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SANCTIONING SYSTEM


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PRESENTATION

Article 6, paragraph 2, letter e) and Article 7, paragraph 4, letter b) of Legislative Decree no. 231 of 2001 require the implementation of a disciplinary system to sanction non-compliance with the measures outlined in the model. This disciplinary system is an integral part of the Organizational Model (MOG) and is adopted by the sole administrator of FONDERIA DI LONATO S.r.l. The purpose of the sanctions, which are proportional to the violation and intended to act as a deterrent, is to make the actions of the Supervisory Body (hereinafter referred to as OdV) binding and to fulfill an essential requirement of the MOG for its effective exoneration. The OdV will utilize the designated company functions to carry out this activity. The disciplinary system is tailored based on the classification category of the Recipients and the nature of the relationship between the Recipients and the Company, whether autonomous or quasi-subordinate.

Fabio Gorlani

APPROVED
July 4, 2016
The Sole Administrator ENG.Fabio Gorlani


1. INTRODUCTION

1.1 General Aspects

According to Article 6, paragraph 2, letter e) of Legislative Decree 231/01, an efficient disciplinary system is required to sanction non-compliance with the measures outlined in the Organizational Model. This system is essential for the exoneration of the entity's liability.

The disciplinary system must include sanctions and procedures for addressing illegal behaviors or violations of the rules outlined in the documents that form the Organizational Model, including the Code of Ethics.

By implementing a well-designed system of sanctions, the Supervisory Body can ensure better oversight to guarantee the effectiveness of the Organizational Model.

The disciplinary system will be activated in cases of violation of the provisions of the Organizational Model, regardless of the conduct and outcome of any criminal proceedings initiated by the judicial authority (if the behavior also constitutes a criminal offense under Legislative Decree 231/01), or violation of the Company's Code of Ethics.

1.2 Applicable Legislation

When drafting this Disciplinary System, it is important to consider the relevant legislative requirements. Specifically, the following laws and regulations have been taken into account:

- Law no. 300 of May 20, 1970 (Workers' Statute), Article 7 on Disciplinary Sanctions.
- Law no. 604 of July 15, 1966, which outlines the Rules on Individual Dismissals.
- Book V "On Labor" of the Civil Code, which includes the following articles:
 - Article 2104 on "Diligence of the Employee"
 - Article 2105 on "Duty of Loyalty"
 - Article 2106 on "Disciplinary Sanctions"
 - Articles 2118-2119 on "Dismissal with and without Notice"
 - Article 2392 on "Liability towards the Company"
 - Article 2407 on "Liability"
 - Article 2409 on "Report to the Court"
- Current regulations regarding the dismissal of workers.
- The applicable national collective labor agreement, specifically the National Unionmeccanica-Confapi Contract.

2. IMPLEMENTATION OF THE DISCIPLINARY SYSTEM

2.1 Violations and Non-compliances

The terms "VIOLATION" and "NON-COMPLIANCE" refer to:

- The violation of principles expressed in the Code of Ethics, mainly prohibiting behaviors directly sanctioned by criminal laws known to everyone.
- The violation of protocols and procedures that are integral parts of the Organizational Model.
- The violation of regulations stipulated by environmental laws and regulations concerning health and safety in the workplace, pursuant to Legislative Decree 81/2008, applicable to the company's reality.

Any failure to comply with the obligation to provide information to the Supervisory Body (OdV) by top management and personnel operating within the Company, as indicated in point 7.4 of the Organizational Model, constitutes a violation.

2.2 Application of Disciplinary Sanctions

Disciplinary sanctions will be applied regardless of any criminal liability, the outcome of the related judgment, and in compliance with the regulations referred to in point 1.2 of this document.

Given that this disciplinary system aims to sanction the violation of protocols and internal procedures related to company activities, which may give rise to offenses under Legislative Decree no. 231/2001, as well as the violation of ethical principles shared by the Company and outlined in its Code of Ethics, the following steps have been taken to ensure a more appropriate customization of the sanction.

Since each violation manifests itself in unique aspects, it has been deemed appropriate to identify certain parameters, in line with the provision of Article 133 of the Italian Criminal Code, that can objectively guide the application of disciplinary sanctions in the event of a violation occurring within the aforementioned terms. Therefore, objective parameters have been formulated that do not allow for discretionary evaluations and primarily take into account the specific commission modalities of the violation and any disciplinary precedents of the individual involved. Aspects related to the intentionality of the violation or the degree of fault must also be inferred from circumstances of the specific case, which must be acknowledged in the reasoning of the measure by which the sanction is applied.

