



ORGANIZATION AND MANAGEMENT MODEL

PURSUANT TO LEGISLATIVE DECREE 231 OF 8 JUNE 2001

Biffi Italia S.r.l.

2006



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SPECIAL PART

1. FOREWORD
2. CRIMES AGAINST THE PUBLIC ADMINISTRATION
3. COMPANY CRIMES

GENERAL PART.

1. AIMS AND PRINCIPLES OF LAW

1.1 Legislative Decree 231 of 8 June 2001

Legislative Decree 231 of 8 June 2001 containing the "*Discipline of the administrative responsibility of the legal persons, of the companies and of the associations, even without legal personality, according to Article 11 of Law 300 of 29 September 2000*" and subsequent amendments and modifications (hereafter called "**Decree 231**") has introduced in our system the administrative responsibility of the legal entities for the offences committed in the interest or to the advantage of same by:

- (a) persons with functions of representation, both formally and voluntary, of management or of control of the legal entity or of one of its organizational units (entrusted with financial and functional autonomy) or which effectively exercise the management and control of the legal entity;
- (b) persons subject to the management or supervision of one of the persons indicated in letter (a).

It is an extension of the responsibility which involves in the punishment of some criminal offences, in addition to the individual who has materially committed the fact, the legal entities that drew advantage from the commission of an offence or in whose interests the offence has been committed. The "advantage" or "interest" represent two separate criteria of imputation of the responsibility, as the legal entity may be responsible for the sole fact that the offence is committed in its interests, regardless of the obtainment or not of a concrete advantage for the legal entity.

According to Article 5, second paragraph, of the Decree 231, the legal entity is not responsible if the persons mentioned in a) and b) above have acted exclusively in their own personal interest or in the interest of third parties.

The administrative responsibility of the legal entities applies for the categories of crimes expressly contemplated in Decree 231 and may also be configured in relation to crimes committed abroad, provided that the State of the place where the fact was committed does not proceed for these crimes. The administrative responsibility also apply in case of attempted crimes; in fact, the commission, in the forms of attempt, of the crimes indicated in Decree 231 is also sanctioned.

In Chapter I, section III, articles 24 and 25 and following, of Decree 231 the crimes relevant for the administrative responsibility of the legal entities are identified; these consist of:

- unlawful perception of grants, fraud to the damage of the State or a public institution or to obtain public grants and frauds of information technology to the damage of the State or a public institution;



- concussion and corruption;
- false coins, public credit cards and stamp values;
- corporate crimes;
- crimes with aim of terrorism or of subversion of the democratic order;
- mutilations of female genital organs;
- crimes against the individual personality;
- market abuses.

With Law 146 of 16 March 2006 confirming the international agreement against international organized crime, the administrative responsibility of the legal entities for the so-called "transnational crimes" has been extended. These are crimes in which "an organized criminal group" is involved, committed in more than one State, or if committed in one State, a substantial part of the preparation and planning of the crime has taken place in another State or, even if committed in one State, but an organized criminal group engaged in criminal activity in various States is implicated in it, or even if committed in one State but with substantial effects in another State.

In particular, the following crimes are involved:

- crimes of associative type: criminal association; association affiliated with the Mafia; criminal association aimed at smuggling foreign tobaccos and criminal association aimed at the illegally trading stupeficient or psychotropic drugs;
- crimes concerning laundering and use of money, assets or utilities of illegal origin;
- crimes concerning clandestine immigration;
- crimes of induction not to make declarations or to make false declarations to the legal authority and of personal abetting.

The provisions of Decree 231 apply to the abovementioned crimes.

