

ARPECA S.P.A.
DISCIPLINARY SYSTEM
Table of Contents

1. Introduction	2
2. Recipients	3
2.1. Directors, Statutory Auditors and members of the Supervisory Board	3
2.2. Senior managers and other persons in senior positions	3
2.3. Employees	4
2.4. Other parties required to comply with the Model	4
3. Identification of relevant conduct	5
4. Sanctions - type and application criteria	5
4.1. Sanctions against directors and members of the Supervisory Board	6
4.2. Sanctions against senior managers and other persons in senior positions	6
4.3. Sanctions against employees	7
4.4. Sanctions against third-party recipients	9
5. The procedure for imposing sanctions	9
5a. Launch of proceedings by the Supervisory Board following notification	10
5a.1. The procedure for imposing sanctions on directors and members of the Supervisory Board	10
5a.2. The procedure for imposing sanctions on senior managers and other persons in senior positions	12
5a.3. The procedure for imposing sanctions on employees	13
5a.4. The procedure for imposing sanctions on third-party recipients	13
5b. Launch of proceedings at the instigation of the competent corporate bodies	14
5b.1. The imposition of sanctions on managers and employees	14
6. Ancillary measures to sanctions	15
7. Communication	16

DISCIPLINARY SYSTEM

1. INTRODUCTION

One of the essential elements for the construction, implementation and maintenance of an effective model is the existence of a disciplinary system capable of sanctioning non-compliance with the measures indicated in the model itself, as provided by Art. 6, paragraph 2, letter e) of Italian Legislative Decree No. 231/2001, which states that organisation, management and control models must "*introduce a disciplinary system capable of sanctioning non-compliance with the measures indicated in the model*". And the importance of such a disciplinary system is reaffirmed in Art. 7, paragraph 4, letter b) of the aforementioned Legislative Decree, a provision for which the effective implementation of the model requires "*a disciplinary system capable of sanctioning non-compliance with the measures indicated in the model*".

The following are subject to this Disciplinary System: directors and auditors, members of the Supervisory Board, senior managers and other persons in senior positions, employees and third parties who have contractual and/or professional collaboration relations with the Company. With regard to the type of sanctions that may be imposed, as duly emphasised in the guidelines issued by Confindustria, any sanction imposed on employees must comply with the procedures laid down in Art. 7 of Italian Law No. 300/1970 (better known as the "Workers' Statute") and/or by specific regulations adopted on the subject. The disciplinary system has therefore been drawn up in compliance with articles 2103, 2104, 2105, 2106, 2118 and 2119 of the Italian Civil Code, Law No. 300/1970, the other applicable regulations and the current national collective agreement applied to the Company, and is internal to the Company, as it cannot be considered a substitute for, but rather an addition to, the laws or regulations in force, as well as a supplement to the Company's internal rules, including those of a disciplinary nature.

The institution of disciplinary proceedings, as well as the imposition of the sanctions described below, is irrespective of the possible start and/or outcome of any criminal proceedings concerning the same conduct relevant to these disciplinary regulations.

The verification of the adequacy of the disciplinary system and the constant monitoring of any disciplinary proceedings are entrusted to the Supervisory Board, which also reports any breaches of which it becomes aware in the course of its duties.

The disciplinary system may also be applied to the members of the Supervisory Board, in relation to the functions assigned to them by this Model.

2. RECIPIENTS

2.1 Directors and Statutory Auditors. Members of the Supervisory Board

The principles contained in the Model, the Protocols and the associated Procedures must be complied with, first and foremost, by those in so-called senior positions.

Pursuant to Art. 5, paragraph 1, letter a) of the aforementioned Legislative Decree, this category includes persons who "*hold positions of representation, administration or management of the entity or of one of its organisational units with financial and functional autonomy*".

In this context, the position of the members of the Company's Board of Directors and Board of Statutory Auditors (hereinafter also "Directors" and "Statutory Auditors") is of primary importance. In view of their role within the company, the members of the Supervisory Board were also considered to be subject to the rules in question.

2.2 Senior managers and other persons in senior positions.

The list of persons considered to be in a senior position, in addition to the persons indicated in the preceding point, must also include, pursuant to Art. 5, paragraph 1, letter a) of the aforementioned Legislative Decree, "*persons who exercise, also de facto, the management and control*" of the entity or of one of its organisational units with financial and functional autonomy (Plant and/or production unit manager).

