



ORGANISATION, MAGANEMENT AND CONTROL MODEL

P.L. FERRARI & Co. S.R.L.

Special Part D Sanctions System

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INDEX

<u>GENERAL PART</u>	<u>3</u>
FUNCTION AND RECIPIENTS	3
COMPULSORINESS PRINCIPLE	3
CRITERIA OF CHOICE OF THE SANCTIONS	3
INFORMATION AND TRAINING	3
ATTEMPTED DISCIPLINARY CRIMES	3
UPDATE OF THE SANCTIONS SYSTEM	4
<u>SPECIAL PART I</u>	<u>4</u>
BEHAVIOURS OF THE EMPLOYEES SUBJECT TO SANCTIONS	4
SANCTIONS FOR "QUADRI", EMPLOYEES AND WORKERS	4
APPLICATION OF SANCTIONS TO "QUADRI", EMPLOYEES AND WORKERS	4
SANCTIONS TO "DIRIGENTI"	5
APPLICATION OF SANCTIONS TO "DIRIGENTI"	5
BEHAVIOURS OF DIRECTORS SUBJECT TO SANCTIONS	6
SANCTIONS FOR DIRECTORS	6
APPLICATION OF SANCTIONS FOR DIRECTORS	6
BEHAVIOURS OF THE STATUTORY AUDITORS SUBJECT TO SANCTIONS	7
SANCTIONS FOR STATUTORY AUDITORS	7
APPLICATION OF SANCTIONS FOR STATUTORY AUDITORS	7
<u>SPECIAL PART II</u>	<u>7</u>
SANCTIONS FOR THE SUPERVISORY BODY	7
APPLICATION OF SANCTIONS FOR THE SUPERVISORY BODY	7
SANCTIONS FOR THIRD PARTIES	8
APPLICATION OF SANCTIONS FOR THIRD PARTIES	8
SANCTIONS FOR PARTNERS	8
<u>SPECIAL PART III</u>	<u>8</u>
PROCEEDING TO IMPOSE A SANCTION TO EMPLOYEES, DIRECTORS, STATUTORY AUDITORS AND MEMBERS OF THE SB	8

GENERAL PART

Function and recipients

Article 6(2(e)) and article 7(4(b)) of the Decree n. 231 of 2001 (the "Decree", including its following integrations) establish the necessary predisposition of a «Sanction System able to sanction the lack of respect of the measures indicated in the Model».

The present Sanction System, as integral part of the Model, is adopted under resolution of the Board of Directors (BoD) of P.L. Ferrari & Co. S.r.l. (the "Company") on 18th December 2015.

The function of the sanctions here provided – commensurate to the violation and provided with deterrence – is that of making the adoption of the Supervisory Body (SB) compulsory and to constitute an essential requirement of the Model for the purposes of the exclusion of the potential responsibility of the Company.

The present Sanction System is modulated according to the category of the Recipients as well as the autonomous or para-subordinate nature of the relationship between the Recipient themselves and the Company.

Specifically, the Sanction System, within the limits and based on the requirements established in it, is referred to:

- Providers of subordinate work (workers, employees, "quadri", "dirigenti" – even in the hypothesis of administration – Employees as follows);
- Corporate Bodies and their members (BoD; Board of Statutory Auditors; SB);
- Partners;
- Auditing firms; Consultants (Consultancy Companies, lawyers and similar); Collaborators [para-subordinate workers, agents (e.g. promoters...), interns and similar]; Suppliers; other Third Parties who have contractual relationships with the Company (e.g. outsourcing companies, temporary companies) – Third Parties as follows.

The application of the Sanction System is autonomous from the performance of the criminal proceeding initiated at the competent Judicial Authority against the above mentioned subjects, for the commission of one of the crimes provided by the Decree.

Under art. 2106 of the Civil Code, the present Sanction System integrates, for what is not provided and limited to the instances here contemplated, the Contratto Collettivo Nazionale del Lavoro (National Collective Work Contract – CCNL as follows) referred to the employees. The CCNL applies to the hypothesis included therein.

