



**DISCIPLINARY SYSTEM**

## DISCIPLINARY SYSTEM

The Disciplinary System provided for in Article 6, paragraph 2, letter e and paragraph 2 bis letter d) and Article 7, paragraph 4, letter b) of Italian Legislative Decree 231/2001 is a necessary element to ensure the effective implementation of the Model: the definition of an adequate disciplinary system and sanctions, duly commensurate with the violation committed and equipped with deterrence mechanisms, is intended to contribute to the effectiveness and efficiency of the Model, as well as to render effective control activities carried out by the Supervisory Body.

It regulates violations committed by the Recipients of the Model and the Code of Ethics, and therefore:

- employees;
- management staff;
- directors and auditors;
- external parties, such as Collaborators, Consultants, Business Partners.

Violations of the Model or of the requirements of the Code of Ethics damage the relationship of trust established with the Company and must, as a consequence, involve disciplinary actions; this is regardless of the potential establishment of a criminal judgment, as the conduct imposed by the Model is assumed by the Company in full autonomy, regardless of the offence that any conduct may cause.

It should also be noted that the following acts are also subject to disciplinary sanctions, in relation to the reporting obligations to the Supervisory Body:

- the violation of the measures to protect the identity of a whistleblower;
- the commission of acts of reprisal or discrimination, direct or indirect, against the whistleblower for reasons connected, directly or indirectly, with the report;
- reports, carried out with malicious misconduct or gross negligence, which prove to be unfounded.

The Disciplinary System is based on the standards set forth in the Italian Civil Code, the Workers' Statute, the trade national collective bargaining agreement and the relevant applicable legislation.

The Supervisory Body is tasked with monitoring the observance and correct application of the Disciplinary System in the event of violations relevant to the Decree and the Model; it must also inform the Board of Directors to ensure the updating, modification and/or supplementation of the Disciplinary System, if this is deemed necessary for the better effectiveness and efficacy of the Model.

### **Assumptions of the disciplinary-sanctioning code**

The principles characterizing the sanctioning system can be specified as follows:

- **legality and typicality:** the sanctions that may be adopted are those specified herein, provided for by the Legislative Decree. The charge justifying them must correspond to the contested charge;
- **autonomy and complementarity:** the sanction system of the Model is complementary and autonomous with respect to the disciplinary system established by the specific regulations, in force from time to time, applicable to the categories of workers present in the Company;

- **publicity:** the Company must give maximum and adequate knowledge of the sanction system;
- **fair hearing:** objections must be challenged in writing, in a specific and immediate manner;
- **timeliness:** the resulting disciplinary procedure and any application of the penalty must take place within a certain and reasonable time;
- **graduality:** the penalties have been weighted to correspond to different levels of seriousness of the infringement committed and will have to be applied on the basis of an assessment of the seriousness of the infringement that takes into account all the subjective and objective elements.

#### **Determination of the sanction and punishability of the endeavor.**

For the purposes of identifying and imposing sanctions, account must be taken of the principles of proportionality and adequacy in relation to the contested fact. In particular, they note:

- the severity of the conduct and the event caused;
- the intentionality of the conduct and the degree of predictability of the harmful event;
- the manner and circumstances of conduct;
- jobs and functions;
- the type of violation carried out.

On the basis of the very principles of Legislative Decree 231/2001, the endeavor is also punishable.

The following circumstances may increase the penalty:

- repeated recurrence;
- conduct involving multiple violations of the Protocols of the Model and the Code of Ethics;
- intentional complicity of two or more parties in the commission of the violation;
- violation of the rules protecting the safety of workers.

### **SECTION I - SANCTIONS**

#### **Sanctions for employees**

The behavior of the employee which violates the rules set forth in the Model constitutes a failure to fulfil the primary obligations of the employment relationship and is therefore a disciplinary offence.

Sanctions are imposed in compliance with the procedures provided for in Article 7 of Italian Law No. 300 of 30 May 1970 (Workers' Statute) and any special regulations, law or contract, applicable.

