

SECTION ONE

Definition, fundamental principles and associational democracy

Article 1

Definition

Farmindustria is an association representing pharmaceutical companies operating in Italy.

The Association is non-political and pursues non-profit making objectives.

The Association adheres to Confindustria and adopts its logo and other distinguishing signs thereby accepting the role of national trade member of the system representing Italian industry, as defined in the Articles of Association of the Confederation.

Farmindustria consequently acquires the rights and duties for itself and for its own members flowing from its participation in Confindustria.

The Association's registered office is in Rome and its administrative offices are in Rome and Milan and Bruxelles.

The Board of Management may set up administrative or representative offices in other places, in and outside Italy, as well as bodies for the study of special sector problems, the performance of services, or reach operating agreements with organisations pursuing such objectives.

Article 2

Primary interests

Farmindustria represents all companies operating in the field of pharmaceuticals.

Farmindustria attributes a central and preeminent importance to medicinal products in all its activities.

The scientific and industrial development of medicinal products and the ethical values they constitute shall represent primary interests.

Fundamental principles

Article 3

Farindustria safeguards the legitimate interests of its members.

It recognizes the value of the person and solidarity with civil society, the scientific community, the world of work and the health sector as a whole.

It pursues the development of the industry by addressing its scientific, ethical and economic problems and promotes the value of pharmaceuticals in therapeutic, industrial, economic and social terms.

It considers the development of scientific knowledge a fundamental resource for all operators in the world of industry and health working to help improve care for the sick in a context of prevention, treatment and rehabilitation.

It promotes, within the framework of the principles of the European Union, trade policies that further the growth and competitiveness of the industry in compliance with the dictates of the Constitution of the Republic and the laws that govern it.

The Association pursues, in compliance with national and EU law, especially the laws safeguarding the market and competition:

- a) the promotion of scientific research at all levels within the pharmaceutical industry;
- b) the promotion, reinforcement and legislative protection of scientific research and technologies correlated to the new economy within the pharmaceutical industry;
- c) the implementation of a market based upon principles of free competition and the full recognition of the economic purpose served by patents for the development of research, especially through the introduction of appropriate price policies and the recognition of the value of innovation;

- d) the reciprocal respect of intellectual property as well as the full recognition that the enhancement of intellectual property protection plays a fundamental role in the growth of scientific research;
- e) the abidance by its members of the regulations set forth in its code of conduct and the full acceptance of the duties laid down by professional ethics and law;
- f) the cooperation with the competent authorities on the study, drafting and executive implementation of regulations of interest to the industry so that it can contribute towards constant improvements in the production and efficient control of medicines as well as towards the legislative recognition of ethical standards vital for the industry;
- g) the stipulation of contracts or agreements with other trade associations, whether entrepreneurial or industrial, as also with associations of organised labour or other bodies involved in the problems of the pharmaceutical sector.
These agreements or contracts shall refer to the regulation of labour relations and relations among sector representative bodies designed to guarantee the rights and duties of companies with respect to free-market principles and fair competition, especially as regards the provisions of law 287/1990 and successive amendments and additions.

The Association pursues the aforementioned objectives and performs all associated functions in conformity to the confederation's regulatory provisions on the distribution of roles and activities among the members of the system.

Without prejudice to its non-profit character, in order to achieve the aforementioned objectives, the Association may establish, participate in or contribute towards foundations, specialised institutions or the

promotion of auxiliary activities.

Farindustria adopts the Code of Ethics of the Confederation and the declaration of associational values, and both inspire its organisational conduct.

Article 4

Communication and information

For purposes of imparting information on the policy, projects and activities of the Association to the general public, the authorities, sundry business and labour organisations, other associations and various institutions, communication and media activities are deemed of fundamental importance.

Article 5

Farindustria's founding values

Farindustria reputes autonomy, independence and proactive capacity to be primary values.

Such autonomy and independence are expressed in its relations with various political and social institutions.

The Association has the function of formulating policy guidelines and deems the unity of its members a founding value.

In addition, it considers the unity among its member companies a determining value for reinforcing the Association's negotiation powers in its relations with its institutional and political counterparts.

Article 6

Representation of members

The Association represents its own members in dealings with the institutions, national and international public administrations, economic, political and labour organisations, as well as with professional health and other pertinent social organisations.

It promotes its own internal organisational representativeness as well as the inclusion of its representatives in entities, administrations,

institutions, commissions and organisations however concerned with pharmaceutical questions.

Article 7

Activities of the Association

The activities of Farmindustria hinge upon:

- a) the guarantee that member companies will fully participate in the deliberations of the Association;
- b) the adoption of rules for reaching decisions by the Association;
- c) preliminary mediation among the interests of the different members, or, more generally, the need to represent all associational interests;
- d) the definition of rules for choosing representatives in the national and international groups, replacing incumbents in executive offices, and constituting its own working groups, especially with respect to the principles of the laws governing market protection and fair competition.

SECTION TWO

Participation in the Association and the Association's governing bodies

Article 8

Joining the Association

Pharmaceutical companies, however incorporated, and holders of marketing authorisations for medicines and/or medicine manufacturing authorisations in Italy and/or outside Italy whose operations fully conform to healthcare laws and Good Manufacturing Practices, shall be free to join the Association.

Member companies that operate in homogeneous sectors of activity shall be allowed to constitute specific groups in order to guarantee the protection of special and/or additional interests, on condition that they continue to abide by the Association's guidelines and resolutions.

The criteria for admission to the groups in the aforementioned paragraph are drawn up in apposite regulations, submitted to and approved by the Board of Management.

The relations between the aforementioned groups and the Association shall be regulated by specific agreements submitted for approval to the Board of Management.

In conclusion, the Association shall have the power to accept other entrepreneurial groupings as associate members on condition that they meet the requisites of affinity, complementarity and/or have economic links with regular members of Farindustria based on specific arrangements laid down by the Board of Management.