Compulsoriness principle

Under the combined effect of articles 6(2(e)) and 7(4(b)) of the Decree, the sanctions provided in the present Sanction System only apply to the unlawful disciplinary actions resulting from the violation of the Model and/or the Ethic Code within the limits of what is established therein.

Criteria of choice of the sanctions

In the assignment of a sanction account needs to be taken for the specific ability of each of them in relation to the nature and the grade of needs to satisfy in the specific case.

Specifically, it will be necessary to take into account the:

- Voluntariness or involuntariness of the behaviour;
- Relevance of the obligations violated;
- Seriousness of the danger created for the Company;
- Entity of the damage made to the Company from the potential application of the sanction provided by the Decree and successive modifications and integrations;
- Level of hierarchic and/or specialist responsibility;
- Presence of aggravating or mitigating circumstances with specific regard for the previous work performances and to the disciplinary precedents in the last five years;
- Potential sharing of responsibility with others who concurred to the fact.

Information and training

To grant the maximum effectiveness, the present Sanction System is:

- Published, in its full version, on the corporate intranet;
- Distributed, in its full version, to the Employees, Directors, Statutory Auditors and Supervisory Body as well through the specific corporate regulation (circulars, emails and similar);
- Brought to the attention, in various ways, to Third Parties.

It will be anyway care of the Company to inform all the employees – through internal service communication – about the approval of the Sanction System and the possibility to read it.

Moreover, the Sanction System is object of compulsory training for the Employees, the para-subordinate workers, the interns and members of the Corporate Bodies through sessions aimed at ensuring an adequate knowledge, comprehension and application.

Attempted disciplinary crimes

Behaviours and omissions directed in an unequivocal manner to violate the conduct rules imposed by the Model and the Ethic Code as well as, more generally, the Corporate Organisation Procedures that integrate the Model, are as well sanctioned, even if the action is not performed or the event does not occur.

Update of the Sanction System

Potential amendments or integrations of the present Sanction System are made through resolutions by the BoD, even under proposal by the SB.

SPECIAL PART I

Behaviours of the employees subject to sanctions

Without prejudice to the preventive objection, the proceeding prescribed by art. 7 of the law 20th May 1970 n. 300 (Workers' Statute as follows), as well as the provisions of the CCNL applied, the sanctions provided by the article that follows apply against the employees of the Company who commit unlawful actions able to determine a violation of the Model (General Part, Special Parts, Attachments, Corporate Organisation Procedures) or of the Ethic Code.

The following constitute violations of the Model:

- The commission of actions or behaviours not complying with the prescriptions or the procedures – provided or recalled – by the Model, or the omission of actions or behaviours provided or recalled by the Model, in the performance of activities in which ambit the risk of commission of crimes contemplated by the Decree is recurring (“Sensitive Processes” as follows) that:
 - Expose the Company to an objective situation of risk of commission of a crime contemplated by the Decree;
 - Are directed in univocal way to the commission of one or more crimes contemplated by the Decree;
 - Are such that they determine the application, on the Company, of sanctions (pecuniary or disqualification) provided by the Decree.

The following constitute violations of the Ethic Code:

- The commission of actions or behaviours not complying with principles contained or recalled in the Ethic Code, in the performance of Sensitive Processes or activities connected to Sensitive Processes.

Any potential violation of the above mentioned principles, measures and procedures represents, if ascertained, a contractual non-fulfilment in relation to the obligations that result from the work relationship under articles 2104 and 2106 of the Civil Code.