The measures that can be imposed may consist of:

- i. **verbal warning:** in the event of a breach of the internal procedures set forth in the Model (e.g. a failure to comply with prescribed procedures, failure to provide information to the SB, failure to carry out the required checks, etc.) or the adoption, in the performance of the activities, of conduct that does not comply with the

- requirements of the Model itself;
- ii. **written warning:** in the most serious or repeated cases of violation of the internal procedures set forth in the Model or of conduct not conforming to the same;
  - iii. **fine not exceeding three hours of hourly remuneration calculated on the minimum wage scale:** in the event of a breach of the procedures set forth in the Model or by the adoption of conduct that does not conform to the same, as well as by performing acts contrary to the interests of the Company, which may expose the integrity of the company's assets to a situation of objective danger
  - iv. **suspension from work and of remuneration up to a maximum of three days:** in the event of a recurrence beyond a third time in the calendar year in relation to the infringements referred to in points i., ii. and iii. above;
  - v. **dismissal with notice:** in the event of behavior which is not in accordance with the requirements of the Model and which is uniquely directed towards the fulfillment of a crime punished by the Legislative Decree;
  - vi. **dismissal without notice:** in the event of the violation of the requirements of the Model such as to determine the practical application by the Company of one of the sanctions provided for by the Legislative Decree, or in case of recurrence beyond a third time in the calendar year of the shortcomings referred to in point iv above.

Where there is more than one infraction, punishable by different sanctions, the most serious sanction applies.

Sanctions are commensurate with the level of responsibility and autonomy of the employee, the intentionality of the behavior, the seriousness of the incident with reference both to the obligations violated and to the effects to which the Company can be considered exposed, pursuant to and for the effects of the Legislative Decree.

The practical application of disciplinary measures is delegated to the Board of Directors on the recommendation of the SB and after hearing the opinion of the hierarchical superior to the perpetrator of the censured conduct.

Without prejudice to the right to bring an action before the court, the worker may, within twenty days of receipt of the disciplinary measure, promote the establishment of a conciliation and arbitration panel, in accordance with the provisions of collective bargaining applicable to the specific case. In such a case, the disciplinary sanction shall remain suspended until the panel has delivered its decision.

The outcome of the proceedings must be communicated to the SB.

### ***Sanctions for management staff***

The management relationship is eminently fiduciary in nature, reflected not only within the Company but also outside, for example in terms of its image on the market.

Respect by managers for what is set forth in this Model and the obligation to enforce the same for other employees is an essential element of the management employment relationship, constituting an inspiration and example for all those who report hierarchically to them.

In the event of a breach by managers of the procedures set forth in this Model, or the adoption of conduct that does not comply with the provisions of this Model,

the most suitable measures in accordance with the provisions of the law and the current National Collective Labor Agreement applicable for management staff shall be applied to those responsible. The SB may also propose the suspension of any powers of attorney conferred on the manager himself.

The SB shall forward to the Board of Directors and the Board of Statutory Auditors a detailed report containing:

- 1) a description of the conduct observed;
- 2) an identification of the provisions of the Model, the Code of Ethics or the adopted behavioral principles, which have been violated;
- 3) the details of the person responsible for the breach;
- 4) any documents proving the breach and/or other evidence;
- 5) a proposal of its own on the sanction which it considers appropriate in relation to the specific case.

The outcome of the proceedings must be communicated to the SB.

The practical application of disciplinary measures is delegated to the Board of Directors, after having heard the opinion of the SB.

This is without prejudice to, in accordance and compliance with the current provisions of law and National Collective Labor Agreement, any right of the Company with regard to any actions for compensation for the damages caused to it by the manager, following the violation by the latter, both of the procedures and of the behavioral rules provided for by the Decree.

#### **Measures against directors**

Infringements of this Model which have been put in place by those who represent the Company top management are judged extreme rigorously, in that the formation and consolidation of a business ethic sensitive to the values of fairness and transparency presupposes that these qualities are acquired and respected, first and foremost, by those who guide the company's choices, so as to constitute an example and inspiration for all those who work for or with the Company.