Affiliate members shall not cover roles of direct, and /or political representation and are admitted solely to the passive electorate only as far as the Board of Management is concerned.

In the case the Association decides to reject the admission of a company, they may present an appeal to the President. The President's office may reply within 30 days, after which the appeal is considered declined. The appeal does not suspend the effects of non-admission.

In case of subsidiary or associate companies of an operating parent company, confederal directives require that such companies shall become members of Farindustria together with the parent company.

All the aforementioned members shall be entered on the register of companies held by Confindustria, which, for all organisational effects, shall officially certify the company's membership of the system.

Art 9

These Rules of Association shall be supplemented by:

- a) resolutions containing the principles of the Code of Conduct of the pharmaceutical industries adopted by the international associations to which Farindustria belongs, subject to approval by the Board of Management;
- b) the Code of Conduct approved by the Board of Management;
- c) the regulations for the operation and activities of the Small and Medium-Sized Company (SME) Group Committee;
- d) the regulations of the Designation Committee;
- e) the E.F.P.I.A. (European Federation of Pharmaceutical Industries' Associations) Code;
- f) the I.F.P.M.A. (International Federation of Pharmaceutical Manufacturers and Associations) Code.

Art 10

Membership and membership fees

Applications to join to the Association, signed by the legal representative of the company and supplemented by documents attesting that the company meets all the requisites of Rule 8, as well as the integral acceptance of the present Rules of Association, the contents of principles of the Code of Conduct under subparagraphs a), b), e), and f) of the preceding Article 9, shall be submitted to the Board of Management unless the provisions of paragraph two of Article 8 apply. The application for admission shall commit the member for a two-year period. Membership shall be tacitly extended unless notice of termination is given in the

manner set forth in this Article.

Membership entitles members to avail themselves of the benefits that arise from its membership of the confederal system.

Membership shall require members to observe the resolutions passed by the Governing Bodies even if introduced prior to their membership, and abstain from initiatives contrary to such resolutions. However, these resolutions shall not apply to the management of member companies' own commercial operations. Furthermore, members shall observe forms of conduct befitting membership of the confederal system.

In particular, companies represented in the Presidential Committee pursuant to the following Rule 26, shall, at the same time, join other bodies of the system with specific territorial jurisdiction.

Membership shall be annulled in the event of:

- a) resignations, which shall be presented by registered letter with at least 12 months' notice; otherwise membership shall extend for another two-year period;
- b) exclusion from the association decided upon by the Internal Arbitrators, for failing to observe the duties required of a member. The Internal Arbitrators shall state the reasons for their resolutions, which shall be passed pursuant to Article 29 of the present Rules of Association,
- c) the loss of any one of the requirements for membership, as ascertained by the Board of Management;
- d) exclusion from the association, ordered by the Board of Management, pursuant to Rule 12, for failure to pay association fees or for other serious breaches of the Statute;
- e) the winding-up of the company;

- f) the declaration of bankruptcy;
- g) exclusion from the association, ordered by the Board of Management, for the non-observation of the regulations set forth under sub-paragraph 1.13 of the general principles of the Code of Conduct.

The termination of membership for the non-payment of association fees, as set forth in the following Rule, shall take effect:

- at the conclusion of the two-year period for which the member has subscribed, pursuant to the first paragraph of this Article, if the circumstances stated under sub-paragraphs a), d), and g) apply;
- at the end of the year in which the rescission of the membership relationship was decided for the circumstances under sub-paragraphs b), c), and e);
- from the date of the declaration as in the case under sub-paragraph f).

Article 11

Members' Fees

The membership fees due to the Association shall comprise:

- a) a "one-off" membership fee;
- b) a variable annual fee;
- c) any extraordinary fees.

The sums of the one-off and variable annual fees are decided every year by the General Meeting on the proposal of the Board of Management, according to budgetary needs.

Any extraordinary fees as proposed by the Board of Management shall be decided by the General Meeting indicating for each such fee, the total amount and basis for determining the individual fees due.

In conformity to the Association's mission specific

considerations accruing against the sale of goods or the performance of services for members, or for other associations conducting the same activities and which by law, regulation or bye-laws belong to a single local or national organisation and their respective members, shall represent other sources of revenue for the Association. Other sources of revenue may also be obtained from sales to third parties of the Association's own publications, which are mainly sold to members. A treasury function set up in the Association, or set up as a consortium with other confederal associations, shall make provision to ascertain, collect and distribute the contributions due to the Association and to other components of the system to which members belong.

Article 12

The variable annual fee shall be calculated on the basis of a member company's annual turnover as measured by market statistics approved by the Board of Management.

The basis for determining the variable annual fee referring to companies under paragraph two of Article 8 shall be decided by the General Meeting, upon the proposal of the Board of Management.

The aforementioned basis for levying fees shall include the company's annual sales inclusive of sales to hospitals, as attested to by a certificate of full disclosure pursuant to the following paragraph four.

For purposes of determining the aforementioned turnover, companies shall submit a certificate of full disclosure on their turnover by 31 March of the year successive to that to which the assessment refers.

In order to permit checks on the foregoing certificate of disclosure, member companies shall be required to allow sample controls to be carried out by leading auditing companies.

Payment of the variable annual fee shall be made in the manner and for the amount fixed by the Board of Management.

Payment of extraordinary fees decided by the General Meeting shall be made in the manner and by the terms

fixed by the Board of Management.

Failure to pay the fees within the terms indicated in the foregoing paragraphs shall entail suspension from the Association for a maximum period of six months and the member's expulsion at the conclusion of this period if the fees due have not been paid.

Measures of suspension and expulsion for the foregoing reasons shall be the competence of the Board of Management.

In addition, the Board of Management shall determine, whenever it deems opportune, once annually the default interest payable by companies for the late payment of fees, without prejudice to their application when notice of default is communicated.

No profits, if any, or surplus income, as also no funds, reserves or capital may be distributed to members during the life of the Association either directly or indirectly.

