GPO, Excelerate Strategic Health Sourcing LLC ("Excelerate"). Novation provides contracting and supply chain services to Excelerate. All contracting services provided by Novation to VHA, UHC, Provista, CHA and Excelerate are conducted in accordance with Novation's policies and procedures. See also response to Question 9.

OTHER LINES OF BUSINESS

7. Describe other lines of business or investments of the GPO and its affiliates. We are interested in hearing about new as well as nontraditional GPO services that your company and its affiliates are involved with.

See response to Question 6.

8. What policies or guidelines does the GPO have to address potential conflicts of interest with regard to other lines of business engaged in by the GPO and/or its parent or affiliated companies?

See responses to Questions 6 and 9.

MONIES FROM VENDORS

9. Describe the GPO's policy with respect to the receipt of sponsorship funds, grants for research or other educational programs, or any other source of non-administrative fee revenue from vendors. What policies does the GPO have to guard against any potential conflict of interest relating to such payments?

Under limited circumstances, Novation will accept sponsorship funds and/or educational grants from current or prospective vendors for member meetings (e.g., tradeshows), clinical programs or educational events (e.g., continuing medical education). Such funds are accepted pursuant to a written Supplier Sponsorship Policy that includes detailed controls to avoid even the appearance of impropriety, including but not limited to prohibitions on: selecting sponsors based on the volume or value of sales or administrative fee revenue; providing sponsors any preferential treatment or access during Novation's open and competitive bid process; allowing sponsors to influence the outcome of research; allowing sponsors to influence the substance of educational materials; and requiring vendors to participate in sponsorship activities. In addition, the dollar value of all

contributions for a given activity may not exceed 100% of the total project expenses for the activity; must be appropriately documented in writing; and is disclosed in writing to members participating in the event in question. In addition to the Standards and Conflicts of Interest Policy, the Supplier Sponsorship Policy ensures that sponsoring vendors are not given preference in the vendor selection process. The Supplier Sponsorship Policy applies to any type of vendor sponsorship, including donations for educational programs. As for other “non-administrative fee revenue,” Novation does not accept partnership incentives, vendor equity, or any “sign-on bonus” or other “up front” lump sum fees of any kind that are paid prior to inception of the contract. See also response to Question 11. A copy of the Supplier Sponsorship Policy is attached.

10. Does the GPO and/or its parent or affiliated companies accept vendor fees relating to conference sponsorship or exhibit booth space? What policies does the GPO have to guard against a potential conflict of interest relating to vendor participation in industry trade shows, and donations in general?

See response to Question 9. In addition, these sponsorships and registration fees are used to cover costs of meetings that provide educational opportunities. Suppliers are not required to participate, and a Supplier’s participation or non-participation is not a factor taken into consideration during the contract award process.

11. Describe any services or products the GPO or its affiliates provide to vendors on a fee-for-service basis (e.g. data, claims processing, etc.).

As part of our Information and Data Services business unit, Novation offers pharmacy spend data to vendors on a fee-for-service basis which helps facilitate supply chain operations. In addition, Novation offers additional marketing specifically for pediatric products and services under its NOVAKIDS™ program to vendors on a fee-for-service basis.

12. Does the GPO make annual disclosures of administrative fees received from vendors for contracting activities with respect to the member’s purchase of products and services (e.g. safe harbor reports)? If this document is publicly available, provide an electronic link to this information.

Members receive two types of disclosures for GPO administrative fees: First, members may view vendor contracts with fee provisions that are not fixed at three percent or less of the dollar value of member purchases through a secure internet database that is available 24 hours a day, 365 days a year. In addition to this “up-front” notice of vendor contract administrative fee provisions, members receive annual fee disclosure reports that indicate, on a contract-by-contract basis, the amount each member purchased in the previous year and the amount of administrative fees Novation received in connection with those purchases.

13. Does the GPO disclose to members all payments other than administrative fees the GPO receives from any vendor in the course of the GPO’s group purchasing activities (e.g. booth space, educational grants, marketing fees, honoraria, etc.) whether from the purchasing activity of those members or not? Describe your disclosure practices.