Sanctions for “quadri”, employees and workers

The lack of respect for the provisions contained in the previous paragraph regarding “sensitive behaviours of

employees” is sanctioned, according to the seriousness of the violation, with the disciplinary measures provided in the sanctions system by the CCNL applied by the Company and precisely:

- Written reprimand;
- Fine not superior to 3 hours of retribution;
- Suspension from the activity and from the retribution for a period not exceeding 3 days;
- Dismissal with notice for considerable non-fulfilment of contractual duties by the employee (justified reason);
- Dismissal without notice for such a serious fault to not allow a continuation even temporary of the relationship (valid reason).

Application of sanctions to “quadri”, employees and workers

The acknowledgment of the lack of respect for the provisions contained in the paragraph regarding “Behaviours of the employees subject to sanctions” by the Supervisory Body, corresponds to the start of the procedure to ascertain the faults established by the CCNL applied.

Therefore:

- At every acknowledgement of the lack of respect for the provisions contained in the paragraph regarding “Behaviours of the employees subject to sanctions” communicated by the SB, the BoD gives direction to begin the ascertainment procedure;
- Where, following the procedure, the lack of respect of the provisions contained in the paragraph “Behaviours of the employees subject to sanctions” is ascertained, the disciplinary sanction provided by the CCNL is identified by the BoD, in agreement with the Personnel Manager and imposed by him against the perpetrator of the censored conduct. The Personnel Manager communicates the imposition of the sanction to the SB.

With reference to the sanctions to impose, regard will be had for the above mentioned sanctions provided by the CCNL applied to the employee.

Specifically, it is provided that:

- Is sanctioned with a WRITTEN REPRIMAND the employee that violates the Corporate Organisation Procedures and/or adopts behaviours not coherent with the Model or the Ethic Code (e.g. lack of observance of the procedures provided, and omitted communication to the SB of the information provided, omitted control competing to him etc.) or adopts, in the performance of the activities in the areas at risk, a behaviour not complying with the provisions contained or recalled by the Model or the Ethic Code, recognising in such behaviour the non-execution of his/her job according to the instructions received.

These are cases of minor irregularities/negligence in the performance of the employees' duties or the execution of their tasks.

- Is sanctioned with a FINE the employee who violates multiple times the Corporate Organisation Procedures and/or adopts behaviours that are in many occasions not complying with the provisions or procedures provided or recalled by the Model or Ethic Code, recognising in such behaviour the non-execution of his/her job according to the instructions received.

These are cases of irregularities/negligence in the performance of the employees' duties or habitual in the behaviours mentioned in the above paragraph.

- Is sanctioned with a SUSPENSION FROM THE ACTIVITY AND FROM THE RETRIBUTION, the employee who violates the Corporate Organisation Procedures and/or adopts behaviour not coherent with the Model or the Ethic Code, acting in a way to create or able to create a damage to the Company, exposing it to an objective situation of danger regarding the integrity of the assets.

These are cases of serious irregularities/negligence in the performance of the employees' duties or habitual in the behaviours mentioned in the above paragraph.

- Is sanctioned with DISMISSAL WITH NOTICE FOR A JUSTIFIED REASON, the employee who adopts, in the execution of the activities on the areas at risk, a behaviour not complying with the provisions contained or recalled by the Model or the Ethic Code and is directed in a univocal way to the commission of a crime subject to sanction under the Decree.

These are cases representing very serious irregularities in the performance of the employees' duties or tasks or serious habitual in the behaviours mentioned in the above paragraph.

- Is sanctioned with DISMISSAL WITHOUT NOTICE FOR A VALID REASON the employee who adopts, in the performance of the activities in the areas at risk, a behaviour blatantly in violation of the provisions and procedures provided or recalled in the Model or the Ethic Code and such to determine the tangible risk of application on the Company of measures provided by the Decree, as well as to extinguish the fiduciary relationship the Company has with the employee.

These are cases that, for the seriousness of the behaviour, impose the immediate extinction of the work relationship without notice.

Legal and contractual compliance and performances relating to the imposition of the disciplinary sanction must be respected.