Article 13

Governing Bodies

The Governing Bodies of the Association are made up as follows:

Decision-making bodies

- 1) General Meeting of members;
- 2) Board of Management;

Executive bodies

- 3) The Committee of the Presidency;
- 4) President and Vice Presidents;

Supervisory bodies:

- 5) Board of Auditors;
- 6) Internal Arbitrators.

Article 14

Company Representatives

The representatives of companies belonging to the Association shall mean the owner, the legal representative as entered in the Register of Companies held by Confindustria, its delegate formally designated and chosen from amongst the agents with general power of attorney or attorneys-in-fact who sit on the Board of Directors or General Managers. Directors, managers or executive officers of companies, holding a formal and expressed power of attorney, shall likewise also be considered company representatives.

The office of President shall not be held together with any other office of the Association. The office of Internal Arbitrator and that of Auditor shall be incompatible with any other office of the Association.

The offices are reserved to representatives of the members, with the exception of those offices referred to under articles 29 and 31 of these Articles of Association.

No remuneration shall be due to incumbents of the Association's elective offices.

In conformity to the regulations drawn up within the confederal framework concerning the executive offices of the system, membership of the executive offices of the Presidency and the Presidency Committee shall be conditional upon the regular registration of the company represented and the observance of the provisions specifically laid down by confederal resolutions on questions of incompatibility between political and Association positions.

The incumbency of elective offices detained for a period in excess of one half of the term of office shall be understood as remaining in force for the entire term of office.

Association offices shall be non-remunerative and only entrusted to entrepreneurs or to persons vested with

real corporate responsibilities.

Article 15

General Meeting

The General Meeting shall comprise the legal representatives of member companies, or their delegates with written proxies whose membership fees are fully paid up.

Every year the Ordinary General Meeting shall be convened by 30 June to approve the budget and financial statements and the President's report on the Association's activities. The General Meeting shall also be convened whenever the Board of Management, or the President deem it opportune, or whenever requested by a number of members holding at least one tenth of the total votes or by the Board of Auditors, but in this case only for matters pertaining to its remit.

The requests referred to in the preceding paragraph, shall be written submissions to the President, and shall state the reasons for the convocation.

The convocation shall take place within 30 days from the receipt of the request.

The General Meeting shall be convened by registered letter, signed by the President, and sent to members at least 15 days prior to the designated date, stating the place, day and time of the meeting and the items on the agenda, for both the first and the second call.

In the event of special urgency, the General Meeting shall be convened by email or any other suitable means, at least two days prior to the date fixed.

In any case, no member shall be able to hold a proxy for more than one other member, with the exception of proxies that refer to members of the same corporate group.

Article 16

The General Meeting shall be validly constituted at first call when at least one half of the votes held by the total number of members entitled to participate

pursuant to the first paragraph of the previous article are present.

At second call, the General Meeting shall be validly constituted regardless of the number of persons attending.

The General Meeting shall be chaired by the President or by whoever acts in his or her stead. Resolutions shall be passed by a majority vote of the members participating or represented in the General Meeting, with no account taken of abstentions or blank ballot papers.

The votes for each member are fractioned with the aim of not allowing the identification of voters.

Voting that does not refer to the election of the Association's Governing Bodies shall be held by secret ballot when requested by at least one fifth of the persons present.

Resolutions passed in a valid manner by a legal quorum shall be binding upon all members including dissident and absent members and must be attested to by minutes signed by the President or the Secretary, appointed by the General Meeting, who need not be a member of the Association.

Article 17

The Ordinary General Meeting is responsible for:

- a) electing the Board of Management;
- b) electing the President and Vice Presidents, in compliance with the criteria of representativeness as referred to the following Article 27, with the exception of the Vice President appointed by the SME Group Committee;
- c) electing the Board of Auditors;
- d) electing the Internal Arbitrators;
- e) approving the budget and financial statements and related reports on the Association and determining membership fees as per Rule 11;

- f) determining the general directives for the operation, attaining the objectives of the Association, and passing resolutions on questions submitted to it by the Board of Management;
- g) appointing an honorary President, chosen among the legal representatives of the member companies that have acquired special merits in Association activities so as to attribute them the functions of guarantor of the Association's activities in conformity to the Rules of Association.

Article 18

The Extraordinary
General Meeting

The Extraordinary General Meeting is responsible for:

- a) amending the Articles of Association;
- b) dissolving the Association and appointing liquidators.

In the event of dissolution any residual assets shall only be devolved to organisations having similar or non-profit purposes, after consulting the Supervisory Bodies in accordance with law.

Article 19

Assigning Votes

The overall number of votes attributed to member companies shall be 20,000, distributed proportionally by 5 equally-weighted parameters, each of which assigning 20% (4,000) of the total votes.

The parameters shall be as follows:

- a) turnover;
- b) number of employees, with different qualifications determining different weightings: a value of 1 for representative employees; 3 for R&D employees; 2

for the rest;

- c) investments in Production and Research & Development: a weighting of 1 for investments in Production and a weighting of 1.5 for investments in Research & Development;
- d) consolidated export sales recorded in Italy;
- e) income tax paid in Italy.

As concerns the parameters indicated under sub-paragraphs a), b), c), and d) these shall refer to the year prior to that in which the calculation is made, while as regards the parameter under sub-paragraph e), this shall refer to the previous year's tax return.

In any case, at least 34% (6,800) of the total votes assigned shall be reserved to national companies as a whole.

All members, irrespective of the foregoing parameters, shall be guaranteed at least one vote.

For the purposes of identifying the value of the parameters under sub-paragraphs b), c), d) and e), companies - without prejudice to Rule 12 of these Rules of Association - shall furnish certificates of disclosure according to the procedures defined by the Association.

In order to permit checks on the foregoing certificate of disclosure, member companies shall be required to allow leading auditing companies to conduct sample controls.