In addition to the administrative fee disclosures described in response to Question 12, Members also receive information regarding vendor sponsorship, grant, and exhibition fees.

14. Describe the GPO's policy with respect to returning administrative fees to an ineligible vendor.

Novation requires the return of administrative fees to the applicable vendor for purchases made by an ineligible member.

MEMBER FEES

15. Does the GPO pay fees or offer equity to members upon the signing or re-signing of a participation agreement with the GPO or the joining or renewal of membership in the GPO program?

Novation does not pay fees or offer equity to members upon the signing or re-signing of a participation agreement with the GPO or the joining or renewal of membership in the GPO program.

BID AND AWARD/CONTRACTING ISSUES

16. Does the GPO have a publicly-available description of its bid and award process? If so, provide a link and written description of your bid and award process. If not, describe how it may be obtained.

Novation utilizes a Request for Proposal ("RFP") Process that follows principles similar to those embodied in the ABA Model Procurement Code. Information regarding Novation's RFP Process and its bid calendar are publicly-available at www.novationco.com. In addition, any vendor who registers to participate in a particular RFP receives an "RFP Package," which includes instructions for the particular procurement.

17. Describe the GPO's requirements for how products or services are published so they are accessible to potential vendors. If a bidder is not awarded a contract, is that bidder able to review the decision criteria used to evaluate the bid? Include in your response a general description of the GPO's criteria for vendor selection.

Novation's RFP Package contains (i) bid specifications for the product being procured, (ii) basic qualifying factors that vendors must meet, and (iii) the criteria that will be used to evaluate proposals. The RFP Package is sent to all interested vendors who register to participate in a particular RFP. RFP proposals are evaluated in accordance with the evaluation criteria and procedures set forth in the RFP Package.

Yes, if a bidder is not awarded a contract, that bidder is able to review the decision criteria. Not only are decision criteria included in the RFP Package, Novation will also accommodate any vendor requests for a verbal debrief following an unsuccessful attempt to gain an award through a Novation contracting process. This feedback is also available for any vendor who makes an unsuccessful submission to the Innovative Technology process.

Vendor debriefs are designed to discuss the criteria Novation used for evaluating the bid and assure vendors that they have been treated in a fair and open way according to the Novation contracting process. The debrief also provides an opportunity for general guidance about how the vendor could expect to be most successful in future Novation RFP submissions. Contracting Process debriefs are regularly conducted by the Novation Procurement Director and representatives from the Novation business unit. During this meeting the following topics are usually covered: (1.) Identification of weaknesses or deficiencies in a vendor's bid/proposal with a focus on areas where vendor could be likely to be more successful in their next RFP attempt, (2) Responses to questions about Novation's contract process, and (3) Responses to questions from vendor about its submission. At the debrief, the vendor is also made aware of the vendor grievance process to review lingering concerns regarding Novation's application of the contracting process. We also are careful not to share information of other bidders that could be competitively sensitive or proprietary.

The criteria by which a winning vendor will be selected is identified to all bidders through the instructions included in the RFP Package. To assure that the criteria are followed in the actual awards, the appropriate member council or task force reviews information regarding the RFP prior to the announcement of winning vendors.

The RFP Process follows principles similar to those embodied in the Federal Competition in Contracting Act and is modeled upon, to the extent possible, the requirements of the ABA Model Procurement Code. Awards may be made without using this process in unique circumstances where they enhance member choice or flexibility and/or to promote Novation's supplier diversity initiative. For example, non-competitive contract awards are provided: (i) to innovative medical products which offer incremental benefits to patient care, patient safety or health care worker safety; (ii) to small, women-owned, minority-owned, or veteran-owned businesses; and (iii) to innovative proprietary products which have no alternatives. In addition, all non-competitive contracts are clearly identified to members.

18. Describe the GPO's policy with regard to the use of single, sole, dual, and multi-source procurement and provide an example or two to support use of these contracting tools.