1.2 The sanctions

The sanctions imposed on the legal entities provided for by Decree 231 for the commission of the crime or of the attempt indicated in paragraph 1.1., are:

- a) monetary sanctions: the sanctions are calculated on the basis of a system "*for quotas in a number not lower than a hundred or higher than a thousand*"; each quota is from a minimum of 258 euros to a maximum of 1,549 euros, except in the cases of reduction of the sanction in which each quota is equal to 103 euros and the sanction is from a minimum of 10,329 euros to a maximum of 103,291 euros; mechanisms of increase of the sanction up to ten times the product or the profit obtained by the institution (for crimes concerning abuse of privileged information and manipulation of the market) are also provided;



- b) interdictive sanctions: precisely, the interdiction of the exercise of the activity; the suspension or revocation of the authorizations, licences or concessions functional for the commission of the crime; the prohibition to negotiate with the public administration; the exclusion of facilities, loans, contributions or subsidies and the possible revocation of those granted; the prohibition to advertise goods or services;
- c) the confiscation;
- d) the publication of the Court decision.

1.3 The organization and management models for the purposes of the exemption from responsibility

Art. 6, paragraph 1, of Decree 231 provides for a form of "exemption" from responsibility of the legal entity if it is proven that:

- the managing body has adopted and effectively implemented, before the commission of the fact, organization and management models suitable to prevent crimes of the type that has taken place;
- the task of supervising the operation and the observance of the models and taking care of its update have been granted to a body of the legal entity entrusted with autonomous initiative and control powers;
- the individuals who have committed the crime have acted fraudulently eluding the organization and management models adopted by the legal entity;
- the supervision by the body entrusted to supervise the operation and observance of the models and take care of the updates has not been omitted or is insufficient.

1.4 Requisites of the organization and management models

Art. 6, paragraph 2, of Decree 231 indicates the essential characteristics for the preparation of an organization and management model; the model must:

- identify the risks in the areas/sectors of activity in which the possibility of committing the crimes provided for by Decree 231 exists; it consists of carrying out a so-called "mapping of the risks"; this assumes the analysis of the specific company context necessary not only to identify the areas/sectors of activity "at crime risk" but also to determine the methods with which prejudicial



- events may take place for the purposes indicated in Decree 231;
- provide specific protocols to program the formation and implementation of the decisions of the legal entity regarding the crimes to be prevented; this assumes the assessment of the system of preventive control existing inside the legal entity and its suitability to effectively contrast/reduce the identified risks, as well as its possible amendment in order to implement a control system suitable to prevent the identified risks;
 - identify the management methods of the financial resources suitable to prevent the commission of the crimes;
 - provide obligations of information towards the body appointed with the task of supervising the operation and observance of the models;
 - provide a systematic and periodic auditing activity: this assumes the preparation of internal processes suitable to ensure that the operation of the model is periodically and suitably checked;
 - introduce a disciplinary system suitable to sanction the non compliance with the measures indicated in the model.

Decree 231 provides that the organization and management models may be adopted on the basis of the behaviour codes prepared by the trade associations, communicated to the Ministry of Justice pursuant to art. 6, paragraph 3, of Decree 231. It also provides for the legal entities of small dimensions that the task of supervision may be carried out directly by the managing body.

2. THE ORGNIZATION AND MANAGEMENT MODEL OF BIFFI ITALIA S.R.L.

2.1 Adoption of the organization and management model by Biffi Italia

Biffi Italia S.r.l. ("**Biffi Italia** ") has considered essential and conforming to its company policy to adopt its own organization and management model pursuant to Decree 231 (the "**Organization and Management Model**"), so that all those who work in Biffi Italia observe, in the performance of their activities and services, a suitable behaviour to prevent the risk of committing the crimes provided for by Decree 231.

In the construction of its Organization and Management Model, Biffi Italia has based itself, besides on the prescriptions of Decree 231, on the Guidelines of Confindustria, May 2004 edition, drawn up on the basis of the observations passed by the Ministry of Justice, which contain specific and concrete indications for the adoption and implementation of the models. The sector trade associations have so far not issued guidelines for the companies operating in the sector in which Biffi Italia operates.

The Organization and Management Model has been approved and adopted by the Board of Directors of Biffi Italia in accordance with art. 6, paragraph 1, letter a) of Decree 231.



At the same time as the approval and adoption of the Organization and Management Model, the Board of Directors has formed the body appointed to supervise the operations and observance of the Organization and Management Model (the “**Surveillance Body**”) in compliance with the provisions of Decree 231.