Article 20

National SME Committee

In conformity to paragraph one of Article 12, the representatives of member companies whose turnover accounts for the last 20% ranking of total sales, and whose share capital is primarily Italian-owned, shall, in compliance with the indications of the Board of Management, constitute the National SME Group

Committee.

If a company contributes to the last 20% of turnover as indicated in the foregoing paragraph by virtue of only a part of its overall turnover, it shall only be included in the National SME Group Committee if this share is greater than 50%.

Without prejudice to the foregoing provisions, in the event that a company requests to be excluded from or included in the National SME Group Committee, the Board of Management shall be able to approve, upon the latter's request, and independently of the provisions of the preceding paragraph, the company's inclusion in or exclusion from the National SME Group Committee, on condition that, as between inclusions and exclusions, the final turnover represented by the National SME Group Committee is no less than 18% and no more than 22% of the turnover represented by companies whose share capital is prevalently Italian owned.

In the event that the total of the requests submitted is incompatible with the foregoing limits, the Board of Management shall decide which of the requests submitted can be accommodated within the aforementioned limits.

The reason for such a request on the part of a company and the approval or denial by the Board of Management shall refer to the fact that the membership or non-membership of the National SME Group Committee, on the mere basis of turnover, may be an anomaly in consideration of a company's history or may be deemed an anomaly for the future.

Furthermore, subject to request and determination by the Board of Management, a company whose turnover places it in the National SME Group Committee, shall also be able to be included in the Association's large and medium-sized national company group, if the company is part of a group belonging to this body.

In the event that a company requests, for the reasons stated earlier, to be excluded from the National SME Group Committee, the Board of Management shall be able to allow the request if also proposed by the body representing the National Large and Medium-sized Companies.

Likewise, in the case that a company applies, on the aforementioned grounds, for admission to the National SME Group Committee, the Board of Management shall be able to allow the request if proposed by the committee itself.

The aforementioned requests shall be formally transmitted by interested companies to the Presidency of the Association by 30 May of the year in which the recomposition of the companies constituting the National SME Group Committee takes place.

The recomposition, within the framework of mainly Italian owned Industry, of companies comprising the National SME Group Committee, shall take place every two years on the occasion of the election of the members of the Board of Management. The reorganisation shall be based upon the preceding year's turnover, and no further change shall be made to the resulting composition prior the next election of its members.

The National Small Industry Committee shall be convened and chaired by the President of the Committee.

The Committee shall be responsible for:

- electing its President, from its own members, who shall be a member of the Committee of Presidency and of the Board of Management, in conformity to the rules of this statute;
- electing, from its own members, a Member of the Committee of the Presidency in representation of the National SME Group Committee;
- electing, by its own committee members, the Vice President of Farindustria representing the National SME Group Committee, identifying him/her between the two components of the Committee of the Presidency reserved to the companies

In the case the President of Farindustria is part of the National SME Group Committee, the Vice President of competence of the companies shall be

a representative from the National Large and Medium-sized Company Group. The composition of the Committee of Presidency, that in any case has two representatives from the National SME Group Committee, remains unchanged.

- electing, from its own members, 8 ex officio representatives to sit on the Board of Management of the Association as referred to in the following Article 21.

The election shall consist in assigning preferences to no more than 6 candidates and shall take place by secret ballot.

The candidates with the highest number of votes shall be elected.

The President of the Committee and its 9 representatives on the Board of Management shall constitute the Central Council.

The President of the Committee shall convene the Committee whenever he or she deems it appropriate, but at least once a year in coincidence with the Ordinary General Meeting of the Association.

The Central Council shall be convened by the President, who shall chair it, at least seven times a year and in extraordinary session at the request of three of its members.

The Committee shall be responsible for determining the general guidelines for the activities of its Central Council. The latter shall remain in office for the same two-year period as the Board of Management.

The operations of the Committee and the Central Council shall be governed by apposite regulations, similar to these Articles of Association that, respectively, govern the Association's General Meeting and Board of Management.

Article 21

Board of Management

The Board of Management shall be the decision-making body of Farindustria operating within the

framework of the guidelines approved by the General Meeting.

Its work shall be to guide and evaluate initiatives of a general nature, control the Association's activities, and ensure that companies participate in the Association in coherence with free-market principles.

At intervals of no more than two years, the Board of Management shall, within the meaning of the provisions of the last paragraph of the following Rule 26, approve the Association's strategic guidelines by the end of May.

The guidelines shall be drafted on the basis of documents drawn up and approved by the Committee of the Presidency, and submitted to members of the Board of Management within the same time limits applying to the convocation of the Association's governing bodies.

The Board of Management shall be made up of the President, who shall take the chair, five Vice-Presidents, six members of the Committee of the Presidency, of whom five appointed by the Board of Management and one by National Small Industry Committee, and 58 additional members, of whom:

- 50 elected in odd years by the General Meeting from representatives of the Association's companies on the basis of the procedures laid down in the following Articles 22 and 23, and 8 designated by Small Industry Committee in conformity to Rule 20.

For the purposes of optimising the Association's operation, the following figures may participate in work of the Board of Management in a non-voting capacity: the Honorary President, the last incumbent of the office of President of the Association, the members of the Board of Auditors, the members of the Committee of Control of the Code of Conduct, one representative for each of the product groups indicated in Article 8, paragraph two, the Director General, the Vice Director General and the Association's managers may be invited.

The non-voting participants shall not be included in the calculation for the distribution of the seats among the Association's members.

The national and multinational members shall, however, also be guaranteed representation (respectively, 31 and 39 members) as stated under Rule 5 of the Regulation of the Designation Commission.

The Board of Management shall be convened in ordinary session at least seven times a year or, at the request of at least one fifth of its members, pursuant to the procedures indicated under paragraph three and the following paragraphs of Article 15.

The convening, of an ordinary nature, shall be made by letter through electronic mail or other similar means, sent at least fifteen days before the meeting, and, in the event of urgency, always through electronic mail or similar means, at least two days before the meeting.