In the event of a breach by the directors of internal procedures or the adoption, in the exercise of their powers, of measures that conflict with the provisions or principles of the Model and the Code of Ethics, the SB will promptly inform the entire Board of Directors and the Board of Statutory Auditors, who will take on all the appropriate determinations and who, according to the principles of graduality and factuality of the Disciplinary System, may apply the following sanctions:

- a. a demand for prompt respect of the Model;
- b. written warning;
- c. reduction of emoluments or remuneration up to 50%;
- d. revocation, in full or in part, of any power of attorney;
- e. revocation of the office.

#### **Measures against statutory auditors**

In case of violation by one or more members of the Board of Statutory Auditors of the procedures and principles contained in this Model and in the Code of Ethics, the SB shall inform the entire Board of Statutory Auditors and the Board of Directors, who will adopt the appropriate determinations and, if necessary, proceed to the convocation of a meeting of the shareholders.

### **Measures against external parties**

Contracts and agreements entered into with suppliers, collaborators, consultants, business partners, etc., must include specific clauses which:

- acknowledge the awareness of the Model and the Code of Ethics by the third party contractor, with a request for the third party and any employees / collaborators to commit to refraining from conduct contrary to the requirements contained in the Model, the Code of Ethics and the Legislative Decree;
- state that any conduct carried out by the same or by the subjects appointed by them, contrary to the guidelines and principles indicated in the Model and the Code of Ethics and that brings the risk of commission of crimes provided for by the Decree, will allow the Company to terminate the contract, except for compensation for damages.

In particular, conduct may be sanctioned which constitutes a violation, infringement, imperfect or partial application of the contractual requirements and that:

- even though has not had consequences or that, while not being criminally relevant cases, is a violation of the principles of the Model and/or the Steel Color Code of Ethics;
- is aimed unequivocally towards the fulfillment of a crime sanctioned by the Decree;
- has determined the exercise of criminal proceedings against the Company.

According to the gravity of the censured conduct, the sanctions that can be imposed may consist of:

- a. written warning to strict comply with rules of conduct that have been broken;
- b. activation of the specific negotiating clauses included in the contracts;
- c. activation, if applicable, of appropriate actions for damages.

The assessment and imposing of sanctions is left to the company function relevant to the specific relationship, under the supervision of the SB.

## **SECTION II - PROCEDURE FOR IMPOSING SANCTIONS**

The procedure for imposing sanctions is characterized by:

- the stage of challenging the involved party with the infringement;
- the stage of determination and subsequent imposing of the sanction.

In any case, the imposition procedure begins following receipt by the company bodies, authorized on a case-by-case basis, of the communication with which the SB reports the assessment, which must be objective to say the least, of the violation, of the Model and/or the Code of Ethics and the behavioral principles which have been adopted.

More specifically, in all cases where it receives a report or acquires, in the course of its supervisory and verification activities, the elements that could constitute the risk of a

violation of the Model, the SB has an obligation to take action in order to carry out the investigations and controls, which it deems appropriate, which fall within the scope of its activity.

Once the verification and control activity has been completed, the SB evaluates, and if it considers that a sanctionable violation of the Model has actually occurred, reports it to the company bodies responsible for applying the sanction, according to the principles mentioned above and as summarized below:

<b>PARTY WHO HAS COMMITTED THE VIOLATION</b>	<b>REPORT OF THE SB</b>	<b>IMPOSITION OF THE SANCTION</b>
Employees	Board of Directors	Board of Directors, after hearing the opinion of the immediate superior
Executives	Board of Directors	Board of Directors, after hearing the opinion of the SB
Administrators	Board of Directors and Board of Statutory Auditors	Board of Directors and Board of Statutory Auditors
Members of the Board of Statutory Auditors	Board of Directors and Board of Statutory Auditors	Board of statutory auditors, with possible convening of a meeting of the shareholders
External subjects	Business function relevant to specific area	Relevant business function in the specific area

#### **MONITORING AND ADAPTATION**

The Disciplinary System must be constantly monitored by the Supervisory Body which, if necessary, will adapt it, in compliance with the law, according to the changed needs of the Company.