2.2 Function of the Organization and Management Model of Biffi Italia

The Organization and Management Model of Biffi Italia has been prepared taking into consideration the iteration of the system of the internal controls and of the company processes existing inside Biffi Italia with the provisions of Decree 231.

This Organization and Management Model completes and integrates the group of rules of behaviour, principles, policies and procedures of Biffi Italia, as well as all the existing organizational and internal control instruments, with the implementation of prescriptions that correspond to the aims of Decree 231 for the specific purpose of preventing the commission of crimes contemplated therein.

This aim is reached by means of the identification of the sensitive activities, the construction of an organic and structured system of procedures and the adoption of a suitable risks control system. The Organization and Management Model of Biffi Italia aims at:

- making all those who operate in the name and on behalf of Biffi Italia aware that the commission of a crime (or even the attempt) – even if made to the advantage and in the interests of Biffi Italia - represents an infringement of the Organization and Management Model and of the Ethic Code of Biffi Italia and of the principles and provisions expressed therein and constitutes an illicit behaviour subject to sanctions, on the criminal and administrative feature, not only towards the author of the crime but also towards Biffi Italia;
- identifying the behaviours that are condemned by Biffi Italia, as contrary, besides to the legal provisions, to the rules of behaviour on which Biffi Italia intends to inspire itself and pursue in the conduction of its business;
- permitting the monitoring of the sectors of activity at risk of crime and the timely intervention to prevent the commission of the crimes.

For the construction of this Organization and Management Model and to prevent the commission of the crimes contemplated by Decree 231:

- a code containing the ethical principles of Biffi Italia has been prepared and adopted which integrates the rules of behaviour already in force and applied inside the company (the “**Ethic Code**”) and forms integral and substantial part of the Organization and Management Model;
- the areas with risk of commission of crimes pursuant to Decree 231 have been identified, by a



- thorough analysis of the activities carried out, of the existing procedures and controls, of the procedures, of the levels of authorization;
- the potential risks and the conditions for the possible commission of crimes (in the interests or to the advantage of Biffi Italia) have been identified;
 - a suitable system of control and of organizational procedures has been defined and integrated to secure, *inter alia*, the coherence between the performance of the functions and powers and the attributed responsibilities, the implementation and observance of the principle of separation of the functions and the possible checking of the company behaviours and of the documentation regarding each operation;
 - the Surveillance Body, to which the duties of supervising the effective and correct operation of the Organization and Management Model and powers to guarantee the full and effective operations, in terms of autonomy and of available means have been granted;
 - a flow of information and communication towards the Surveillance Body and by the same organ has been provided;
 - in accordance with the prescriptions of Decree 231, a specific disciplinary system to be applied in case of infringement of the Organization and Management Model and the Ethic Code has been approved and adopted;
 - an activity of diffusion, awareness and training has been defined and started, at all company levels, and also vis-à-vis the persons operating in the name and on behalf of Biffi Italia, on the rules of behaviour provided in the Ethic Code and the Organization and Management Model, as well as on the internal processes and procedures designed to govern, prevent and control the activities at risk and on the following of same.

2.3. Relationship between the Organization and Management Model and the Ethic Code

An essential element of the preventive control system is the adoption and implementation of ethical principles to prevent the crimes provided for by Decree 231; Biffi Italia has therefore adopted its own Ethic Code with reference to the crimes contemplated by Decree 231.

This Organization and Management Model and the Ethic Code of Biffi Italia are closely correlated to and must be considered expression of a single body of regulations adopted by Biffi Italia to promote the high moral principles, of correctness, honesty and transparency in which Biffi Italia believes and intends to standardize its activity.



The Organization and Management Model meets the need to prevent the commission of the crimes provided by Decree 231 and in general by the provisions of law by implementing specific rules, processes and procedures.

