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DISCIPLINARY SYSTEM **According to Legislative Decree 231/2001**

	Number	Approval	Date
EDITION	1	Board of Directors	19/12/2013
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The present Disciplinary System has been translated from that issued by AXXAM, by the Italian into the English language solely for the convenience of international readers.



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1. Objective and field of application

The following principles and provisions pertain to the Disciplinary System established by the Organization, Management and Control Model (hereinafter the Model) adopted by Axxam S.p.A (hereinafter, “Axxam” or “the Company”), in compliance with articles 6 and 7 of Legislative Decree 231/2001, as amended (hereinafter, the Decree).

This aforesaid Disciplinary System is brought to the attention of the Employees by publication in the Company’s intranet. For all other Receivers, the Disciplinary System and the related provisions are an integral part of their contractual relationship with Axxam, and are made available on the Company’s website.

Given the seriousness of the potential consequences for Axxam, in the event of non-compliance with the Model and the Code of Ethics by the executives, the Employees and the Collaborators of Axxam (hereinafter, collectively, “the Personnel”), as well as by the members of the Board of Directors (hereinafter, “the Directors”) and the members of the Board of Statutory Auditors of the Company, each violation is subject to the disciplinary sanctions listed below. Notwithstanding the above, each of such violations is configured as a breach of duty of care and loyalty which is likely to harm, in severe cases, the relationship of trust between the Employer and the aforesaid individuals.

The application of the Disciplinary System shall not necessarily depend on the conduct and outcome of any legal proceedings instituted by the Judicial Authorities, when the conduct in case constitutes a crime which is relevant under the Decree, with no prejudice to the right of Axxam to seeking compensation for damages resulting from the violation of the Model and the commission of a crime by those individuals specifically identified in art. 5, part 1 of same Decree..

The responsibility for the implementation and the application of the Disciplinary System lies with the Axxam as the Employer, in the person of the CEO with the support of the Human Resources Department.

Considering the duties of care and supervision of the Supervisory Body with regards to the proper interpretation and evaluation of the Model and its effectiveness, any disciplinary procedure may also be initiated based on the input and recommendation to the Employer by the Supervisory Body itself.

The disciplinary sanctions are applied to Personnel in compliance with the rules, regulations and guarantees provided by the Italian Workers’ Statute, the National Collective Bargaining Agreement applicable, and the individual employment contracts.

The present Disciplinary System complements and does not replace the broader system of sanctions pertaining to the relationship between the Employer and the Employee, and the legislation in force.

2. Glossary

CEO Chief Executive Officer
HR Human Resources
CCNL National Collective Bargaining Agreement

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RSPP Health and Safety Manager at workplace
COO Chief Operating Officer
CFO Chief Financial Officer
CSO Chief Scientific Officer
CDA Board of Directors

3. Receivers

The following persons are bound to observe the Code of Ethics and the provisions of the Model, and may be subject to this Disciplinary System:

- a) any person in the context of Axxam's organization, covering duties of representation, administration, management and control of the Company - including the members of the Board of Directors and the members of the Board of Statutory Auditors (hereinafter, collectively, the Corporate Bodies) - or one of its functionally and financially independent organizational units, or of affiliated companies: Imax Discovery GmbH and HIT Discovery Constance GmbH, as well as all individuals exercising, even *de facto*, management and control duties (hereinafter, "Persons who hold an Apical Positions");
- b) any person in the context of Axxam's organization who is subject to the direction and supervision of a person holding an Apical Position (hereinafter, "Subject Positions");
- c) any third party, including consultants and business partners, that have for any reason a contractual relation with Axxam, other than an employment relationship, or working directly or indirectly with the Company (hereinafter "Third Party Recipients").

All individuals related to Axxam by a subordinate employment relationship, regardless of the applicable contract and the awarded qualification and grading (management, middle management, employees, workers), are subject to the direction and the supervision of those persons, within the Company organization, holding Apical Positions.

