

NOVARTIS VACCINES AND DIAGNOSTICS

S.R.L.

**SUPPLEMENTARY DISCIPLINARY
SYSTEM**

Pursuant to Legislative Decree no. 231/2001

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1 Introduction

Legislative Decree no. 231 of 8 June 2001 (hereinafter the “Decree”) introduced into our rules a system of penalties which envisages forms of organisations’ administrative liability for offences committed in their interest or to their advantage by persons who occupy a top position in the company structure or rather by persons under the supervision of such people.

In particular Art. 5 of the Decree establishes that the organisation is liable for offences committed in its interest or to its advantage:

- by a person who performs representational, administrative or management functions or any of his organisational units enjoying financial and functional independence, also by persons who exercise the de facto management and control thereof (so-called *top personnel*);
- by persons subject to the control or supervision of the top personnel as defined above.

The legislator however, specified the exclusion of the Company’s liability in the event where it has in effect adopted and put into effect, before the act was committed, organisational and management models suitable for preventing the offences mentioned by the Decree.

The legislation established that, among the elements which make up the organisational model is included the adoption of a *disciplinary system* capable of imposing sanctions for failure to observe the measures contained in the said model (internal procedural protocols, Codes of Conduct, service circulars and orders, etc.).

Arts. 6 and 7 of the Decree stipulate that companies which adopt organisational, management and control models with a correlated system of disciplinary sanctions for non-observance of the rules which they themselves have laid down, shall be exempted from liability for any offences committed by their managers, partners and employees.

In the light of this, Novartis Vaccines and Diagnostics S.r.l. has put in place the following supplementary disciplinary system. Furthermore the disciplinary regulations which follow have been introduced solely in accordance with the provisions of Legislative Decree no. 231 of 8 June 2001.

Furthermore, it is stipulated that commission, or complicity in the commission, of these offences shall be sanctioned under the penal code, while in the matter of an employment relationship, the consequences can only be those stipulated by Arts. 2118 and 2119 of the Civil Code. The rules which follow on the other hand, cover the consequences in the matter of dealing with infringements of the models, procedures and Code of Conduct which the company is given according to Legislative Decree 231/2001, to prevent the commission of offences.

These rules therefore supplement and do not replace the rules of law and clauses of the collective agreement in the matter of disciplinary sanctions. For this reason Novartis Vaccines and Diagnostics S.r.l. considered it expedient under the circumstances to consult with the RSU [trade union representation] and to disseminate knowledge of it among its staff by posting details on the company notice boards. The Company and Union will meet annually to monitor the incidence of infringements and more generally, how Legislative Decree 231/2001 is being applied.

2. Scope of the application

The existence of a disciplinary system for wage earners, or rather persons subject to the management or supervision of one or more top personnel is inherent in a working relationship, as stipulated by the provisions of civil law¹. In particular the legislator has explicitly imposed on the employee a duty of diligence and loyalty in the performance of his tasks and also the ability of the employer to resort to the imposition of disciplinary sanctions for conduct not consistent with these obligations. Naturally the sanction imposed must be commensurate with the gravity of the offence committed and must observe the provisions contained in the Statute of Workers' Rights² and the National Collective Agreement in force.

Amongst other things, the National Collective Agreement stipulates that staff, in the performance of their work, must adhere to a standard of conduct constantly guided by the principles of discipline, dignity and morality. Staff have the duty, in the performance of their work, of giving to the company active and wholehearted cooperation in accordance with the company's directives and the rules of the agreement in force and must also observe official confidentiality.

Pursuant to the subject under examination therefore, the following persons shall be subject to this Supplementary Disciplinary System:

- persons employed by the company;
- persons not employed by the company.

3. Disciplinary rules

3.1 Disciplinary rules for persons employed by the Company

- 1 The organisational and management models prepared by the company pursuant to Arts. 6 and 7 of Legislative Decree no. 231 of 8 June 2001 and also the procedures developed for their punctual implementation and the Code of Conduct, must be scrupulously observed by all

¹ Arts. 2086, 2094, 2106 C. C.

² Art. 7 Law 300/70

employees of Novartis Vaccines and Diagnostics S.r.l., whatever their contractual category.

2. Breaches of the organisational and management models and the associated procedures must always be brought to the notice of the Supervisory Organisation for possible measures within its competence.
3. The gravity of the breach shall be evaluated against the following list of circumstances: the degree of intent, the extent of the danger and/ or consequences of the breach, the predictability of these consequences, the methods and times of the breach and the circumstances under which it took place.
4. The breaches mentioned in Para 1 above committed by employees categorised as blue collar workers, office staff and key personnel shall be handled by the Human Resources Directorate and may be punished by sanctions such as a written reprimand, fine and suspension after consulting the Supervisory Organisation. Reoffending represents an aggravating circumstance and will entail the imposition of a more severe sanction, even if of a non-precautionary nature, in the event. Breaches, in addition to what is stipulated by the CCNL [National Labour Collective Agreement] shall be sanctioned by a reduction in rewards, incentives and bonuses and more generally by reduction of the variable part of remuneration and which, on the basis of the gravity and extent of the occurrence may involve a reduction of between 10 % and 100 % of its value.
5. The breaches mentioned in Para 1 above committed by personnel categorised as directors shall be handled by the Human Resources Directorate but must be submitted to the Supervisory Organisation for their opinion. In cases of major gravity, on a proposal from the said Organisation, the company may cancel the employment contract. Breaches committed by this particular staff category shall be sanctioned by a reduction in rewards, incentives and bonuses and more generally by reduction of the variable part of remuneration and which, on the basis of the gravity and extent of the occurrence may sustain a reduction of between 30 % and 100 % of its value.
6. All disciplinary breaches committed by personnel categorised as blue collar workers, office staff, key personnel and directors shall be contested under the defence terms pursuant to the law and the contract.