The Ethic Code of Biffi Italia, which is integral and substantial part of this Organization and Management Model, is an instrument of general capacity that establishes the behaviours that Biffi Italia intends to comply with and have others comply with in the performance of its activity, to protect its reputation and image in the market, as well as to promote an diffuse. In the Ethic Code, to which reference is made for synthesis reasons, the ethical principles fundamental for Biffi Italia and the rules of behaviour to be observed in all its activities are therefore illustrated; these include the compliance with the principles of honesty, integrity and correctness, the compliance with the laws and regulations of all the countries in which Biffi Italia operates, as well as the transparency of the operations, the behaviours to be adopted towards all its interlocutors, among them the Public Administration, the customers, the suppliers etc.

The rigorous compliance with the rules of behaviour and of the principles expressed in the Ethic Code and in the Organization and Management Model is required from all the employees, the collaborators and in general everyone who acts in the name of Biffi Italia and has relationships with same, who must also respect all the general and/or specific rules of behaviour contained in the Ethic Code and the Organization and Management Model, and in all the company's processes and procedures (limited to the applicable aspects).

2.4 Structure of the Organization and Management Model – Modifications and integrations

The Organization and Management Model is integrated, besides by the principles and provisions contained in the Ethic Code, by the group of processes, procedures and systems already applied inside Biffi Italia.

In particular, for the purposes of this Organization and Management Model, all the instruments already operating in Biffi Italia, including but not limited to all the procedures and rules of behaviour adopted for the implementation and compliance with the US Law "Sarbanes-Oxley", of the U.S. Foreign Corrupt Practices Act and of all the other regulations and discipline of laws, Italian and foreign, on the basis of which Biffi Italia has implemented a system of processes, policies, procedures and rules of behaviour also conforming to the indications of the Group to which it belongs, are integrally recalled. These instruments form integral and substantial part of this Organization and Management Model

This Organization and Management Model is split into a "General Part" and a "Special Part".



The “General Part” illustrates the contents of Decree 231, the function of the Organization and Management Model, the duties of the Surveillance Body, the sanctions applicable if infringements take place and in general the logics and structure of this model. The “Special Part” is dedicated to the specific types of crime and to the activities at risk, for the purposes of the prevention of the crimes provided by Decree 231. In this part, *inter alia*, the results of the analysis of the organizational and operative context of Biffi Italia, aimed at identifying the areas potentially at risk of crime, the supporting areas and at the management of these areas, are indicated.

The Organization and Management Model has been adopted by the Board of Directors of Biffi Italia, which is responsible for the modifications and integrations of this Organization and Management Model. Therefore, by a Board resolution, the Board of Directors may, at any moment, modify all or part of this Organization and Management Model and thus adjust it in compliance with new provisions of laws or due to a reorganization process of the company's structure, modify the duties of the Surveillance Body and identify a different Surveillance Body.

3. RISK MANAGEMENT SYSTEM – THE RISK MANAGEMENT PROCESS

3.1 Division of the risk management system

The risk management system has been divided into two main phases:

- the identification of the risks; and
- the design/integration of the control system.

The above-mentioned main phases include the following activities:

- the mapping of the processes at risk/sensitive activities;
- the list of the potential risks;
- the analysis of the existing preventive control system;
- the assessment of the remaining risks, those not covered by the preventive control system;
- the adjustment of the control system to reduce the identified risks to an acceptable level.

3.2 The mapping of the areas of activity at risk and the identifications of the risks

The identification of the areas at risk represented a fundamental activity for the construction of the Organization and Management Model of Biffi Italia.

This activity was carried out analyzing the company's context, from the point of view of the structure and company operation, to show in which areas/sectors of activity and according to which methods the events prejudicial for the objectives indicated by Decree 231 may take place.



In particular, from the examination of the structure and operation of the company, it was possible to make a recognition of the company areas at risk, with the punctual identification of the sensitive activities and of the company functions in the field of which the crimes provided by Decree 231 may be committed (or attempted), autonomously or together with third parties. The analysis was extended also to those who have relationships with Biffi Italia, for example the agents, distributors, finders, the other collaborators, the commercial partners and their employees and collaborators.