2.3 Classification of Violations

Below are the violations divided and classified by degree of severity:

1. Minor violation/minor omission: Any violation that has not caused damage and/or harm of any kind, including harm to the entity's image, and has not resulted in consequences in relations with other representatives of the entity.
2. Moderate violation/moderate omission: Any violation of one or more rules or principles provided in the Model, the Code of Ethics, the Procedures, and the reporting obligations to the OdV, which exposes the Company to the risk of being subject to a sanction under Legislative Decree no. 231/01.
3. Serious violation/serious omission: Any violation of one or more rules or principles provided in the Model, the Code of Ethics, the Procedures, and the reporting obligations to the OdV, which exposes the Company to the risk of being subject to a sanction under Legislative Decree no. 231/01 and irreparably damages the trust relationship, preventing even temporary continuation of the employment relationship.

In defining minor, moderate, or serious irregularities, the following parameters have been considered:

1. Intentionality of the behavior or degree of negligence, imprudence, or incompetence, also considering the foreseeability of the event.
2. Time taken to carry out the violation conduct.
3. Existence or absence of disciplinary precedents of the transgressor, within the limits permitted by law.
4. Functional position of the individuals involved in the events constituting the omission.

The following table lists the parameters for the objective definition of the type of violation.

	Minor	Moderate	Serious
Intentionality	Imprudence, Incompetence Negligence	omission	will
Time	Reduced	diluted	widespread
Precedents	Low	closed cases	incontestable/final judgment
Position	External	employees	top figures/leadership positions *

* Trade Union Heads, Supervisors and members of the OdV are also included.

3. Sanctions

The following sanctions have been adopted, divided according to the position as indicated in the previous table, and modulated based on the severity of the violation. These sanctions comply with the requirements stated in point 1.2. The sole administrator chooses, issues, and proportionates the sanctions based on the severity of the specific fact and the potential harm it could cause to the Company.

3.1 Sanctions imposed on external parties

Severity of the violation	Sanction
Minor	Verbal reprimand Written reprimand in case of recurrence of the verbal reprimand
Moderate	Fine not exceeding 15% of the amount of the service
Serious	Immediate termination of the existing relationship without paying any clauses due for early termination of the contract

3.2 Sanctions imposed on employees

Severity of the violation	Sanction
Minor	Verbal reprimand Written reprimand in case of recurrence of the verbal reprimand
Moderate	Fine not exceeding 3 (three) hours of total remuneration. Suspension from service and remuneration for a period not exceeding 3 (three) days in case of recurrence of the fine
Serious	Serious dismissal without notice and with other legal and contractual consequences

3.3 Sanctions imposed on Senior figures

Severity of the violation	Sanction
Minor	Verbal reprimand Written reprimand in case of recurrence of the verbal reprimand
Moderate	Temporary suspension of duties for a period not exceeding 7 (seven) days.
Serious	Revocation of the assignment and non-reassignment for a period not less than 3 (three) years.

4. FINAL PROVISIONS

The contents of this sanctioning system are accessible to all relevant personnel. From the date of its approval, they will be referenced in new contracts. Existing contracts will be updated and clients/suppliers will be informed accordingly.

This document will be updated as necessary, particularly when new professional roles are identified within the company.

5. ANNEXES

The models of written reprimand provided for in the minor sanctions outlined in sections 3.1, 3.2, and 3.3 above are attached to this document.

Attachment I

Letter of Reprimand

ATTACHMENTS TOF THE SANCTIONING SYSTEM REV.00 OF JULY 2016

Lonato, / / 20____

To: C.A. _____

External

Employee

Top Management Figure

Subject: Written Reprimand

Dear Mr./Ms. _____,

With this letter, I, Engineer Fabio Gorlani, in my capacity as the sole administrator of the Company Fonderia di Lonato S.r.l., am addressing your behavior during the performance of your duties as specified by your role. Your behavior is in violation of the principles outlined in:

- The Code of Ethics
- The Organizational Model
- The legislation regarding _____

Specifically, regarding the points/articles: _____

I am issuing you this written reprimand to make you aware of the seriousness of your behavior and to inform you that in case of a recurrence of the violation, of any nature, you will be subject to the sanctions provided by the Sanctioning System adopted within our organization, to which I refer.

Engineer Fabio Gorlani

Sole Administrator

Signed: _____

Date: _____