Such persons may be linked to the Company either by a subordinate employment relationship (senior managers), or by other private employment relationships that do not presuppose subordination in the strict sense, such as, for example, under a mandate, direct appointment of executive officers/managing agents, etc. (other persons in senior positions).

However, as can be seen from the content of Art. 5, paragraph 1, letter a), reference must also be made to situations which do not receive a formal legal qualification by virtue of the nature of the relationship formally established with the Company. As is well known, the concept of "de facto director" - and, in a broader sense, of "de facto senior manager" - has been developed over the years by case law, which is unanimous in attributing such a qualification to those persons who, without having received any formal power, in fact behave in such a way as to give the impression that they have the power to direct, control or manage the Company.

For the matter that interests us most here, it will suffice to recall that this notion is referred to in two regulatory provisions that provide for predicate offences under Italian Legislative Decree No. 231/01; reference is made to Art. 299 of Italian Legislative Decree No. 81/08, the provisions of which relate to offences in relation to the breach of occupational health and safety regulations (Art. 25 *septies* of Italian Legislative Decree No. 231/01), which provides that the positions of guarantee of the employer, the manager and the person in charge also apply to "*the person who, although not duly vested, actually exercises the legal powers relating to each of the aforementioned persons*", and Art. 2639 of the Italian Civil Code, which relates to corporate crime (Art. 25 *ter* of Italian Legislative Decree 231/01), which provides that the person formally vested with the role or holder of the function shall be "*deemed to be both the person who is required to perform the same function, who is otherwise qualified, and the person who continuously and substantially exercises the typical powers inherent in the role or function*".

23. *Employees.*

Art. 7, paragraph 4, letter b of the aforementioned Legislative Decree prescribes the adoption of an appropriate Disciplinary System to sanction any breaches of the measures laid down in the Model committed by persons subject to the management or supervision of a senior person.

In this respect, the position of all employees linked to the Company by a subordinate employment relationship is relevant, regardless of the contract used, their qualifications and/or their job classification within the company (e.g. non-senior managerial staff, middle managers, white-collar workers, blue-collar workers, workers with fixed-term contracts, workers with placement contracts, etc.).

24. *Other parties required to comply with the Model.*

The Disciplinary System also has the function of penalising breaches of the Model committed by parties other than those indicated above.

These are, in particular, all those (hereinafter, collectively "Third-Party Recipients") who are required to comply with the Model by virtue of the function they perform in relation to the Company's organisational structure, insofar as they are functionally subject to the management or supervision of a senior manager, or insofar as they operate, directly or indirectly, on behalf of the Company. The conduct of such persons may even implicate the Company in criminal liability, as the activities of third parties inevitably spill over into the Company's legal sphere.

The following parties may therefore fall into this category:

- All those who have a non-subordinate employment relationship with the Company (e.g. project collaborators, consultants, agency workers);
- Collaborators in any capacity (e.g. lawyers, accountants);

- Parties who are assigned, or otherwise perform specific functions and tasks in the field of occupational health and safety (e.g. occupational physicians, those in charge of and responsible for the Prevention and Protection Service, etc.);
- Recipients of powers of attorney, agents and all those acting in the name of and/or on behalf of the Company;
- Contractors (e.g. suppliers, contractors) and partners.

3. IDENTIFICATION OF RELEVANT CONDUCT.

For the purposes of the Disciplinary System thus envisaged, and in compliance, as already mentioned, with the provisions of any applicable collective bargaining agreements, any conduct, whether committed or omitted, which is likely to impair the effectiveness of the Model as a tool for preventing the risk of commission of the offences taken into account in the Legislative Decree 231/2001, constitutes a breach of the Model.

Considering that it is necessary to apply (even in a private penalty sector) the constitutional principle of sufficient precision in the identification of punishable conduct, as well as the need for proportionality of the sanction, taking into account the elements or circumstances that characterise the concrete cases, a definition of possible offences, graded according to increasing seriousness, has been made:

1. Failure to comply with the Model's policies, procedures and controls, as well as the Code of Ethics, with respect to processes identified as “sensitive” in a risk assessment;
2. Failure to comply with the principles, procedures and measures of the Model and the Code of Ethics, with conduct that in fact constitutes preparatory acts, not yet constituting the case of attempt (Art. 56 of the Italian Criminal Code; Art. 26 of Italian Legislative Decree No. 231/01) to commit the predicate offences provided for by Italian Legislative Decree No. 231/01;
3. Failure to comply with the principles, procedures and measures of the Model and the Code of Ethics, with conduct that in fact constitutes an attempt to commit one of the predicate offences provided for by Italian Legislative Decree No. 231/01;
4. Failure to comply with the principles, procedures and measures of the Model and the Code of Ethics, with conduct that in fact involves the commission of one of the predicate offences provided for by Italian Legislative Decree No. 231/01.