With the active input of its member councils and task forces, a number of factors are carefully considered when evaluating whether to contract with one vendor (a single-source contract) or with more than one vendor (multi-source contracts) for a given product category. Single-source contracts are entered into when a member council or task force determines that such an agreement would provide substantial member value without compromising patient care, patient safety, or healthcare worker safety. Note, Novation does not distinguish between "single-source" or "sole-source" terminology.

Sole-source contracts are only awarded under the following circumstances: (1) when a product has no other generic equivalent competition or is viewed in the marketplace similarly to branded products. Examples include branded pharmaceuticals or innovative technology products; (2) when no competing Suppliers respond to the RFP; or (3) when a sole-source supply contract is determined by a member council or task force to provide

substantial member hospital value without compromising patient care or safety or health care worker safety in conjunction with a competitive bid process.

19. Does the GPO permit bundling of unrelated products or services from the same vendor or from different vendors? If so, under what circumstances would the GPO consider bundling to be appropriate?

Multi-product contract discounts are quite common in the health care and other industries because they can promote competition and can help suppliers lower the costs of health care by offering lower prices to hospitals that prefer to standardize their purchases using a single supplier's products. Novation carefully assesses all proposed multi-product proposals in an effort to avoid those that would unreasonably limit member choice or flexibility, prevent innovative technology from reaching members, or unreasonably foreclose competition. Multi-product packages that combine clinical preference and non-clinical preference categories are not offered. However, multi-product packages for a group of functionally-related products may be offered when consistent with the overriding objective to provide members with the most innovative, cost-effective products possible.

20. Describe the process for contracting for clinical preference items. Describe the GPO's policy guiding the appropriate length/term of contracts for clinical preference products.

Novation in no way restricts the members of UHC, VHA, Provista, CHA or Excelebrate from evaluating products from, communicating with, or contracting with vendors of any products. Members are free to communicate and contract with vendors, regardless of the vendor's contracting status with Novation or the product's classification as an innovative or clinical preference product.

In order to ensure that contract length does not encumber member access to innovative technology, with rare exception that must be approved by executive management, Novation's contracts are generally limited to an initial term of three years or less. Additionally, contracts permit termination without cause, upon no more than 180 days written notice, and include a provision permitting the addition of other vendors or the termination and re-bid of the contract if products that offer incremental patient care or safety benefits are introduced.

ADMINISTRATIVE FEES

21. What is the GPO's practice regarding the amount of administrative fees accepted? If there is a written policy, please provide an electronic link or copy of the GPO's policy regarding these fees.

The fee rates are offered by suppliers in their response to Novation's invitation to bid and are based upon the value they attribute to the agreement. Novation does have a written policy, but that policy contains proprietary and competitively sensitive information and is therefore internal-facing only.

22. Describe the conditions in which the GPO accepts administrative fees beyond 3 percent, requiring specific (not blanket) disclosure under the Federal Regulatory Safe Harbor provisions?

Ninety-five percent (95%) of Novation contracts have administrative fees of 3% or less. All fees are disclosed and reported per Federal Regulatory Safe Harbor provisions. See also response to Question 21.

23. Describe the range of administrative fees accepted and examples of the types of contracts (without specifying specific proprietary information) that have administrative fees greater than 3 percent.

See responses to Questions 21, 22 and 25.

PRIVATE LABEL PROGRAMS

24. Describe whether the GPO has a private label program and if so, describe the products the private label program covers.

Yes, NOVAPLUS® is Novation's private label brand of pharmacy and medical-surgical products and non-clinical services that offers additional savings to members for high-quality products and services.

25. Describe the GPO's practice regarding administrative fees derived from a private label program.

In addition to traditional administrative fees, Novation receives a trademark license fee for the use of the NOVAPLUS® brand name.

VENDOR GRIEVANCE PROCESS

26. Describe the GPO's policy and process with respect to responding to a vendor's grievance regarding the bid/award process.

Information regarding Novation's Vendor Grievance Process is available at <https://www.novationco.com/suppliers/grievance.asp>

27. Did any supplier, since submission of the last GPO's Public Accountability Questionnaire, request an evaluation pursuant to the HGPII Independent Evaluation Process? If so, please provide information regarding the outcome of such evaluation.