The following have been identified for each "sensitive activity":

- the macro areas of activity and the relative most specific sensitive activities;
- the potential associable crimes;
- the company functions involved in the management of the identified activities;
- the possible methods of realization of the crime or of participation in it;
- the possible aims of realization of the illicit behaviour;
- the instrumental processes potentially associable with the crimes.

In addition to the "areas at risk", all possible "areas of support", i.e. all those areas, functions, offices, company organizational units, processes etc. which manage or have available instruments, information and/or company means which may be of support in the commission of crimes have therefore been considered. The possible methods of realization of the offences in the identified areas have been exhaustively represented.

For the mapping of the areas at risk, the history and the events of Biffi Italia and in general the characteristics of the persons operating in the sector in which this work is included have been taken into consideration. Particular attention was paid to the financial processes.

The results of the mapping of the sensitive activities are contained in the document "Matrix of Sensitive Activities", to which express reference is made, and are subject to check and update, with the support of the company functions involved.

With reference to the types of crimes, the mapping of the sensitive activities and the processes with risk of commission of the crimes contemplated by Decree 231 and the management of the relationships and the processes at risk, reference is made to the Special Part of this Organization and Management Model.

3.3 The analysis of the Internal Control System

After the mapping of the company areas at risk and of the potential methods of implementation of the crimes in the different company areas, the analysis of the Internal Control system, based on the identification of the instrumental processes essential to examine and evaluate the Internal Control System, was carried out

The analysis of the Internal Control System was carried out to check in particular:



- the existence of rules of behaviour of general type to control the activities carried out;
- the existence and adequacy of formalized procedures to regulate the performance of the activities in compliance with the principles of: traceability of the deeds, objectivation of the decisional process, providing of adequate control points;
- the compliance with and the concrete implementation of the general principle of separation of the duties;
- the existence of levels of authorization to secure an adequate control of the decisional process; and
- the existence of specific activities of control and monitoring on the "critical" activities" related to Decree 231.

The assessment of the Internal Control System was expressly aimed at the purposes indicated in Decree 231; a documented description of the system of the preventive controls existing inside Biffi Italia, with the detail of the single components of the system, was therefore prepared.

3.4 The Internal Control System and the risks management methods

In view of the mapping of the sensitive activities, the identification of the risks and the analysis of the Internal Control System, the remaining risks have been assessed, in terms of criticality/possibility that the risky event takes place.

In general, the procedural system applied inside Biffi Italia has already been formalized and, in this respect, all the rules, regulations and procedures that Biffi Italia has implemented for the conformity to the Sarbanes-Oxley law, and all the other rules of behaviour, procedures and internal rules controlling the performance of company activities were of aid.

For each company activity, the "risks" were assessed and the risk priorities assigned according to the elements qualifying the Internal Control System of Biffi Italia, from the existence of rules of behaviour to the existence of control and monitoring activities.

The existing processes were therefore started and integrated, focusing them on the types of crime contemplated by Decree 231, according to the organizational and operative context of Biffi Italia, both internal and external. Particular attention was paid to the need to ensure a timely notification of the existence and of the start of possible general and specific critical situations. For all the risks identified at the start and during the activities, adequate documentation must be prepared which makes it possible to keep trace of events that may have effects on the activity.

To guarantee the effectiveness of the Organization and Management Model, Biffi Italia:



- has adopted an Ethic Code with reference to the crimes considered to which reference is made, which constitutes the base of the Control System of Biffi Italia;
- has completed and integrated the organizational system to make it sufficiently formalized and clear, in particular as regards the assignment of the responsibilities in line with the exercise of powers and functions, the compliance with the principle of separation of the functions, the provision of suitable principles of control;
- has completed and integrated the manual and information technology procedures designed to regulate the performance of the activities and the relative suitable controls, to guarantee the separation of the functions and duties among those who carry out phases/activities essential in a process at risk, and to protect the principles of transparency, checking and inherent to the company activity. In this field, particular attention was paid to the financial management area and to the financial flows;
- has prepared a management control system capable of supplying timely notification of the existence and start of situations of general and/or particular criticality, defining suitable indicators for the single types of risk found;
- has prepared a plan for communication to employees and their training.