4. SANCTIONS: APPLICATION CRITERIA AND TYPES

Sanctions are applied in compliance with the provisions set out in paragraph 5, as well as with the rules to be found in collective bargaining.

In any event, the determination of sanctions shall take into account the principles of proportionality and appropriateness, based on the factors and circumstances set forth below in this paragraph.

The application of sanctions shall be without prejudice to the Company's right to take action against the liable party in order to obtain compensation for all damage suffered.

The severity of sanctions imposed following a finding of a breach of the Model will be determined on the basis of an assessment of the following criteria:

- the level of wilfulness expressed by intentional conduct or the degree of negligence, recklessness or inexperience evidenced by negligence;
- the greater or lesser deviation from proper conduct;
- the past conduct of the person concerned, with particular reference to the possible existence of any previous disciplinary action;
- the extent of the danger and/or consequences caused by the breach;
- the position and duties performed by the party;
- the circumstances, reasons, time and place of the breach.

In any event, the Supervisory Board must always be informed of any breaches ascertained and sanctions imposed.

Types of sanction

With regard to the type of sanctions that may be imposed, a distinction must be made according to the person to whom the disciplinary charge is addressed.

4.1. Sanctions against directors, statutory auditors and members of the Supervisory Board.

Written warning, for conduct referred to in No. 1 of paragraph 3;

Formal notice to comply with the Model, for the conduct referred to in Nos 1, 2 and 3 of paragraph 3; Removal from office, for the conduct referred to in Nos 3 and 4 of paragraph 3.

Moreover, if the breach is charged to a director linked to the Company by an employment relationship, the sanctions provided for senior managers or employees will be applied. In such a case, if the sanction of dismissal is imposed, for justified reason or just cause, the removal of the director from office must also be ordered.

In the event that the Board of Directors is informed of breaches of the Model by members of the Supervisory Board, it shall take the initiatives it deems most appropriate, in accordance with its powers under the law and the Articles of Association and depending on the seriousness of the breach, using the sanction hypotheses set out in this point, but it may always apply the sanction of removal from office if the fiduciary relationship has been breached.

4.2 Sanctions against senior managers and other persons in senior positions

Failure to comply with the procedures established in the Model adopted by the Company pursuant to the aforementioned Legislative Decree, as well as the breach of the provisions and principles laid down in the Code of Ethics by managers (currently not present in the Company), determines the application of the most appropriate measures in accordance with the provisions of the relevant collective bargaining agreement. More specifically, if it is established that a senior manager has committed the conduct indicated in paragraph 3, the following sanctions shall be applied:

Verbal warning, for the conduct referred to in No. 1 of paragraph 3; Written

warning, for the conduct referred to in Nos 1 and 2 of paragraph 3;

Fine to the maximum extent provided for in the applicable collective bargaining agreement, for the conduct referred to in No. 2 of paragraph 3; Suspension without pay to the maximum extent provided for in the applicable collective bargaining agreement, for the conduct referred to in Nos 2 and 3 of paragraph 3;

Dismissal, for the conduct referred to in Nos 3 and 4 of paragraph 3 and, in any event, if the fiduciary relationship is broken.

It should be noted that for employees of the Company having the status of 'manager', the following constitutes a serious breach of the provisions of the Model for the purposes of identifying the sanction:

- Failure to comply with the obligation to lead or supervise subordinate workers as to the correct and effective application of the Model.
- Failure to comply with the obligation to lead and supervise other workers who, although not linked to the Company by a subordinate relationship (e.g. consultants, external collaborators, etc.), are nevertheless subject to the direction and supervision of the 'manager' pursuant to Art. 5, paragraph 1, letter b) of Italian Legislative Decree No. 231/01.