Sanctions for "dirigenti"

The lack of respect for the provisions contained in the previous paragraph regarding "sensitive behaviours of employees" is sanctioned, according to the seriousness of the violation and in consideration of the particular fiduciary nature of the work relationship, with the disciplinary measures provided in the sanctions system by the CCNL applied by the Company and precisely:

- Dismissal for considerable non fulfilment of contractual duties by the employee (justified reason);
- Dismissal for such a serious fault to not allow a continuation even temporary of the relationship (valid reason).

Application of sanctions to "dirigenti"

The acknowledgment of the lack of respect for the provisions contained in the paragraph regarding "Behaviours of the employees subject to sanctions" by the Supervisory Body, corresponds to the start of the procedure to ascertain the faults established by the CCNL applied.

Therefore:

- At every acknowledgement of the lack of respect for the provisions contained in the paragraph regarding "Behaviours of the employees subject to sanctions" communicated by the SB, the BoD gives direction to begin the ascertainment procedure;
- Where, following the procedure, the lack of respect of the provisions contained in the paragraph "Behaviours of the employees subject to sanctions" is ascertained, the disciplinary sanction provided by the CCNL is identified by the BoD, in agreement with the Personnel Manager and imposed by him against the perpetrator of the censored conduct. The Personnel Manager communicates the imposition of the sanction to the SB.

With reference to the sanctions to impose regard will be had for the above mentioned sanctions provided by the CCNL applied to the employee.

Specifically, it is provided that:

- Is sanctioned with DISMISSAL FOR JUSTIFIED REASON the "dirigente" who adopts, in the performance of activities in the areas at risk a behaviour not complying with the provisions contained in the Model or Ethic Code and is directed in a univocal way to the commission of a crime subject to sanction under the Decree.
- Is sanctioned with DISMISSAL FOR A VALID REASON the "dirigente" who adopts, in the performance of activities in the areas at risk a behaviour blatantly in violation of the provisions and procedures – provided or recalled – by the Model or Ethic Code and such to determine a tangible risk of application on the Company of

measures provided by the Decree, as well as to extinguish the fiduciary relationship the Company has with the employee.

Where the “dirigente” has a mandate with power of attorney to represent the Company externally, the imposition of the disciplinary sanction implies as well the automatic revocation of the power.

In any case, against the “dirigente” subject to preliminary investigations or subject to criminal prosecution for one of the crimes provided by the Decree, the Company can decide, in every stage of the criminal proceeding in place and with respect to what has been established by the CCNL of reference, the dismissal of the subject from the service for precautionary reasons and for the time considered necessary by the Company itself, but not beyond the moment where the criminal judge’s decision has become final.

Behaviours of the Directors subject to sanctions

The following constitute violation of the Model by the Directors:

- The commission of actions or behaviours not complying with the provisions and procedures provided or recalled by the Model, or the omission of actions or behaviours provided or recalled by the Model, in the performance of the activities in which ambit there is a recurrent risk of commission of crimes contemplated by the Decree (“Sensitive Processes” as follows) that:
 - Expose the Company to an objective situation of risk of commission of a crime provided by the Decree;
 - Are directed in a univocal way to the accomplishment of one or more crimes contemplated by the Decree;
 - Are such that they determine the application on the Company of sanctions provided by the Decree.

The following constitute violations of the Ethic Code:

- The commission of actions or behaviours not complying with the principles contained or recalled by the Ethic Code, or the omission of actions or behaviours provided or recalled by the Ethic Code, in the performance of the Sensitive Processes or of activities connected to Sensitive Processes.
- Any potential violation of the above mentioned principles, measures and procedures, represents, if ascertained, the inobservance of the duties imposed to them by the Statute’s law under art. 2392 Civil Code.

Sanctions for Directors

The lack of respect for the provisions contained in the previous paragraph regarding “sensitive behaviours of Directors” is sanctioned, according to the seriousness of the violation and in consideration of the particular

fiduciary nature of the work relationship, with the following disciplinary measures:

- Warning to the punctual respect of the provisions;
- Revocation of the mandate and consequential reduction of the compensation;
- Convocation of the General Meeting for the adoption of the revocation measure under art. 2383 Civ. Cod. (revocation).