The Board of Management shall be validly constituted when a majority of its members are present.

In any moment, any member of the Board of Management may request the validation of the constitutional quorum.

Every member has the right to one vote. Resolutions shall be passed by a majority vote of the persons present, excluding abstentions and blank votes. In case of a Tied vote, the President's vote prevales and, in any case, it can be referred to an appositely convened General Meeting for decision.

Voting not referring to the election of the Association's Governing Bodies shall be held by secret ballot when requested by at least one fifth of the persons present.

Resolutions shall be attested to by minutes signed by the President and the Secretary appointed by the Board of Management, who can be chosen outside the Association.

The Board of Management shall:

a) appoint a Treasurer in odd years from its own

members;

- b) elect the Designation Committee as per Article 22 at least two months before the Association's offices come up for re-election.
- c) propose, in even years, the name of a candidate for President to the General Meeting, and the four Vice Presidents proposed by the President, in conformity to the criteria of representativeness referred to under the following Article 27;
- d) elect, in even years, five member of the Committee of the Presidency from its own members in conformity to the criteria referred to under Rule 26;
- e) pass resolutions on initiatives and actions to be performed in conformity to the general directives issued by the General Meeting;
- f) pass resolutions on agreements binding upon members pursuant to Article 3 with a favourable vote of three quarters of its members;
- g) pass resolutions on the decisions of the International Associations as concerns the behaviour of pharmaceutical industries, as well as on the Code of Conduct referred to in the aforementioned Article 9;
- h) pass resolutions on the adoption and modifications of the Code of Conduct and the ratification of the E.F.P.I.A. and I.F.P.M.A. codes;
- i) pass resolution on applications for membership, express its own opinion on membership pursuant to Article 8, and order the expulsion of member companies pursuant to Article 10;
- l) notify the Internal Arbitrators of violations and breaches as per Article 10;

- m) promote and implement whatever is deemed conducive to the promotion of the Association's objectives;
- n) express its opinion on the budget, financial statements and related reports to be submitted to the General Meeting;
- o) appoint and dismiss the Director General.

Article 22

Designation Committee

The Board of Management, by secret vote and in conformity to the criteria of representativeness, shall appoint a Designation Committee made up of five members that shall appoint a President from their own members.

In even years, the aforementioned Committee shall submit to the Board of Management one or more indications for the designation of the President and on this basis the Board of Management shall, by secret vote, decide upon a candidate for submission to the General Meeting.

The Committee, moreover, in odd years, shall submit two lists of candidates for the Board of Management to the General Meeting. The number of such candidates shall be greater than the seats to be elected from the representatives of, respectively, multinational member companies and large and medium-sized Italian companies, in conformity to the criteria of consultation and representation laid down in the regulations of the Committee and attached to these Articles of Association.

The Committee shall also be allowed to submit other lists of candidates to the General Meeting.

Every list shall be presented to the Committee by a group of members representing at least 15% of the overall votes of the Association, with the exclusion of the votes of members belonging to the National SME Group Committee.

Election to Board of Management

Article 23

The election of members to the Board of Management shall proceed according to the following criteria.

- Voting shall take place on the basis of two lists of candidates, one for large and medium-sized national companies and one for multinational companies.
- Voting for each list shall consist in the expression of preferences among candidates whose number cannot exceed 2/3 of the elective seats, and shall take place by secret ballot.
- The candidates with the highest number of votes shall be elected.
- The representatives of member companies shall participate in the voting pursuant to Article 15, with the exclusion of those belonging to the National SME Group Committee.

Article 24

Duration of Office

Members of the Board of Management shall hold office for two years and may be re-elected. Any member unjustifiably absent from three meetings in the two-year period shall forfeit his or her office.

Any member who has forfeit-ed his of her office shall not be re-elected in the following 2-year period of office.

Whenever in the course of the two-year period, the Board of Management loses one or more of its members, the Council shall immediately replace them by cooption.

Article 25

Regulations

The operations and functioning of the Board of Management and the National SME Group Committee

shall be governed by regulations approved by the bodies to which they refer.

Article 26

The President and the Committee of Presidency

The election of the President shall always require the majority vote of at least two thirds of the valid votes of members participating in or represented at the General Meeting, with no account taken of abstentions or blank ballot papers.

The Chairman shall hold office for a two-year period and can be re-elected for a consecutive term of office.

A third term of office shall also be allowed, but for no longer than a two-year period of office.

The President shall hold all powers of ordinary and extraordinary administration, with the exception of those powers that, by law or the Articles of Association, are reserved to other bodies of the Association.

The President shall, for all intents and purposes, be the legal representative of the Association before third parties and courts of law. In addition to the provisions of other articles, the President shall:

- represent and interpret the image of the Association according to the principles that the Association itself has established;
- make provision to implement the resolutions of the General Meeting, the Board of Management, coordinate the Association's activities and supervise the work of its Officers;
- convene and chair the Board of Management;
- hire and dismiss Executives and Managers of the Association after consultation with the General Director.

In the event of his or her temporary absence or impediment, the President's functions shall be performed by the most senior Vice-President.

The signature of at least three Vice-Presidents shall commit the Association in event of the absence or impediment of the President. If the absence or

impediment becomes definitive, the Vice-Presidents shall be required to convene the Board of Management within 15 days in order to appoint the Designation Committee and within the following thirty days convene the General Meeting to elect the new President.

The Committee of the Presidency shall be the body that implements the decisions of the Board of Management. The Committee of the Presidency shall meet when convened by the President or at the request of two of its members.

Each Vice-President, on the basis of the duties delegated to him or her by the President, shall answer to the Committee for his or her actions.

Subject to consultation with the Committee of the Presidency, the President shall, by stating his/her reasons, be able to revoke the foregoing delegated duties.

The Board of Management shall be informed of duties delegated to or revoked from a Vice-President.

The Committee of the Presidency shall endow itself with its own regulations.