4.3 Sanctions against employees

The sanctions set out below apply to middle managers, white-collar workers and blue-collar workers employed by the Company who commit disciplinary offences arising from:

- Adoption of conduct that does not comply with the provisions of the Model and the Code of Ethics;
- Breach of procedures governed by the Model;
- Adoption of conduct that may constitute one of the offences provided for in this Model within the areas of activity at risk.

a) Verbal warning, in the event that the employee negligently breaches the principles set out in No. 1 of paragraph 3;

b) Written warning or fine of not more than three hours' hourly pay calculated on the minimum pay scale, in the event that the employee is a repeat offender with respect to the provisions under letter a (in particular, for the conduct referred to in Nos 1 and 2 of paragraph 3);

c) Fine not exceeding the amount of 3 hours' hourly pay calculated on the minimum pay scale or suspension without pay for up to a maximum of 3 days, in the event that the employee is a repeat

offender with respect to the conduct under b) or for the conduct referred to in No. 3 of paragraph 3;

d) Dismissal, with or without notice, in the event of repeated breach of the conduct referred to in No. 3 of paragraph 3;

e) Dismissal for just cause, in the case of the conduct referred to in No. 4 of paragraph 3, or in the cases, also unspecified, in which the fiduciary relationship is broken.

* * *

► With reference to the risk of commission of **offences in breach of occupational health and safety regulations provided for in Art. 25 septies of the Decree** in compliance also with the provisions of the Circular of the Ministry of Labour of 11 July 2011 No. 15816 concerning the "*Organisation and management model pursuant to Art. 30 of Italian Legislative Decree 81/2008*", it was deemed appropriate to introduce an additional disciplinary measure, indicating possible breaches, graded in increasing order of seriousness:

1. A written warning shall be given to any employee who does not comply with the Model, if the breach leads to a situation of danger for the physical integrity of one or more persons, including the offender, and provided that one of the cases provided for in points 2, 3 and 4 below is not applicable.

2. An employee who does not comply with the Model or company procedures shall be liable to a fine not exceeding three hours' pay and to removal from the company premises if the breach leads to a situation of danger for the physical integrity of one or more persons, including the offender, when they are a repeat offender with respect to the written warning. The same applies if the breach leads to an injury or damage to the physical integrity of one or more persons, including the offender.

3. An employee who fails to comply with the Model will incur the sanction of suspension without pay for up to a maximum of 3 days if the breach causes an injury, which can be considered "serious" (pursuant to Art. 583, paragraph 1 of the Italian Criminal Code), to the physical integrity of one or more persons, including the offender.

4. An employee who fails to comply with the Model will be dismissed for just cause if the breach causes an injury, which can be considered "very serious" (pursuant to Art. 583, paragraph 2 of the Italian Criminal Code¹) to the physical integrity or death of one or more persons.

¹Art. 583 of the Italian Criminal Code. Aggravating circumstances

A personal injury is considered serious and a term of imprisonment of three to seven years applies

1. if the act results in an illness endangering the life of the injured person, or an illness or inability to attend to ordinary occupations for a period exceeding forty days;
2. if the act results in the permanent impairment of a sense or organ;

The personal injury is very serious, and imprisonment from six to twelve years shall apply, if the act results in:

1. an illness that is certainly or probably incurable;
2. the loss of a sense;
3. the loss of a limb, or a mutilation rendering the limb useless, or the loss of the use of an organ or of the capacity to procreate, or a permanent and serious impairment of speech;
4. deformation, i.e. permanent disfigurement of the face.

If the alleged breach is serious enough to lead to dismissal, the employee may be suspended from work as a precautionary measure until such time as the sanction is imposed, in compliance with the provisions of the Workers' Statute and employee regulations.

- ▶ With reference to the risk of **environmental offences** being committed, **provided for in Art. 25 *undecies* of the Decree**, the disciplinary sanctions just described shall apply in relation to safety offences.

4.4. Sanctions against third-party recipients.

Failure to comply with the procedures indicated in the Model, as well as breaches of the provisions and principles established in the Code of Ethics by collaborators, consultants, suppliers, partners and other third parties connected to the Company, may result in the application of the following sanctions:

- a) Warning to comply with the Model immediately for the conduct referred to in Nos 1 and 2 of paragraph 3;
- b) Suspension of activities;
- c) Removal of offenders from company areas;
- d) Application of a penalty, by agreement, of up to 15% of the consideration provided for in favour of the third-party recipient, for the conduct referred to in Nos 1, 2 and 3 of paragraph 3;
- e) Immediate termination of the contractual relationship with the Company for the breaches referred to in Nos 3 and 4 of paragraph 3.

The right remains to claim compensation for the loss or damage suffered as a result of such conduct, including the loss or damage caused by the application to the Company by the courts of the measures provided for in Italian Legislative Decree No. 231/01.