The application of the above mentioned disciplinary sanctions, does not exclude the discretion of the Company to promote under art. 2393 Civ. Cod. a liability action.

Application of sanctions to Directors

The acknowledgment of the lack of respect for the provisions contained in the paragraph regarding “Behaviours of the Directors subject to sanctions” by the Supervisory Body, corresponds to the start of the procedure to ascertain the faults.

Therefore:

- At every acknowledgement of the lack of respect for the provisions contained in the paragraph regarding “Behaviours of the Directors subject to sanctions” communicated by the SB, the BoD gives direction to begin the ascertainment procedure;
- Where, following the procedure, the lack of respect of the provisions contained in the paragraph “Behaviours of the Directors subject to sanctions” is ascertained, the BoD identifies the disciplinary sanction to impose against the perpetrator of the censored conduct.

Specifically it is provided that:

- Is sanctioned with WARNING TO THE PUNCTUAL RESPECT OF THE PROVISIONS the Director who violates the Corporate Organisation Procedures and/or adopts behaviours not coherent with the Model or the Ethic Code, acting in a way to create or able to create damage to the Company, exposing it to an objective situation of danger regarding the integrity of the assets;
- Is sanctioned with REVOCAION OF THE MANDATE AND CONSEQUENTIAL REDUCTION OF THE COMPENSATION the director who adopts in the performance of the activities in the areas at risk, a behaviour not complying with the provisions and procedures contained or recalled in the Model or the Ethic Code and is directed in an univocal way to the commission of a crime subject to sanction under the Decree.
- Is sanctioned and subject to the adoption of a REVOCAION MEASURE under art. 2383 Civ. Cod., by the General Meeting, the Director who adopts, in the performance of the activities in the areas at risk, a behaviour blatantly in violation of the prescriptions or provisions contained or recalled by the Model or Ethic Code and such to determine the tangible risk of application on the Company of

measures provided by the Decree. Where the Director has a mandate with power of attorney to represent the Company externally, the imposition of the disciplinary sanction implies the automatic revocation of the power as well.

Behaviours of the Statutory Auditors subject to sanctions.

The following constitute violation of the Model by the Statutory Auditors:

- The commission of actions or behaviours not complying with the provisions and procedures provided or recalled by the Model, or the omission of actions or behaviours provided or recalled by the Model, in the performance of the activities in which ambit there is a recurrent risk of commission of crimes contemplated by the Decree (“Sensitive Processes” as follows) that:
 - Expose the Company to an objective situation of risk of commission of a crime provided by the Decree;
 - Are directed in a univocal way to the accomplishment of one or more crimes contemplated by the Decree;
 - Are such that they determine the application on the Company of sanctions provided by the Decree.

The following constitute violations of the Ethic Code:

The commission of actions or behaviours not complying with the principles contained or recalled by the Ethic Code, or the omission of actions or behaviours provided or recalled by the Ethic Code, in the performance of the Sensitive Processes or activities connected to Sensitive Processes.

Sanctions for the Statutory Auditors

The lack of respect for the provisions contained in the previous paragraph regarding “sensitive behaviours of Statutory Auditors” is sanctioned, according to the seriousness of the violation and in consideration of the particular fiduciary nature of the work relationship, with the following disciplinary measures:

- Warning to the punctual respect of the provisions;
- Convocation of the General Meeting for the adoption of the measure under art. 2400 Civ. Cod. (revocation), which must be subsequently approved with a decree by the tribunal, heard the statutory auditor himself.

The application of the above mentioned disciplinary sanctions, does not exclude the discretion of the Company to promote under art. 2407(3) Civ. Cod. a liability action.