3.2 Disciplinary rules for persons not employed by the Company

- 1 Breaches of the organisational and management models and the associated procedures must always be brought to the notice of the Supervisory Organisation for possible measures within its competence.

- 2 The gravity of the breach shall be evaluated against the following list of circumstances: the degree of intent, the extent of the danger and/ or consequences of the breach, the predictability of these consequences, the methods and times of the breach and the circumstances under which it took place.
- 3 All violations and breaches of the principles contained in the company's Code of Conduct, of the organisational and management model, the company operating procedures and the ethical provisions to which the company has formally subscribed and will subscribe and in addition, the provisions of the law implemented *by members of the Board of Directors*, without prejudice to what is stipulated in the Civil Code in the matter of a liability action, shall be subject to a penalty.
- 4 The gravity of the breach shall be evaluated against the following list of circumstances: the degree of intent, the extent of the danger and/ or consequences of the breach, the predictability of these consequences, the methods and times of the breach and the circumstances under which it took place, repetition of violations.
- 5 Breaches committed by directors shall be handled operationally within the responsibility of the Board of Directors and/ or the AGM using the following procedures. All decisions concerned with the gravity of a violation must be taken after having previously obtained an appropriate written opinion from the ODV who shall arrange to inform the Board of Statutory Auditors. Decisions concerning a sanction shall taken by the Board of Directors itself who shall arrange to inform the Associates at the next appropriate general meeting or a meeting convened for the purpose. A council member who is subject to investigation in respect of a sanction shall not take part in the constitution and deliberation phase of the meeting and if present, shall abstain from voting. Hence details must be reported in the minutes. In the event where the violation concerns two or more members of the Board of Directors, decisions shall be taken in the manner described above by the Shareholders' Meeting which shall be convened promptly by the Managing Director or, in the event of delay, by the Chairman of the Board of Auditors.
- 6 Penalties applicable to directors consist of a reduction in the salary concerned with the function, which depending on the gravity and extent of the act, will vary between 20 % and 100 % thereof and in the cancellation of the powers conferred upon him up to the revocation of the assignment, without prejudice to the company's rights to any subsequent compensation for losses sustained. In the event where the directors are employees of the Company, further sanctions can be added to those previously imposed through their employee status and nevertheless in the event of waiver of remuneration as directors, deductions shall be made from the variable parts of the salary to which they are entitled.
- 7 Directors at the time of acceptance of the assignment shall take note of and accept the following punitive / disciplinary system, which is of a "conventional" nature.
- 8 All violations and breaches of the principles contained in the company's Code of Conduct, organisational and management model, the company operating procedures, the ethical provisions to which the company has formally subscribed, and will subscribe, and also the

legal provisions, committed *by consultants, staff, proxies and agents* shall be subject to disciplinary and punitive measures initiated by the Managing Director after obtaining the opinion of the ODV and the office / department which reported the breach.

- 9 Sanctions relating to violations committed by this particular category of persons shall be progressed by the Managing Director. Any decision in respect of the gravity of the violation must be made after obtaining a written opinion on the matter from the ODV who shall ensure that the Board of Auditors is informed.
- 10 The sanctions to be applied shall consist of a reduction in the salary concerned with the activity involved, of between 50 % and 100 % and in more serious cases, cancellation of the contract, in all cases without prejudice to the company's right to compensation for any losses sustained.
- 11 The gravity of the breach shall be evaluated against the following list of circumstances: the degree of intent, the extent of the danger and/ or consequences of the breach, the predictability of these consequences, the methods and times of the breach and the circumstances under which it took place.

3.3 Registration of the Sanctions

1. The company shall maintain a register of sanctions updated by the Human Resources department which must, at least every six months, be submitted to the scrutiny of the ODV.
2. Sanctions brought against members of the board of directors or third parties in a relationship with the company shall be recorded in a register held by the ODV.
3. The company may maintain a computing facility in place of paper registers which can provide the same level of information.

3.3 Amendments to the system of penalties

1. All amendments to this system of penalties must be adopted by the Board of Directors after obtaining the opinion of the Supervisory Organisation.
2. Amendments must be brought to the notice of all persons to whom the provisions contained in it apply, by publication on the company internet site and, for persons without internet access, by publication on the company notice board or any other means considered suitable.