As of May 1, 2015, no supplier has requested an evaluation pursuant to the HGPII Independent Evaluation Process.

28. Does the GPO participate in HGPII's Independent Evaluation Process?

Yes. Novation played a leading role in the development of the HGPII Independent Evaluation Process and continues to participate.

29. Is the HGPII Independent Evaluation Process displayed on the GPO's public website? If so, please provide an electronic link to this information.

Yes. Novation's public website (www.novationco.com/suppliers/grievance.asp) discusses the HGPII Independent Evaluation Process and includes a link to the HGPII website.

INNOVATION

30. Describe the GPO's policy and process to evaluate and provide opportunities to contract for innovative products and services.

Novation has a detailed process for evaluating Innovative Technologies. Vendors may submit information concerning potentially innovative medical technology for contract consideration outside of the normal contracting cycle at any time. Submissions are evaluated to determine whether the device or product offers incremental benefit to patient care, patient safety or health care worker safety. If the device or product does offer such benefits, a contract will be awarded, even if the new technology determination is made outside normal contracting cycles. Innovative Technology contracting recommendations are made by the appropriate member council or task force. Novation also actively monitors and evaluates the medical product development pipeline to identify potentially innovative products and devices for contract opportunities and operates a Web-based Technology Forum on which vendors can post information about new products. Further information regarding Novation's innovative technology process is available at <https://www.novationco.com/expertise/technology/>. Additionally, Novation promotes innovative technology through its highly successful and growing Innovative Technology Expo each Fall. Attendance at the Novation Innovative Technology Expo event in 2014 grew from the prior year to 120 suppliers showcasing 182 technologies to approximately 170 hospital representatives.

31. Does the GPO have the right to enter into a GPO contract for innovative technology at any time during its bid and award cycle? Describe the process the GPO has for fostering the development of GPO contracts for innovative products.

Yes. Novation retains the right to execute new agreements for innovative technology products that offer incremental benefit to patient care, patient safety or healthcare worker safety at any time. Virtually all Novation agreements for medical or surgical products contain provisions authorizing Novation to add new vendors of innovative technology products, or to terminate the agreement and re-bid the affected product category. See also response to Question 30.

32. Are GPO members allowed to evaluate products and/or communicate with vendors, regardless of whether a vendor has a contract with the GPO?

Yes. Novation in no way restricts the members of UHC, VHA, Provista, CHA or ExceleRate from evaluating products from, communicating with, or contracting with vendors of any products. Members are free to communicate and contract with vendors, regardless of the

vendor's contracting status with Novation or the product's classification as an innovative or clinical preference product.

33. Are GPO members allowed to purchase non-contracted products or services directly from non-participating vendors?

Yes.

VENDOR DIVERSITY PROGRAMS

34. Describe the GPO's program or activities that encourage contracting with small, women-owned and minority-owned and veteran-owned businesses.

Through its Supplier Diversity Program, Novation is committed to encouraging and supporting the development of minority-, women- and veteran-owned business enterprises ("MWVBES") that meet high quality standards. Toward this end, Novation's Supplier Diversity Program seeks agreements with certified minority-, women- and veteran-owned manufacturers and distributors; and maintains a database of approved MWVBES as potential supply partners. Information regarding Novation's Supplier Diversity Program is available at www.novationco.com/expertise/supplierdiversity/default.asp.

35. Has the GPO increased contracting with small, women-owned, minority-owned and veteran-owned businesses over the prior year? If so, quantify these increases in terms of the number of contracted vendors and volume of sales through such vendors in each category.

In 2014, Novation officially launched its Tier II program, which provides an avenue for large contracted suppliers to report their spend with diverse suppliers and subcontractors. Tier II is a critical initiative for our members and allows us to capture a clearer picture of the true economic impact of the supplier diversity program. In addition to capturing subcontracting spend, the Tier II initiative encourages large suppliers to partner with diverse suppliers upfront and pursue contracting opportunities as a team. In the first year Novation contracted suppliers reported approximately \$1.1 billion in Tier II spend. In 2014, Novation also began to track spend with small businesses as well. In 2014 small businesses comprised approximately 32% of the Novation contract portfolio and accounted for approximately \$1 billion in spend.