The Committee of the Presidency shall pass resolutions on all matters of urgency with the exception of those expressly reserved by the Articles of Association, the General Meeting, and the Board of Management.

The deliberations of the Committee of the Presidency are taken with the utmost scrutiny and an absolute majority.

In case of a request for a secret ballot from one of the Members of the Committee of Presidency, account will be taken of abstentions or blank ballot papers as votes against.

The Committee of the Presidency shall prepare comprehensive projects, identify the resources necessary for implementing them and entrust the coordination to one or more appositely appointed members of the Board of Management.

The Committee of the Presidency shall comprise:

- a) the President;
- b) five Vice-Presidents, of whom four elected by the General Meeting according to the criteria of representativeness stated in the following Article 27, and one ex-officio Vice-President, holding the office of President of the National SME Group Committee.
In the case that the President of Farindustria is also the representative of the National SME Group Committee, the General Meeting will elect 5 Vice-Presidents, 2 representing Large and Medium-sized National Companies and 3 representing multinationals;
- c) six members, of whom five elected by secret ballot by the Board of Management of whom three shall be representatives from companies whose share capital is mainly foreign-owned and two representatives from large and medium-sized national companies, and one elected by the National SME Group Committee.

In addition, the Committee shall be able to invite the following non-voting members: the previous President, the Honorary President and, for consultative purposes concerning specific questions, and on a non-permanent basis, members of the Board of Management.

The President shall convene the Committee of the Presidency whenever he or she deems it appropriate and, in any case, at least once a month.

At the expiration of the committee's mandate, non re-elected members of the Committee of the Presidency shall retain their offices until the subsequent expiration of the Board of Management's term of office. In the event that their inclusion in the aforementioned bodies alters the equilibrium in terms of equal representation as stated in the Articles of Association, non re-elected and non-coopted members of the aforementioned bodies, shall participate in the meetings of the Committee of Presidency and other

bodies without voting rights.

The Vice-Presidents shall cooperate with the President in carrying out the programme of activities and running the organisation, and in so doing the President shall act as representative of the Association in all its external and internal relations.

In this framework the President shall, as required, be able to delegate the responsibilities connected to the exercise of his or her office to the Vice-Presidents in the form of an express assignment.

For this purpose each Vice-President shall receive an explicit power of attorney by the President, who shall simultaneously inform the Board of Management and specify the contents of such power of attorney and the sectors in which the power will operate.

The President shall, furthermore, be able to confer delegated powers to other members of the Committee of the Presidency, after consulting the Vice Presidents.

The coordination of each delegated power as indicated above, shall be the responsibility of the President and the Vice President responsible for the area by virtue of his or her specific delegated power.

For the purpose of performing their functions, the Vice Presidents shall remain in constant contact with the President, who shall guarantee uniformity in the Association's policy and operating procedures.

For this purpose the President shall undertake, with prior coordination by the Vice-Presidents responsible, all the initiatives that he deems appropriate for the implementation of the resolutions of the Association's Governing Bodies.

The Vice-Presidents and the members of the Committee of the Presidency shall remain in office for two years. The expiration of the term of office shall coincide with that of the President.

In the event of vacancies in the aforementioned offices during the two-year period of office, the Board of Management shall, on the proposal of the President, make the appointments necessary and the new incumbents shall remain in office until the end of the President's mandate.

The Committee of the Presidency shall appoint to the

Committee any member who has distinguished him or herself in activities performed in favour of the Association.

The Committee of the Presidency, in accordance with the provisions of paragraph three of Article 21, shall prepare one or more short- or medium-term strategic proposals for the Association and submit them to the Board of Management for discussion by the end of March. The Board of Management shall agree the strategic policy to submit to the General Meeting for approval by the end of the following month of May.

Article 27

Vice Presidents

In the implementation of the two-year programme of activities, as also in the running and representation of the Association, the President shall be assisted by five Vice-Presidents, of whom four Vice-Presidents elected by the General Meeting in conformity of the criteria of representativeness of the Association's sections and one elected according to the guidelines laid down in the preceding Article 20.

For this purpose the President, as soon as he or she is designated, shall submit to the Board of Management the general policy guidelines of his or her mandate, along with his or her programme of activities and submit the names of the four Vice-Presidents to be elected, chosen in compliance with the principle of equal representativeness of the different sections of the Association in relation to the President and Vice-Presidents.

The President together with the Vice-Presidents shall, therefore, be an effective representation of the breadth of the Association's membership, and be reflected in the three representatives of foreign multinational companies the three representatives of Italian companies, bearing in mind that the President of the National SME Group Committee, appointed according to the guidelines laid down in Article 20 and also as in respect of the same Article 20, in the event that the President of the Association is also part of the National Small Industry Committee.

Article 28

Regional Delegates

The Board of Management upon the proposal of the President, shall appoint the Regional Delegates who, in full conformity to the general policies and guidelines of the Association and Confindustria, shall represent Farindustria in relations with competent local and regional institutions.

Article 29

Internal Arbitrators

Every four years the General Meeting shall elect five Internal Arbitrators by secret ballot in a year when the President is not elected, who shall remain in office for four years and shall be eligible for re-election as many times as the General Meeting may decide.

Each member shall be able to cast a vote for a maximum number of three candidates drawn from a list comprising a number of candidates higher than the number of seats to be elected.

For this reason, in convening the General Meeting for the purpose of the elections, the President shall request members to nominate candidates in writing and early enough to allow them to be included in the voting.

Candidates for the office of Internal Arbitrator shall also include persons who have never directly held a post of corporate responsibility.

The office of Internal Arbitrator shall be incompatible with the office of President or the office of internal arbitrator for another confederate organisation of Confindustria, or with any other office within the association of which he or she is a member.

The Internal Arbitrators, at the request of only one of the parties, shall be required to settle any controversy arising within the Association that cannot be settled amicably.

For this purpose, each of the interested parties shall appoint a fiduciary Internal Arbitrator from the five Internal Arbitrators elected by the General Meeting so

that an arbitration panel may be set up to settle the controversy.

