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## 1. APPLICABILITY

The disciplinary and punitive system represents an integral part of the Organization, Management and Control Model drafted in accordance with article 6 of Law decree 231/01.

The goal of the disciplinary and punitive system is to discourage the Company's personnel and other recipients from engaging in unfair/illegal activities by sanctioning any breach of current relevant provisions aimed at ensuring fair and lawful fulfilment of work-related or contractual obligations.

The punitive system will activate in case of breaches of certain corporate procedures which by themselves do not represent criminal offences under Law Decree 231/01 but are considered relevant from an organizational, financial, legal or reputational standpoint.

## 2. MANAGEMENT MODEL

### 2.1 MOG 231

Law Decree 231/01 introduced in Italian law a punitive system envisaging administrative liability of entities if the criminal offences were perpetrated in their interest or for their benefit by executive personnel or other subordinates.

In such cases, the liability of the company is excluded if such company is able to prove that prior to the offence being perpetrated, they have adopted and implemented adequate organization and management Models able to prevent such offence from being perpetrated.

Such models consist of sets of rules and operational or technological measures (techniques, procedures and regulated practice) that the personnel must comply with given their preventive nature.

Violation or circumvention of the model and/or procedures may result in criminal liability for natural persons and serious criminal and administrative liability for the company, that may even compromise its survival.

An essential element, namely an element requested by the law and legal practice to guarantee the efficacy of the organization, management and control models provided for in Law Decree 231/2001, is the implementation of a specific punitive and disciplinary system to be used when a member of the personnel or a recipient is in breach of a preventive procedure enacted by the Model.

### 2.2 Management system

In a manner not dissimilar to MOG 231 or in cases where enforcement of MOG 231 is not possible, companies may choose to enforce a disciplinary and punitive system.

Such a system includes sanctions commensurate with the seriousness of the perpetrated offence and is compliant with the provisions of the Statute of Workers and the CBA chosen by the organization.

## 3. CHARACTERISTICS

The characteristics of a punitive system according to legal practice and court decisions, should be the following:

- It must sanction the infringer of the model even when such infringement did not lead to an actual criminal offence being committed;
- Must be drafted in writing and adequately disseminated among the personnel even when such dissemination extends beyond the scope of article 7 of the Statute of Workers;
- Must be compatible and compliant with the legal and contractual provisions governing the relationship between the company and the recipients of the Model;
- Must have an efficient preventive function in relation to procedure infringement conducts and the ensuing sanctions should have a strong deterrent effect;





- Must be drafted in accordance with the adversarial principle, whereby the alleged infringer should know the content of the accusations brought against them and be able to defend themselves within a reasonable time-frame;
- With special reference to executive personnel, the system should be controlled by an appropriate corporate body of the entity endowed with sufficient autonomy, initiative and control powers, a Supervisory Body under MOG 231.

## 4. RECIPIENTS

### 4.1 Employees

Employees are required to identify the limits of the punitive powers covered by article 7 of Law no. 300/1970 (Statute of Workers) and the CBA in use, both in terms of applicable sanctions and the methods used to enforce such power.

Non-compliance with and/or violation of the procedures represent a failure to fulfil the obligations deriving from the employment relationship and at the same time an illicit behaviour.

Sanctions are therefore applied by Human Resources in full compliance with the procedures provided for by national regulations and applicable CBA.

The sanctions applicable to individuals not subject to a CBA are described below.

### 4.2 Executive personnel in general (proxies, legal representatives and branch managers)

Where an executive officer should commit a violation of the fundamental principles of this Model that also constitute the basis for conduct rules included in employment agreements or inferable from legal provisions, the organization shall take appropriate measures commensurate to the seriousness of the infringements while also considering the special relationship based on trust which arises from the employment relationship between the organization and such executive officer.

When such infringements include the element of gross negligence, which arises from failure to comply with preventive procedures or the conduct of the infringer causes an irreparable loss of trust of the organization in their regard, the company may at its sole discretion terminate the employment or impose an appropriate sanction.

If such infringements are characterized by intent in case of a fraudulent circumvention of a procedure, the organization shall automatically terminate the employment for cause and without notification in accordance with article 2219 of Civil Code and the applicable CBA.

### 4.3 Directors and auditors

In case of criminal offences or serious violations of the conduct rules committed by directors or auditors of the organization, the Supervisory Body (or any similar department) shall inform without delay the Board of Directors or the Sole Director or the Sole Auditor, as the case may be, who will take appropriate action such as but not limited to temporary suspension from office or termination of employment or collaboration in very serious circumstances.

In case of serious and unjustified violations committed by members of the board, such conduct may represent cause for dismissal.





#### 4.4 Self-employed personnel and partners of the Company

Infringement or circumvention of in force procedures constitute a serious breach of contract; as such, the agreements entered with such categories of recipients must include termination and compensation for damages clauses.