In 2014 Novation collaborated with the Tuck Business School at Dartmouth, Novant Health, and the Healthcare Supplier Diversity Alliance on a one-week education session entitled "How to Build a High Performing Minority Business." The Tuck School has hosted such a program for 34 years, but for the first time added a health care specific component covering GPOs, distribution, and the health care supply chain from a provider's perspective. Novation collaborated with Cardinal Health and Novant Health to deliver the health care specific course content. In addition, Novation provided financial support in the form of four full scholarships valued at \$20,000 total.

In April, our Supplier Diversity program published the third edition of its annual report, *Footprints 2014*, which detailed the accomplishments of Novation's Supplier Diversity team. The magazine formatted report is unique among the GPOs and allows Novation to tell its diversity story to members and other stakeholders. The magazine format also allowed contracted diverse suppliers to increase their profile. For more detail please see, www.novationco.com/expertise/supplierdiversity/annual_report.asp.

Our program continues to focus on community outreach, partnerships, and economic vitality. The Supplier Diversity program continues to extend Novation's support beyond regional boundaries by assisting members with their programs and events and by partnering with other healthcare organizations in support of supplier diversity. In 2014, the Novation supplier diversity team participated in outreach events in Chicago, Cincinnati, Columbia SC, Dallas, Denver, Detroit, Grand Rapids, Indianapolis, Orlando, Philadelphia, Richmond VA, and Washington, DC.

CODE OF CONDUCT

36. Provide a copy of (as well as an electronic link to) your GPO's written code of business ethics and conduct and describe any changes from the previous HGPII reporting year.

The Standards of Business Conduct and other Compliance Program information are posted and available on Novation's employee intranet site and the external, publicly-available website for all vendors, agents, contractors and others with whom Novation does business at www.novationco.com/about/compliance/. There were no changes from the previous reporting year.

37. Describe whether and in what manner the GPO distributes its written code of business ethics and conduct to all applicable employees, agents, contractors, clinical advisory committees, and others involved in group purchasing activity. How often is the code of conduct provided to employees? Do employees receive annual refresher training on the GPO's ethics and the code of conduct? Describe the content of the training and the method of delivery.

Novation has distributed the Standards, Conflict of Interest Policy and other Compliance Program information to all employees. Compliance Program information is provided both in hard copy and in electronic form. In addition, all employees have received training on the Standards and other elements of the Compliance Program. This information and training is provided to all new employees upon employment. Supplemental compliance training is provided to all employees at least annually. Additionally, Novation distributes a conflict of interest policy to all members of its Governing Board of Directors and advisory committees upon selection of the member and on an annual basis thereafter.

In 2014, training was provided by the Novation compliance team. This live training included the use of video scenarios and an interactive audience response system and covered: conflicts of interest; how to raise issues and ask questions; reporting and hotline structures; cultivating a culture of honesty; and data security and compliance including protecting confidential company information. All employees were required to certify

attendance at the live training. Additionally, all employees are required to certify compliance with the Conflicts of Interest Policy on an annual basis.

38. Describe the mechanism (e.g., a corporate review board, ombudsman, corporate compliance or ethics officer) for employees to report possible violations of the written code of business ethics and conduct to someone other than one's direct supervisor, if necessary.

Novation employees are required to report any conduct that they believe may violate the Standards, other elements of the Compliance Program, and/or any laws or regulations. Suspected misconduct may be reported: (i) to Novation's Compliance Officer, Human Resources Department, Compliance Department or Legal Department; (ii) through Novation's Compliance Hotline (1-877-220-1615); (iii) through Novation's customized Web-based reporting system at www.EthicsPoint.com; or (iv) to the employee's direct supervisor. If a direct supervisor receives a report of suspected misconduct, he or she must report the suspected misconduct to the Compliance Department. See also response to Question 4.