Application of the sanctions to Statutory Auditors

The acknowledgment of the lack of respect for the provisions contained in the paragraph regarding “Behaviours of the Statutory Auditors subject to

sanctions” by the Supervisory Body, corresponds to the start of the procedure to ascertain the faults.

Therefore:

- At every acknowledgement of the lack of respect for the provisions contained in the paragraph regarding “Behaviours of the Statutory Auditors subject to sanctions” communicated by the SB, the BoD gives direction to begin the ascertainment procedure;
- Where, following the procedure, the lack of respect of the provisions contained in the paragraph “Behaviours of the Statutory Auditors subject to sanctions” is ascertained, the BoD identifies the disciplinary sanction to impose against the perpetrator of the censored conduct.

Specifically, it is provided that:

- Is sanctioned with WARNING TO THE PUNCTUAL RESPECT OF THE PROVISIONS the Director who violates the Corporate Organisation Procedures and/or adopts behaviours not coherent with the Model or the Ethic Code, acting in a way to create or able to create damage to the Company, exposing it to an objective situation of danger regarding the integrity of the assets;
- Is sanctioned and subject to the adoption of a REVOCATION MEASURE under art. 2400 Civ. Cod., the Statutory Auditor who adopts, in the performance of the activities in the areas at risk, a behaviour not complying with the provisions and procedures contained or recalled by the Model or the Ethic Code and is directed in a univocal way to the commission of a crime sanctioned under the Decree; or adopts, in the performance of the activities in the areas at risk, a behaviour blatantly in violation of the provisions or procedures contained or recalled by the Model or the Ethic Code and such to determine the tangible risk of application on the Company of measures provided by the Decree.

SPECIAL PART II

Sanctions for the Supervisory Body

In case of a violation of the Model (General Part, Special Parts; Attachments; Corporate Organisation Procedures) or the Ethic Code by the SB, the BoD takes the appropriate proceedings in relation to what provided in the present Sanction System for the respective category/level of employee of different subjects and respecting the rules provided by the Regulation of the SB.

More specifically, in case of violation of one of the dispositions contained in the Regulation of the SB, the same will be sanctioned, depending on the seriousness of the violation, with the following disciplinary measures:

- Warning to the punctual respect of the provisions;
- Cutback of wages;

- Convocation of the Board of Directors for the adoption of the revocation measure.

Application of the sanctions to the Supervisory Body

The acknowledgment of the lack of respect for the provisions contained in the previous paragraph by the BoD, corresponds to the start of the procedure to ascertain the faults.

Therefore:

- At every acknowledgment of the lack of respect for the provisions contained in the previous paragraph communicated to the BoD, direction is given, by the Board itself, to begin the ascertainment procedure;
- Where, following the procedure, the lack of respect of the provisions contained in the previous paragraph is ascertained, the BoD identifies the disciplinary sanction to impose against the perpetrator of the censored conduct.

Specifically, regarding the violation of one of the dispositions contained in the Regulation of the SB, it is provided that:

- Is sanctioned with WARNING TO THE PUNCTUAL RESPECT OF THE PROVISIONS the member of the SB who, violating the Regulation, commits actions that cause or are able to cause damage to the Company, exposing it to an objective situation of danger regarding the integrity of the assets;
- Is sanctioned with CUTBACK OF WAGES the member of the SB who, violating the Regulation, commits actions that result directed in a univocal way to the commission of a crime subject to sanction under the Decree;
- Is sanctioned with REVOCAION MEASURE the member of the SB who, violating the Regulation, commits actions that result such to determine the application on the Company of measures provided by the Decree.

Sanctions for Third Parties

The inobservance of the provisions and procedures established or recalled by the Model and Ethic Code by Third Parties can determine, in their regard and in compliance to what is disciplined in the specific contractual relationship, the following sanctions:

- The warning to the punctual respect of the provisions and principles established by the Ethic Code where the violation of one or more behaviour rules provided in it shows a minimum irregularity;
- The extinction of the related contract, without prejudice to the discretion to request the refund of damages suffered because of the said behaviours, including the damages caused by the judge's application of the measures provided by the Decree where the violation of one or more behaviour rules provided in the Ethic Code determines a patrimonial damage to the Company

or exposes the same to an objective situation of danger for the integrity of the corporate goods.