The President of the aforementioned panel is chosen from the five Internal Arbitrators in agreement with the two Internal Arbitrators chosen by the parties. In the event of dissent the appointment shall, at the request of the two Internal Arbitrators already appointed, be made by the Presiding Judge of the Court of Rome from the five Internal Arbitrators elected by the General Meeting.

The President of the arbitration panel and the single Internal Arbitrators shall be required to make a written attestation that none of the circumstances of incompatibility applies to them as detailed in articles 51 and 52 of the Code of Civil Procedure, in the Code of Professional Conduct of the Association and Confindustria and in the Declaration of Associational Values of Confindustria.

The arbitration panel shall lay down, on a case-by-case basis, the investigatory procedures to be adopted in order to settle a controversy before it, taking due account of the procedural criteria fixed in the regulations of Confindustria.

The arbitration panel shall pass judgment on the basis of fairness and its decision-making procedures shall be informal.

An arbitral award shall be decided by a majority vote within sixty days from the date on which the panel is constituted and the examination of the controversy commences. This term may be extended for a maximum of a further thirty days.

The arbitral award shall be notified to the interested parties and to the President of the Association within five days from the date of the judgement. The arbitral award cannot be appealed, apart from an appeal to the Internal Arbitrators of Confindustria.

In any case, once instituted the arbitration panel shall notify Confindustria's internal arbitrators of the

controversy referred to them. The Panel of Internal Arbitrators of Confindustria, on its own initiative or at the request of the arbitration panel, may suggest guidelines for settling controversies.

The interpretation of these Articles of Association, as well as every other Association regulation shall remain the exclusive competence of the Internal Arbitrators.

Without prejudice to the provisions of Article 30 on the matter of sanctions, forfeiture of office can be ordered, not only by the governing bodies that made the designations and the appointments, but also by the Internal Arbitrators for reasons serious enough to make continuing tenure of office by the incumbent incompatible with respect to the Association's objectives and regulations.

Save for matters of controversy in the previous paragraphs, at the commencement of each solar year the five Internal Arbitrators elected by the Association shall, by majority agreement, designate two Internal Arbitrators with delegated powers to perform interpretative and/or disciplinary functions.

In conclusion, the Internal Arbitrators in all cases provided for under these Articles of Association, shall pass judgement according to the arrangements and with the effects established for this purpose.

Article 30

Sanctions

Members who fail to comply with the obligations of these Rules of Association shall be liable to the following sanctions:

- a) written censure;
- b) temporary suspension;
- c) exclusion.

The Internal Arbitrators may apply these sanctions alternatively or cumulatively.

In any case, the possibility of proposing an appeal against the Internal Arbitrators is admitted within fifteen days from the date on which the measure was made known.

Sanctions may not be suspended pending appeal.

Article 31

The Board of Auditors

The Board of Auditors shall be made up of a President, two regular and two alternate auditors.

The President and the other members of the board are elected by the General Meeting, and may include persons from outside the Association.

At least one Auditor must be a Chartered Internal Auditor.

For purposes of electing Auditors, the Association, in convening the General Meeting, shall invite member companies to submit candidatures in good time and in writing so that members can cast a vote for them.

Each member shall cast a vote for no more than three candidates.

The five candidates with the highest number of votes shall be elected.

The Auditors shall annually report to the Board of Management and to the General Meeting with a report on the financial statements.

They shall remain in office for two years, may not hold other Association offices and may be re-elected.

The Board of Auditors shall participate in meetings of the Board of Management without voting rights.

The office of Auditor is not compatible with the office of President or Auditor of a confederation organisation or any other office within Confindustria.

Article 32

Treasurer

The Treasurer, together with the President and in conformity to the budget, shall oversee the financial and accounts management as well as all the financial and economic operations of the Association and report to the Board of Management.

The Treasurer shall remain in office for two years and shall be eligible for re-election.

Article 33

Director General

The Director General, in implementing the directives of the President and the Vice Presidents, shall supervise all the activities approved by the governing bodies and ensure their coordination through managers hierarchically subordinate to him or her. He or she shall be able to delegate part of his or her activities to a Vice Director General after consulting the Committee of the Presidency.

On the basis of powers delegated to him or her by the President, the General Manager shall hire and dismiss personnel, except for Senior Officers and Managers, and propose to the President the recruitment, appointment or dismissal of Managers. He or she shall provide a mandatory but not binding opinion on the possible appointment or dismissal of a Vice Director General and Managers.

He or she shall participate, without the right to vote, in the work of the General Meeting, the Board of Management, the Committee of the Presidency as also in the work of the Committees and Commissions.

The Director General shall be able to confer delegated powers for managing projects, to the Vice Director General, where appointed, as also to Managers.

Article 34

The incumbents of the governing bodies shall remain in office for two-years and shall be eligible for re-election. The election of the President and the Committee of the Presidency shall take place in alternate years with respect to the election of the Board of Management, the Internal Arbitrators and the Board of Auditors.

Election shall be by secret ballot.

Article 35

Common fund, dissolution and

The common fund of the Association shall comprise:

**amendment to the
Articles of
Association**

- a) the membership fees and contributions referred to under Article 11;
- b) any surpluses from annual operations.

The common fund shall be used to defray the Association's running costs and all the necessities and commitments occasioned by the performance of the Association's activities.

Members who, for whatever reason, leave the Association may not make any claims upon the common fund.

The fiscal year shall commence on 1 January and end on 31 December.

Audited financial statements shall be submitted to Confindustria pursuant to the provisions of apposite Confederation Regulations.

Article 36

Dissolution

The dissolution of the Association shall be resolved by an Extraordinary General Meeting with the favourable vote of three quarters of the votes of members present or represented at the General Meeting, taking no account of abstentions or blank ballots, that represent at least one half of the total votes. The General Meeting shall appoint a panel of three receivers, who may be chosen from outside the Association, and determine their powers as well as deciding upon the assignment of any residual assets.