Furthermore, the powers of authorization and signature are assigned in line with the defined organizational and managerial responsibilities, with suitable thresholds of expense approval.

The above is organically inserted in the Biffi Italia system which complies with a series of control principles, among them:

- each operation, transaction, action must be: checkable, documented, coherent and suitable; therefore, for each operation, there must be an adequate documental support that makes it possible to proceed, at any moment, with the performance of controls that certify the characteristics and justifications of the operation and identify who has authorized, carried out, registered and checked this operation. To reduce to the minimum the risks of destruction or loss, even accidental, of the data, of unauthorized access or of treatment not permitted by or not conforming to the legal regulations, adequate safety measures are adopted;
- no-one can manage an entire process autonomously; the observance of this principle is guaranteed by the application of the principle of separation of the functions and duties applied inside Biffi Italia, on the basis of which different persons and functions have the responsibility of authorizing an operation, accounting it, implementing the operation and/or controlling it. Furthermore, no-one has been granted unlimited powers; the powers and responsibilities are defined and diffused inside Biffi Italia; the powers of authorization and signature are in line with the organizational responsibilities;
- documentation of the controls: the control system is backed by adequate documentation concerning



the performance of the controls and the supervision.

4. THE SURVEILLANCE BODY

4.1 Composition of the Surveillance Body and appointment

Biffi Italia has chosen a Surveillance Body consisting of various persons collectively acting, taking into consideration the purposes pursued by the law and the size and organization of Biffi Italia.

The Surveillance Body was formed for the first time with the resolution of the Board of Directors which approved and adopted this Organization and Management Model; on this occasion the Board established the number of members, the term of office, the authority and the powers, responsibilities and duties of the Surveillance Body in accordance with what is indicated below.

The Surveillance Body is appointed by the Board of Directors and remains in office for 3 fiscal years or for the shorter period of time established at the moment of the appointment, however not less than 1 year. The Board of Directors has the right to provide that the Surveillance Body remains in office until the expiry of the office of the Board of Directors which has appointed it in compliance with the minimum period of duration provided above.

The Surveillance Body is composed of a minimum of 3 to a maximum of 5 members, re-eligible, belonging to Biffi or external individuals, with the requisites of honour, professionalism, independence and autonomy necessary to accept the office for which we refer to the personal and professional characteristics required by our system for the Directors or for the Statutory Auditors or for the persons responsible for the internal controls or for other qualified positions. The selection of the members must however be made taking into consideration the purposes pursued by Decree 231 and the primary need to guarantee the effectiveness of the controls and of the model, the adequacy of same and the subsequent maintenance of its requisites, its update and adjustment.

At the moment of the appointment of the Surveillance Body, the Board of Directors appoints its Chairman. Failing this, the Surveillance Body will choose the Chairman among its members, If the number of members of the Surveillance Body is fixed at a lower number than the maximum provided for by herein, the Board of Directors may increase this number during the period of office of the Surveillance Body; the new members thus appointed terminate from the office together with those in office at their appointment.

The office of member of the Surveillance Body does not usually give entitlement to any special compensation



and the acceptance of the office represents unconditioned acceptance of this provision; however, this does not prejudice the Board of Directors right to grant, at the moment of the appointment or even later, a compensation to all and/or some and/or even only one of the members of the Surveillance Body.

4.2 Termination from the office

The termination from the office for expiry of the term is effective from the moment that the Surveillance Body is reappointed. The termination from the office may also take place for resignation, forfeiture, revocation or death.

The members of the Surveillance Body who resign from their office must notify the Board of Directors and the Surveillance Body in writing to enable them to arrange for their timely substitution.

The members of the Surveillance Body forfeit the office in case of supervened lack of the requisites to accept the office (for example interdiction, inability, bankruptcy, conviction to a penalty that involves the interdiction from the public offices or, if they are judged guilty of the crimes provided for by Decree 231 and in general in case of incapacity and incompatibility, loss of the requisites etc.).