In any case, the organization may reserve the right to resort to civil or criminal proceedings for damage compensation if the company should suffer damages caused by their behaviour.

#### 4.5. Suppliers and other stakeholders

Contractual relationships with third parties are inspired by loyalty, trust and mutual good faith; contracts shall be drafted in accordance with specific legislation governing tax and administrative matters refraining from wordings that constitute an intent to circumvent or violate the principles inferable from the Law.

Such contracts shall include termination clauses and withdrawal rights in favour of the organization without penalties for the hypothesis of perpetrated criminal offences or behaviours constituting predicate offences or in case of procedure infringements attributable to a third contractor.

In such cases, the company may resort to legal action against such third contractors whose behaviour causes damages to the organization due to failure to comply with obligations governed by corporate documentation.

#### 4.6. Supervisory Body

When criminal offences are committed or in the case of a breach of the rules established by the Supervisory Body, the Board of Directors if appointed, or the Sole Administrator as the case may be, and after receiving the opinion of the Sole Auditor, shall take appropriate action including dismissal from office in very serious circumstances, not excluding disciplinary sanctions under existing agreements entered into with each member of the Body and claims for damages, as the case may be.

#### 4.7 External partners and parasubordinate workers

Failure to comply with existing rules by any self-employed worker may cause, under the provisions of the relevant agreement, immediate termination of the same notwithstanding the right to claim for damages arising from their conduct, including damages arising from the enforcement by a court of law of the measures covered by decree 231/01.

To that end, all agreements shall include a termination clause.

### 5. SANCTIONS APPLICABLE TO INDIVIDUALS NOT SUBJECT TO A CBA

Applicable regulations contain recommendations for applying certain sanction based on the nature of the enacted conduct.

Reports may follow official communication channels or alternative channels, including the channels activated by Whistleblowing procedures, notwithstanding the fact that anonymous reports shall be investigated by an authorized employee of the company.

The organization may resort to external experts in order to ensure that a fair sanction is applied.

Concerned employees shall be subject to the procedures and sanctions provided for in the current Metalmeccanica Industria CBA, and the sanctions envisaged by article 7 of Law no. 300/1970 (Statute of Workers).

An infringement enacted by a partner or other recurring collaborator of the company shall cause the Human Resources office, based on the specific circumstances of the case, to take the following actions:

a) a verbal reprimand;



- b) a written reprimand;
- c) temporary suspension of the current relationship;

In the case of very serious infringements, the Management of the Company may terminate such relationship and, where applicable, ask for damages in accordance with the principles of the Civil Code, the legislation in force and the provisions of the relevant agreements.

With the exception of the verbal reprimand, the aforementioned actions may only be taken after receiving written objections against such charges and after inviting the concerned party to submit their defence within ten days. Upon expiration of such term, the appropriate sanction may be applied.

The ensuing document containing the disciplinary action shall be justified and notified in writing.

The subject of a termination, punitive or compensatory decision – to be notified in writing - may oppose the decision by availing themselves of the legal remedies provided for in the applicable laws.

## 6. SANCTION STEPS

Applicable regulations contain recommendations for applying certain sanctions based on the nature of the enacted conduct.

Reports may follow official communication channels or alternative channels, including the channels activated by Whistleblowing procedures, notwithstanding the fact that anonymous reports shall be investigated by an authorized employee of the company.

The organization may resort to external experts in order to ensure that a fair sanction is applied.

Concerned employees shall be subject to the procedures and sanctions provided for in the current Metalmeccanica Industria CBA, and the sanctions established by article 7 of Law no. 300/1970 (Statute of Workers).

## 7. DISSEMINATION OF DISCIPLINARY SYSTEMS

In accordance with article 7 of the Statute of Workers, the disciplinary system applicable to employees shall be brought to their knowledge by posting on the company's notice board or personal delivery of the Metalmeccanica Industria CBA currently in force.

The punitive system must also be distributed to non-employees of the company that may incur in disciplinary sanctions and to all the stakeholders that have no means of accessing the company's notice board.

Said procedure shall also be disseminated during information sessions intended for all the recipients.

The disciplinary and punitive system intended for the executive personnel shall be disseminated as broadly as possible. There is no particular need to insert the contents of the same in the individual employment agreements since the primary source is represented by the provisions of article 6 paragraph II letter e) of Law Decree 231/2001, for which contractual reference is unnecessary.

In relation to the disciplinary liability of directors and auditors, and considering the provisions of article 2328 Civil Code on the "powers of the directors" covered by the articles of association and the by-laws, the provisions of article 2400 Civil Code on the "operation of the Company" and the provisions of article 2400 Civil Code on the "appointment of directors and auditors", the appropriate disciplinary sanctions should be included in the by-laws.