Article 37

**Modifications to
the Articles of
Association**

Amendments to the Articles of Association shall be decided by an Extraordinary General Meeting with a favourable vote of a majority of at least two thirds of the valid votes of the members or representatives present at the General Meeting, taking no account of abstentions or blank ballots, and that represent at least two fifths of the total votes.

**Modifications to
Codes of Practice**

Article 38

Any amendments and supplements to the EFPIA and I.F.P.M.A. codes and Farindustria's own Code of Professional Conduct - which constitute an integral part of the Association's Articles of Association – shall be approved by the Board of Management upon a proposal of the Committee of Control, after consulting the Committee of the Presidency.

Article 39

As regards anything not mentioned or referred to in these Articles of Association, application shall be made of Title II, Heading II of Book I of the Civil Code, and reference shall be made to the deliberations and rules of Confindustria.

Article 1

**Bye-laws of
the Designation
Committee**

Under paragraph one of Article 22 of the Articles of Association, the Board of Management shall, by secret ballot, appoint a Designation Committee made up of 5 members representing the Association's various sections.
The Committee shall elect its own President.

Article 2

**Convening the
Committee**

The Committee shall be convened by the President who shall also fix the calendar of the meetings.

Article 3

Consultations

The Committee shall conduct consultations in conformity to the criterion of maximum representativeness in terms of the dual aspects of company size and territorial distribution, in order to comprehensively reflect the position of Association members.

Article 4

**Consultations and
single companies**

The Committee in its consultation procedures shall listen to single companies and evaluate the written proposals submitted to it.

Article 5

Designations

The designations made by the Committee on the basis of the deliberations made shall be formulated in such a way that, taking account of ex-officio members, the Board of Management shall comprise:

- 39 seats assigned to foreign multinationals;

- 31 seats assigned to Italian companies.

**Bye-laws of the
National SME
Group Committee
and
Central Council**

Article 1 - The National SME Group Committee and Central Council, in the framework of Rule 20 of the Rules of Association, shall pursue the objective of safeguarding small and medium-sized companies, as a direct expression of free enterprise and promote its development in harmony with the economic and social development of the country.

For this purpose, the governing bodies of the National SME Group in the spirit and letter of the Statute shall perform the following activities in conformity to Farindustria's general guidelines:

- a) participating with its own representatives in the making and management of the Association's general policy;
- b) examining the problems of small and medium sized companies, by availing itself of appositely set up study groups;
- c) preparing suitable solutions to these problems and promoting their execution;
- d) programming and implementing initiatives that constantly target public opinion and public powers for the purpose of drawing attention to the problems, objectives and role of small and medium-sized companies;
- e) intervening with its own representatives in and outside Italy, in events and initiatives of interest to small industry.

Article 2 - The members of the National SME Group Committee shall be active representatives of small and medium-sized companies, namely owners of one-man companies, partners in partnerships, or shareholders and/or legal representatives of limited companies, who occupy positions of responsibility in the management of such companies.

Article 3 - The National SME Group Committee, according to the provisions of paragraph five of Article 20 of this Statute, shall set up the Central Council for National Small and Medium-sized Enterprises (SMEs). The Central Council for SMEs shall comprise nine members chosen from companies holding proprietary and prescription drug registrations, as well as the President of the National SME Group Committee.

Article 4 – The votes assigned to the companies for the election to the National Committee of Small Industry are determined as follows:

- 25% according to the criterion laid down in Article 19 of the Articles of Association of Farindustria;
- 75% proportionally to the fees paid to Farindustria.

Article 5 – The National SME Group Committee has a two-year term of office that shall expire in concomitance with that of Farindustria's Board of Management.

The expiry of the term of office of the Central Council for SMEs shall coincide with that of the National Committee.

In event that vacancies occur on the Central Council during the two-year term of office, the Central Council shall appoint new members chosen from the members of the National Committee.

The new appointments made by the Central Council for SMEs shall be submitted to the first meeting of the National SME Committee for approval.

Members of the Central Council unjustifiably absent from three meetings shall forfeit their seats.

Article 6 - The National Small Industry Committee

shall be convened by its President whenever he or she deems it necessary and, in any case, three times a year of which one meeting shall coincide with the Association's Ordinary General Meeting.

The Central Council shall be convened by the President of the Committee at least once every two months in coincidence with the meeting of the Board of Management of Farindustria and in extraordinary session when requested by at least three members.

Article 7 - The meetings of the National Committee, shall be governed by the provisions of Articles 15, 16 and 19 of the Articles of Association, regarding the General Meetings of Farindustria, and the provisions of Articles 26, paragraphs 1 and 2, of the Articles of Association, governing the duration and election of the President of Farindustria shall also apply.

Members of the National Committee shall be able to vote by proxy. However, no member shall be allowed to exercise a proxy vote for more than one other member, save for a plurality of proxies referring to members of the same corporate group.

The meetings of the Central Council for SMEs shall be deemed valid when at least half of the incumbent members are present, and resolutions shall be passed by a majority of valid votes, with no account taken of abstentions and blank ballots. Every member has the right to one vote. In event of a tied vote, the vote of the presiding chairman shall prevail.

The voting systems shall be decided by the President but voting on appointments and resolutions referring to persons shall be conducted by secret ballot, unless the Committee and the Council unanimously decide otherwise.

Article 8 - The loss of membership of the Central Council for SMEs shall automatically entail the forfeiture of membership of other bodies of

Farindustria, whenever the appointments to such other bodies are made by the Central Council for Small Industry or directly by the Board of Management. Outgoing members shall remain in office in the Board of Management until replacements for them are appointed.

Article 9 - The Central Council shall appoint upon the proposal of the President of the SME Group a Vice-President of the SME Group.

The President of SMEs shall, after informing the Central Council, confer specific delegated powers upon the Vice-President for the sectors where Italian SMEs performs its activities.