The members of the Surveillance Body may be revoked for justifiable reasons by the Board of Directors, after having heard the Board of Statutory Auditors. For example, a justifiable reason occurs in the case of non observance of the obligations provided for each member of the Surveillance Body, of unjustifiable absence at three or more meetings of the Surveillance Body, of existence of a conflict of interests, of impossibility to perform the activities of member of the Surveillance Body etc. Furthermore, the possible termination of the employment relationship between the member of the Surveillance Body and Biffi Italia usually involves the revocation from the office. The revocation from the office of a member of the Surveillance Body may be requested to the Board of Directors by same Surveillance Body, explaining the reasons of their request.

In case of resignation, forfeiture, revocation and death, the Board of Directors shall substitute for the ceased member of the Surveillance Body, after having heard the Board of Statutory Auditors. The members thus appointed remain in office for the remaining period of office of the Surveillance Body. However, if the assumptions occur and after suitable assessments, the Board of Directors may decide not to substitute the resigning/forfeited/revoked member or, in any case, the member ceased from the office and to reduce the number of the members of the Surveillance Body, however in compliance with the minimum number provided for its composition.



4.3 Requisites of the Surveillance Body

In accordance with the provisions of art. 6, paragraph 1, of Decree 231, the Surveillance Body shall monitor the operations and observance of the Organization and Management Model and take care of its update, and is entrusted with autonomous powers of initiative and control.

In particular, the Surveillance Body of Biffi Italia meets the following requisites:

- **autonomy and independence**: since
 - (a) the control activities are not submitted to any form of interferences and/or of conditioning by persons inside Biffi Italia;
 - (b) the Surveillance Body reports directly to the top managers of the company, or to the Board of Directors, and may report directly to the Statutory Auditors and to the Shareholders;
 - (c) equally, the Surveillance Body has not been granted management duties and does not participate in operative decisions and activities in order to protect and guarantee the impartiality of its judgement;
 - (d) the Surveillance Body is also entrusted with adequate financial resources necessary for the correct performance of its activities; and
 - (e) finally, the rules of internal functioning of the Surveillance Body are defined and adopted by same body;
- **professionalism**: since the Surveillance Body is equipped with instruments and technologies which enable it to effectively perform its functions, also under the profile of the inspections and consultancy; for this purpose the Surveillance Body also has the right to avail itself of the company functions and the internal resources, and of external consultants;
- **continuity of action**: since the Surveillance Body is an *ad hoc* body dedicated exclusively to the supervision of the operations and observance of the Organization and Management Model, without operative or decisional duties and activities or, in any case, clashing with the function granted to the Surveillance Body and the correct performance of same.

The Board of Directors assesses the permanence of these requisites and operating conditions of the Surveillance Body, and that its members have the personal requisites of honour and skill and are not in situations of conflict of interests in order to further guarantee the autonomy and independence of the Surveillance Body.

4.4 Functions, activities and powers of the Surveillance Body

To guarantee the operations and observance of the Organization and Management Model, the Surveillance Body must:



- examine the adequacy of the Organization and Management Model, i.e. its real and effective capacity to prevent the commission of the crimes provided by Decree 231;
- supervise the operation, observance and therefore the effectiveness of the Organization and Management Model, checking the coherence between the concrete behaviours and the provisions of the Organization and Management Model, pointing out any contrasts or infringements;
- check the subsequent maintenance of the requisites of solidity and functionality of the Organization and Management Model;
- monitor the updates of the Organization and Management Model, if the analyses and assessment made show the need to make corrections and integrations, by – *inter alia* – the submittal of proposals of amendment to the company bodies/functions able of concretely implementing them; the Surveillance Body shall check the implementation and effective functionality of the submitted proposals.