Application of sanctions to Third Parties

The proceeding begins with the detection/reporting of an actual or presumed violation of the provisions and/or principles provided by the Ethic Code. The SB carries out all the necessary checks to verify if a violation of the Ethic Code has occurred. Such stage is conducted by the SB within 15 days from the discovery, or reporting of the violation and it articulates as well through documental verifications.

The SB can, in the evaluation of violations discovered or reported, take advantage, according to their nature, of the internal structures of the Company to carry out the detailed analysis of the facts on which a judgment is necessary; it can as well, hear directly the perpetrator of the action or the subject who reported it.

Where the reporting/detection has no solid grounds, the SB files it motivating it on its periodic reports. In other cases, the SB communicates with a written report the results of the pre-enquiry to the BoD which, within 30 days from the receipt of the report by the SB, pronounces its decision about the determination and the factual application of the measure.

The BoD sends, then, to the interested subject a written communication containing the indication of the challenged conduct and the provisions of the Ethic Code that have been violated, as well as the applicable remedy contractually provided.

The definitive Measure of imposition of the sanction is communicated in writing to the interested subject by the BoD, that takes care of the factual application of the sanction respecting the rules and laws in force.

Sanctions for Partners

Where there are serious non-fulfilments of the legal or contractual obligations, with reference to the Decree or of the provisions and principles established in the Ethic Code, by a Partner, the SB informs the BoD so that it calls the General Meeting for the potential adoption, against the Partner, of his/her exclusion according to what is established by article 2286 Civ. Cod.

SPECIAL PART III

Proceeding to impose a sanction on Employees, Directors, Statutory Auditors and members of the SB.

The proceeding begins with the detection or the reporting of an actual or presumed violation of the procedures and/or provisions under the Model and/or the rules or principles of the Ethic Code. The stages of the proceeding are:

- **Pre-enquiry stage** directed to verify the existence of the violation.

Such stage is conducted by the SB, without delay from the discovery or report of the violation, and is articulated also through documental verifications.

The SB can, in the evaluation of the violations discovered or reported, take advantage, depending on their nature, of the internal structures of the Company to carry out detailed analysis about the facts that need to be judged; moreover, it can hear directly the perpetrator of the action or the subject who reported it.

Where the reporting or the detection of the violation has no solid grounds, the SB files the proceeding with a motivation that is reported on the periodic reports. In other cases, the SB communicates to the Company, by written report, the results of the pre-enquiry requesting it to proceed to the evaluation to discipline and sanction what ascertained. Specifically, the SB refers to:

- The Personnel office, the BoD and the Board of Statutory Auditors for the violations by the employees;
- The BoD and the Board of Statutory Auditors for the violations by the members of the Corporate Bodies.
- **Enquiry stage** directed to ascertain the correctness of the violation based on the results of the activity of the SB.

Such stage is conducted in the shortest time possible with reference to the type of violation:

- By the Personnel Office, for the violations committed by the employees;
- By the BoD or the Board of Statutory Auditors (with potential evaluation by the General Meeting, as provided in the present Sanction System) for the violations committed by the Directors, Statutory Auditors or the SB.

If the violation has no solid grounds, the bodies who carry out the enquiry stage under their respective competences, will proceed to the filing with a provision that explains the grounds established that will be stored at the registered office of the Company.

- **Challenge stage and eventual imposition of the sanction**

Such stage is conducted, respecting the regulation in force (Statute of Workers and CCNL):

- By the Personnel Office, for the violations committed by the employees;
- By the BoD and /or the General Meeting for the violations committed by the members of the BoD, the Board of Statutory Auditors or the SB, as provided by the present Sanction System.