* * * *
*

In any event, the Supervisory Board must always be informed of any breaches ascertained and sanctions imposed. Should the Board of Directors be informed of breaches of the Model by members of the Supervisory Board, it shall take the initiatives deemed most appropriate in line with the seriousness of the breach and in accordance with the powers provided for by the law and/or the Articles of Association.

Notification to the Supervisory Board does not preclude the possibility of initiating disciplinary proceedings, also in relation to the principle of timeliness of the charges, as specified in paragraph 5b and 5b.1 below.

Any omission and delay in informing the Supervisory Board, however, does not invalidate the legitimacy of the sanction, as it only constitutes punishable conduct on the part of the reporting person.

5. THE PROCEDURE FOR IMPOSING SANCTIONS

This paragraph sets out the procedures to be followed during the imposition of sanctions following the possible commission of the conduct referred to in paragraph 3.

These procedures will be described below with regard to each category of recipient, indicating for each one: the stage of notifying the breach to the person concerned; the investigation stage; the stages of determination and subsequent imposition of sanctions.

The procedure to notify the breach can start either

- a) from the moment when the competent Corporate Bodies, as identified below, receive the communication with which the Supervisory Board reports a breach of the Model or the Code of Ethics;
- b) or from the moment the competent Corporate Bodies, as identified below, become aware of conduct in breach of the Model or the Code of Ethics.

In both cases, each person subject to the possible sanctions provided for by this system is guaranteed the possibility, as provided for by the legal system, to exercise their right of defence on the basis of prior notification of the offence and/or breach.

5a. LAUNCH OF PROCEEDINGS BY THE SUPERVISORY BOARD FOLLOWING NOTIFICATION

The Supervisory Board is obliged to take action in order to carry out all investigations when it receives a report, even anonymously, or acquires, in the course of its supervisory and verification activities, information suitable to prove the possible commission of a conduct constituting a breach of the Model and the Code of Ethics.

In this regard, it is emphasised that members of the Corporate Bodies, and in general all staff and collaborators of the company, must report:

- overt or suspected breaches of the Model or related procedures;
- conflicts of interest;
- conduct and/or practices not in line with the provisions of the Code of Ethics.

The obligation to report to the Supervisory Board is also to be understood as extending to third-party reports received by employees and collaborators of the company.

Once the preliminary investigation activity has been completed, the Board must assess, on the basis of the information in its possession, whether a breach of the Model and/or of the Code of Ethics has in

fact occurred. If so, it shall report the breach to the competent Corporate Bodies.

5a.1. The procedure for imposing sanctions on directors and members of the Supervisory Board

If the Supervisory Board finds that the Model has been breached by a person holding the office of Director, who is not linked to the Company by a subordinate employment relationship, it shall send the Board of Directors a "preliminary investigation" report containing the following:

- the description of the conduct to be alleged;
- an indication of the provisions of the Model or the Code of Ethics that have been breached;
- the particulars of the person responsible for the breach;
- any documents proving the breach and/or other evidence;
- a proposal as to the appropriate sanction in the specific case.

Within 10 days of receiving the report from the Supervisory Board, the Board of Directors convenes the member indicated by the Supervisory Board for a meeting of the Board, to be held no later than 30 days after receiving the report. The summons must:

- be made in writing;
- include an indication of the conduct reported and the provisions of the Model that have been breached;
- indicate the date of the meeting, with notice to the concerned party of their right to formulate any observations and/or statements, both in written and oral form.

The summons must be signed by the Chair or at least 2 members of the Board of Directors. If the subject of the summons is the Chair of the Board of Directors, the meeting of the latter body is convened by the Shareholders' Meeting.

At the meeting of the Board of Directors, to which the Supervisory Board and the Board of Statutory Auditors are also invited to attend, the hearing of the person concerned, the acquisition of any statements made by the latter, as well as the performance of any further investigations deemed appropriate are arranged.

On the basis of the information acquired, the Board of Directors convenes the Shareholders' Meeting. Board members not subject to disciplinary proceedings shall inform the Shareholders' Meeting and express their proposal. The Shareholders' Meeting determines the sanction deemed applicable, giving reasons for any disagreement with the proposal formulated by the Supervisory Board and the Board of Directors.