Third Party Recipients of the Model and its Disciplinary System are, with no limitations, those individuals who do not have a subordinate employment relationship with Axxam (including the Collaborators) as well as consultants, agents and proxy holders acting in the name or on behalf of the Company, suppliers, contractors, commercial and scientific partners, individuals in charge of specific tasks and functions with regard to Health Protection and Safety at workplace (e.g., the Physician in Charge and the Health and Safety Manager, if external).

4. The Supervisory Body

As part of its surveillance and monitoring activities with regard to the compliance with the Code of Ethics and the Model, the Supervisory Body, may indicate or require the Employer the application of specific sanctions.

Any disciplinary complaint must be notified to the Supervisory Board, without delay.

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5. Evaluation guidelines

In each individual case, the type and extent of the specific measures and penalties to be applied shall be in proportion to the seriousness of the misconduct and infringement, taking in due account the following items:

- a) the subjective element of the conduct, depending on the intent or guilt;
- b) the extent of the infringement;
- c) the hierarchical or technical level of responsibility;
- d) the presence of aggravating or mitigating factors, with specific reference to the professional level, the previous work experiences and the circumstances in which the infringement was committed;
- e) the possible sharing of responsibility with others who have contributed to the infringement;
- f) those conducts that might, even potentially, compromise the effectiveness of the Model itself.

If a single act leads to more than one infringement, which are punishable by different penalties, the more severe sanction can be applied .

6. Significant conducts

For the purposes of this Disciplinary System, all commissive or omissive conducts (including negligence) such as to affect the effectiveness of said System as a tool for preventing the risk of commission of the crime and offenses referred to in the Decree, are in violation of the Model.

In particular, the following conducts constitute a disciplinary offense:

- a) the infringement of the principles and criteria of conduct highlighted in the Code of Ethics and the Model itself;
- b) the violation of the procedures and protocols formalized in the so called Special Section of the Model;
- c) the omitted, incomplete or untrue documentation of all activities performed in each of the sensitive processes, as prescribed in the procedures referred to in the Model;
- d) the violation of the disclosure requirements in respect of the Supervisory Board;
- e) any unjustified hindrance to the controls or to the access to documents and information, opposed to the Supervisory Board or to those responsible for monitoring the compliance with the procedures, as well as any other conduct which violates or circumvents the control systems provided for by the Model;
- f) the omission or violation of any requirements of the Model with regard to Safety and Health Protection at workplace, or to the prevention of pollution or environmental damage.

The non-compliance with, or the violation of:

- a) the provisions of the law,
- b) the general principles of the Disciplinary System,
- c) the criteria of conduct prescribed in the Code of Ethics and in the Company's procedures,

by the Personnel of Axxam, constitute a breach of the obligations arising from the employment relationship and a disciplinary offense.

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In accordance with the provisions set forth in art. 7 of Law n. 300, dated May 20, 1970 (Workers' Statute) as amended, the disciplinary measures imposed to the Employees are those provided for by the system of sanctions laid down in the National Collective Bargaining Agreement of the Italian pharmaceutical industry, namely:

- verbal warning;
- written warning, in case of recurrence within two years of the cases of culpable violation of procedures and/or requirements, as well as of procedural errors, with external relevance, due to negligence of the Employee;
- penalty payment, not exceeding the amount of three (3) hours of pay, which can be applied when, for technical or hierarchical responsibility, or in the presence of aggravating circumstances, the culpable or negligent conduct could even potentially undermine the effectiveness of the Model, such as in, but not limited to, the cases of:
 - non-compliance with the disclosure requirements to the Supervisory Body and/or to the hierarchical referent of the Employee;
 - repeated failure to comply with the obligations provided for by the procedures and requirements set forth in the Model, when said obligations have pertained or pertain a process involving the Public Administration.
- suspension from work and remuneration, for not more than three days, to be only applied in case of infringement and default of major importance. By way of example, but with not limited to, suspension from work and remuneration shall be applied in the event of:
 - failure to comply with the provisions pertaining to the powers of representation and the power of signature granted by Axxam, with regard to all acts and documents involving the Public Administration;
 - lack of supervision, by the hierarchical referent, with regard to compliance with the procedures and provisions of the Model by their subordinates, in order to ensure their actions within the areas at risk of crime and, in any case, within any activity pertaining the operational processes at risk of crime;
 - false or unsubstantiated reporting with regard to any infringement to the Model and the Code of Ethics.
- dismissal with notice, in case of repeated serious violations of the procedures and obligations with external relevance, in the conduct of activities in the areas at risk identified by the Model;
- dismissal without notice, for serious misconduct so as not to allow the continuation, even on a temporary basis, of the employment relationship (e.g., cause) such as, by way of example but not limited to:
 - any violation of the procedures and requirements of the Model, with external relevance, or any fraudulent conduct clearly directed to the commission of a crime among those considered in the Decree, such as to call into question the relationship of trust with the Employee;
 - any violation and/or circumvention of the internal control system, through the subtraction, destruction or alteration of a procedure and of