REPORTING POTENTIAL ETHICAL VIOLATIONS

39. What process is used to protect the confidentiality of the reporting employee's identity and what safeguards are in place to mitigate the opportunities for retaliation?

The identities of individuals who report suspected misconduct are maintained as confidential to the fullest extent possible. Employees who wish to remain anonymous are able to anonymously report suspected misconduct through Novation's Compliance Hotline or Web-based reporting system. Novation does not retaliate against an employee who makes a good faith report of suspected misconduct. As an additional safeguard, Novation holds targeted training for company managers on this topic.

40. Describe how the GPO follows up on reports of suspected violations of the code of business ethics and conduct to determine if a violation has occurred and if so, who was responsible. Describe corrective and other actions taken in such circumstances.

Novation's Ethics & Compliance Officer is required to promptly and thoroughly investigate reports of suspected misconduct to determine whether there has been a probable and material violation of any laws, regulations, or Novation's policies and procedures. The Compliance Officer may also, on his/her own initiative, investigate instances of suspected misconduct that have not been reported. The Compliance Officer is supported internally by Novation's Compliance Department, as well as dedicated compliance counsel within the Legal Department. Depending on the nature and severity of the suspected misconduct, the Compliance Officer may utilize outside legal counsel to assist in conducting internal investigations. If the Compliance Officer determines that there has been a material violation of any laws, regulations or Novation's policies and procedures, Novation must take appropriate remedial actions, which may include programmatic corrective action and/or personnel disciplinary action, and must report any such actions to the independent

Compliance and Audit Committee and, where appropriate, the Novation Governing Board of Directors.

41. Describe the processes the GPO follows up on, to monitor on a continuing basis, adherence to the written code of business ethics and conduct, and compliance with applicable federal laws.

Employees are required to report any suspected misconduct and such reports are investigated. Additionally, all employees in a position to influence contracting decisions are required to execute quarterly compliance certifications regarding their knowledge of any deviations from Novation's internal policies and procedures. Any issues identified on quarterly compliance certifications or otherwise are investigated by the Compliance Officer with the assistance of the Novation Compliance Department, Legal Department and/or outside legal counsel, as appropriate. All employees are also required to execute annual certifications regarding compliance with the Conflicts of Interest Policy. In addition, the Novation Legal Department conducts a vendor contract compliance review before each of its vendor contracts is executed to ensure compliance with Novation's policies and procedures, as well as relevant laws and regulations. Finally, the Novation Compliance and Legal Departments conduct periodic compliance audits to ensure compliance with applicable laws and regulations and adherence to its Compliance Program policies and procedures.

42. Are periodic reports on the GPO's ethics and compliance program made to the GPO's Board of Directors or to a committee of the Board? If so, please state how often and in general, what information is reported? Are periodic reports on the company's participation in HGPII made to the GPOs Board of Directors or to a committee of the Board? If so, please state how often and in general, what information is reported.

The Novation Ethics and Compliance Officer reports to the independent Compliance and Audit Committee on a quarterly basis regarding compliance issues and the status of the Compliance Program. Also, the results of compliance investigations and audits are reported to the independent Compliance and Audit Committee and, where appropriate, the Novation Governing Board of Directors. In addition, periodic reports on Novation's participation in HGPII are made to the independent Compliance and Audit Committee during its quarterly meetings. The Ethics and Compliance Officer in turn reports to the full Governing Board of Directors. In addition, the Ethics and Compliance Officer provides updates to the governing bodies of VHA and UHC as requested.

43. How many of your GPO employees attended the Best Practices Forum in 2014? Include the name of the most senior executive who attended.

Ten Novation personnel participated in the GPO Best Practices Forum in 2014. The most senior Novation executive attendee was Jody Hatcher, President & CEO.

44. List the name, title and contact information of the senior manager assigned responsibility to oversee the business ethics and conduct program. Provide the name, title and contact information for the individual(s) responsible for responding to this report.

In 2014, Jill Witter, Senior Vice President, General Counsel, Ethics and Compliance Officer, had responsibility for Novation's Compliance Program.

Individuals responsible for responding to this report:

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