The decision to impose a disciplinary sanction is communicated in writing, by the Shareholders' Meeting, to the person concerned as well as to the Supervisory Board, for the appropriate checks. If the sanction deemed applicable consists in removal from office, the Board of Directors shall without delay convene

the Shareholders' Meeting for the relevant resolutions.

In all cases in which a breach of the Model by a Director linked to the Company by an employment relationship is discovered, the procedure provided for senior managers will be applied. If, as a result of such procedure, the sanction of dismissal is imposed, the Board of Directors shall convene the Shareholders' Meeting to resolve on the removal of the Director from office.

5a.2. The procedure for imposing sanctions on senior managers and other persons in senior positions.

If the Supervisory Body, having completed the preliminary investigation stage, ascertains that a breach of the Model by an Employee has occurred, it will proceed to report the incident to the Board of Directors to notify the breach and possible imposition of sanctions, in compliance with the provisions of Art. 7 of the Workers' Statute, as well as with the applicable collective bargaining agreements.

In particular, the Supervisory Board submits a written report to the Board of Directors containing:

- the description of the conduct to be alleged;
- an indication of the provisions of the Model that have been breached;
- the particulars of the person responsible for the breach;
- any documents proving the breach and/or other evidence;
- its own proposal for a sanction in relation to the actual case.

The Company, having acquired the report of the Supervisory Board, shall promptly notify the employee concerned of the facts constituting the breach, in accordance with the provisions of paragraph 5b.1 below.

Where managers/senior persons hold a power of attorney with the power to represent the Company externally, the application of a sanction more serious than a verbal warning may entail the immediate revocation of the power of attorney itself, or the temporary suspension of its effectiveness.

Following any defences by the employee concerned, the Board of Directors shall decide on the determination and application of the sanction, giving adequate reasons to the Supervisory Board in the event of any disagreement with the proposal formulated by the same.

The order imposing the sanction must be sent to the Supervisory Board for information.

5a.3. The procedure for imposing sanctions on employees.

If the Supervisory Board finds that an employee has breached the Model or the Code of Ethics, the provisions of paragraph 5b.1 shall apply as regards the notification procedure and the procedure for the possible imposition of sanctions.

Following any defences by the employee concerned, the Board of Directors shall decide on the determination and application of the sanction, giving adequate reasons to the Supervisory Board, in the event of any disagreement with the proposal formulated by the same.

5a.4 The procedure for imposing sanctions on Third-Party Recipients (e.g. Consultants, Suppliers, Contractors, Collaborators, etc.)

If the Supervisory Board finds that the Model or the Code of Ethics has been breached by a Third-Party Recipient, it shall send a written report to the Board of Directors containing:

- the description of the conduct to be alleged;
- an indication of the provisions of the Model or the Code of Ethics that have been breached;
- the particulars of the person responsible for the breach;
- any documents proving the breach and/or other evidence;
- Its own proposal for a sanction in relation to the actual case (from among those listed in paragraph 4.4.).

The Board of Directors then sends the party concerned an initial written notice, containing an indication of the alleged conduct and the provisions of the Model or the Code of Ethics that are considered to have been breached, as well as the contractually provided and applicable remedy (e.g. application of a penalty or, in the most serious cases, termination of the contractual relationship).

The third party, within fifteen days of receipt of the above-mentioned notice, is entitled to submit its written defences/statements. In the event of a negative assessment, the Board of Directors shall decide on the determination and application of the sanction.

In any event, the measures may not be applied before fifteen days have elapsed since the receipt of the objection by the Third-Party Recipient and must be notified to the latter not later than 15 days after the expiry of the time limit set for the formulation of written statements and/or defences (without prejudice to a different and longer time limit granted for particularly complex cases).

The Supervisory Board, to which the notice is sent for information, verifies the application of the applicable contractual remedy.

5b. LAUNCH OF PROCEEDINGS AT THE INSTIGATION OF THE COMPETENT CORPORATE BODIES

In the event of breach of the Model and the related procedures, as well as of the Code of Ethics, the competent Corporate Bodies have a duty to report to the Supervisory Board.

In the event that the conduct concerns directors, statutory auditors, members of the Supervisory Board, or Third-Party Recipients (such as Consultants, Suppliers, Contractors, Collaborators, Agents), the procedure set out in points 5a.1 and 5a.4 respectively shall apply.