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the relevant documentation, or by preventing those responsible for the said procedure, including the Supervisory Body, the control of, or the access to, any information and document, in order to hinder transparency and verifiability of the same.

The investigation of violations and the imposition of the penalties, is in the competence of the Supervisory Board, in consultation with the CEO.

7. Disciplinary System for the Employees

Without prejudice to the prior complaint and the procedure of art. 7 of Law n. 300/1970, all Employees working under the direction and the supervision of the persons who hold an Apical Position of the Company, and whose conduct constitute an infringement of the provisions of the Code of Ethics and the Model, are subject to the sanctions provided by the National Collective Bargaining Agreement, in accordance with the principle of appropriateness and proportionality of the penalty thereof.

In any case, no disciplinary measure which is more severe than a verbal warning shall be issued before eight days from the date of the relevant notification, during which the Employee may submit his justification. If the measure will not be issued within eight days after such justification, the latter shall be deemed accepted.

Any violation by the Company's Employees of the obligations arising from the employment relationship, within the meaning of Articles 2104 and 2105 of the Italian Civil Code, as well as from the National Collective Bargaining Agreement and the individual contracts, shall nonetheless constitute a disciplinary infringement for the purposes of the application of the above listed sanctions .

8. Disciplinary system for the Executives (including Executives with delegated functions, ex art.16 Legislative Decree 81/08)

In case of violation of the criteria of conduct set out in the Model, in the Code of Ethics and in the related procedures, based on the relevance and seriousness of their acts, with no prejudice to the prior complaint and the procedure of art. 7 of Law n. 300/1970 and, in any case, in accordance with the provisions of the National Collective Bargaining Agreement in force, suitable sanctions among those listed above shall be applied.

The disciplinary proceedings and the application of the sanctions fall within the responsibility of the CEO (the Employer), supported by the HR function.

The specific violations of the Model's prescriptions which may result in the anticipated termination of the employment relationship of the Company's Executives, are expressly stated in their individual contracts, or in separate letters signed for acceptance.

9. Measures in respect of the CEO, COO, CFO and the CSO

In case of violation of the legislation in force, as well as of the Model or the Code of Ethics by the CEO, the COO, the CFO and the CSO, the Supervisory Board shall inform the Chairman of Board of Directors in order to adopt appropriate measures, in accordance with the National Collective Bargaining Agreement and the relevant regulations.

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10. Measures in respect of the members of the Board of Statutory Auditors

In case of violation of the legislation in force, as well as of the Model or the Code of Ethics by one or more members of the Board of Statutory Auditors, the Supervisory Board shall inform the Chairman of the Board of Directors who shall take the appropriate determinations.

11. Measures in respect of Third Party Recipients

Any violations of the Code of Ethics by those individuals who do not have a subordinate employment relationship with Axxam (e.g., consultants, agents, proxy holders, suppliers, contractors, commercial and scientific partners), or any other person having a business relation with the Company is punished in accordance with the specific provisions set forth in the relevant contracts.

In particular, all of the said contracts should provide for the application of specific penalties, including a clause of termination, in case of non-compliance with the provisions of the Code, with no prejudice of Axxam's rights to the restoration of any damages.