If the conduct concerns employees, including managers (also senior managers) (hereinafter collectively referred to as "employees"), the above procedure must not conflict with the principle of the timeliness of the notification and the procedural rules set forth in the applicable collective bargaining agreement, otherwise the sanction system would be substantially ineffective, given that the sanction is null and void in the event of untimely notification and when the time limits for the imposition of the sanction set forth in the collective bargaining agreement applied in the company are exceeded.

For this reason, the mandatory communication to be made to the Supervisory Board must specify the initiation of disciplinary proceedings, also indicating the time limits granted to the employee for their defence and for the imposition of the sanction.

The written report of the Supervisory Board, containing its proposal for a sanction in respect of the actual case, must therefore be submitted by the end of the disciplinary procedure and within the time limits indicated in the notice.

In the absence of a timely response, the competent Corporate Bodies may adopt the sanction deemed appropriate, with the obligation to notify the Supervisory Board of the sanction applied, accompanied by the documentation relating to the disciplinary procedure adopted.

In the event of a timely report by the Supervisory Board, if a sanction other than the one proposed is adopted, the Corporate Bodies shall provide adequate justification to the Supervisory Board

5b.1. The imposition of sanctions on managers and employees.

The disciplinary process must take into account the provisions of the current "CCNL Metalmeccanici" collective bargaining agreement.

Accordingly, any sanction, whether of a dismissal or precautionary nature, cannot be imposed until 10 days have elapsed since the written notification of the charge, which must specifically state the alleged facts, with an indication of the sanction applicable.

The notification must be timely (however, this requirement must be understood in a relative sense, in view of the difficulty of the preliminary investigation and the nature and complexity of the breach), and specific (in order to allow for a complete defence).

The employee may, within that period of 10 days from receipt of the notification, submit their justifications in writing, or request to be heard in their defence, assisted by the representative of the trade union association of which they are a member or to which they grant a mandate.

If the employee is unable to exercise the option referred to in the preceding paragraph because of absence from work due to illness or non-occupational injury or occupational injury, the time limit referred to in the preceding paragraph shall be suspended until the day of resumption of work, and in any event no later than 30 working days from the aforementioned date of notification.

The investigation must be completed within 30 days, except in particularly complex cases, with a notification to the worker of the sanction imposed.

Without prejudice to the right to lodge a claim with the court, an employee who has been subjected to a precautionary disciplinary sanction may - within 20 days, also through the association of which they are a member or to which they grant a mandate - request the establishment, through the Regional Labour Office, of a conciliation and arbitration board, composed of a representative of each of the parties and a third member chosen by mutual agreement or, in the absence of agreement, appointed by the Director of the Labour Office.

In that case, the disciplinary sanction remains suspended until a decision by the board. If the employer fails to appoint a representative on the board referred to in the preceding paragraph within 10 days of the invitation addressed to them by the Labour Office, the disciplinary sanction shall have no effect. If the employer refers the matter to the judicial authority, the disciplinary sanction remains suspended until the judgement is finalised.

For the purposes of recidivism, disciplinary sanctions may not be taken into account for any purpose after two years of their application.

In the event of an allegation of facts that may lead to a dismissal sanction, the employee may be suspended as a precautionary measure pending the outcome of the disciplinary proceedings.

6. ANCILLARY MEASURES TO SANCTIONS

The sanctions provided for in this Disciplinary System, in order to fulfil their preventive and educational function, may be accompanied (provided that the relationship with the person concerned is not interrupted) by certain "ancillary" measures consisting of specific training activities for the recipients who, by breaching the provisions contained in the Model and/or in the company's procedures, demonstrate that they have not fully understood the importance of risk prevention activities and of maintaining the smooth running of the company's operations.

The "ancillary" measures shall be commensurate with and imposed in accordance with the criteria laid down in this Disciplinary System, also after hearing the opinion of the Supervisory Board.

7. COMMUNICATION

This Disciplinary System must be brought to the attention of all employees with the status of Manager, Middle Manager, White-Collar Worker and Blue-Collar Worker and in any case of all the recipients identified above by the Company, by posting a copy on the notice board or in a place accessible to all.

A copy of this Disciplinary System will be given to employees together with their employment contract when newly hired. The Code of Ethics will also be given.

An appropriate acknowledgement of delivery must be issued by the employee.

Employees will be fully informed of any changes made to the Disciplinary System by means of a specific service order, with both this document and the Code of Ethics being forwarded, including electronically, with the specification that the Disciplinary System is in addition to that provided for in the industry collective bargaining agreement.

All those who wish to receive a hard copy of this Disciplinary System may request it from the Company.