In particular, the Surveillance Body must:

- monitor and, together with the responsible company functions, adopt initiatives suitable for the diffusion, knowledge and understanding of the Organization and Management Model, and prepare the documentation necessary for its concrete implementation, containing the instructions, the explanations or the updates;
- start the control procedures;
- monitor and keep up-to-date the mapping of the areas of activity of risk, together with the company functions involved;
- check the efficiency and effectiveness of the Organization and Management Model to prevent and impede the commission of the crimes indicated in Decree 231;
- check and assess the suitability of the disciplinary system in view of Decree 231;
- have access to all the important documentation to check the effectiveness and adequacy of the Organization and Management Model and ask the competent person for information important for this purpose;
- check the compliance with the methods and procedures provided by the Organization and Management Model, showing any behaviour differences on the basis of the analysis of the flows of information and the notifications received;
- carry out periodically, in the areas at risk, checks on determinate specific operations or acts existing in the areas of activity at risk, with the aid of the other company functions for a constant and better monitoring of the activities performed in these areas;
- carry out, without notice, in the areas at risk, sample controls on the effective observance of the procedures and of the other existing control systems;



- carry out internal investigations to check presumed infringements of the prescriptions of the Organization and Management Model;
- observe the warning signs from company or third party exponents related to possible criticalities of the Organization and Management Model, infringements of same and/or to any situation that may expose Biffi Italia to risk of crime;
- check that everything provided in the Special Part of the Organization and Management Model as regards the type of crimes adequately corresponds to Decree 231;
- collect, elaborate and preserve (in an up-to-date file) the documentation concerning the procedures and other measures provided in the Organization and Management Model, the information collected in the performance of the supervision activity, the documentation certifying the activity carried out and the meetings with the company organs to which the Surveillance Body reports;
- coordinate with the managers of the company functions for the different aspects of the implementation of the Organization and Management Model, including the knowledge and observance of the procedures and the constant training of the employees on the problems related to Decree 231;
- give recommendations to the functions responsible for the preparation of new procedures and the adoption of other measures of organizational nature and for the modification of the procedures and measures already applied, if necessary;
- make proposals of adjustment and update of the Organization and Management Model to the Board of Directors or, if necessary, to the Chairman of the Board or to the Managing Directors) with particular attention to the modifications and integrations made necessary by significant infringements of the prescriptions of the Organization and Management Model and/or significant variations of the internal organization of Biffi Italia and/or of the methods of operation of the company's activity and/or normative modifications, and check the implementation of the proposals made and their functionality;
- notify the Board of Directors, for the advisable measures, of any checked infringements of the Organization and Management Model which may cause the start of a responsibility for Biffi Italia pursuant to and for the purposes of Decree 231;
- monitor the provisions of law relevant to the effectiveness and adequacy of the Organization and Management Model in relation to the company activity.

The Surveillance Body must continuously report the results of its activity to the Managing Directors and the Board of Directors and periodically to the Board of Statutory Auditors.

In particular, the Surveillance Body reports on the infringements of the Organization and Management Model assessed in view of the adoption of the relative sanctions and, when cases that show serious criticalities of the



Organization and Management Model arise, submit proposals of modifications and integrations.

The Surveillance Body must prepare, for the Board of Directors, an informative report, at least every six months, on the supervision carried out and on the result of this activity and on the implementation of the Organization and Management Model in Biffi Italia; this report must be sent to the Board of Statutory Auditors.

The activities of the Surveillance Body are unquestionable by any company body, structure and function, with the exception, however, of the supervisory obligation of the Board of Directors on the adequacy of the Surveillance Body and its activity, the Board of Directors being responsible however for the operations and effectiveness of the Organization Model.

To perform the supervisory functions granted to the Surveillance Body, it must have adequate financial resources available and has the right to avail itself – under its direct supervision and responsibility – of the aid of the internal company structures and if necessary of the support of external consultancy in accordance with the applicable company procedures.

The discipline of the internal operation of the Surveillance Body is granted to the same body, which may therefore define – with special regulation – the aspects concerning the performance of the supervisory functions, including the determination of the frequencies of the controls, the identification of the criteria and procedures of analysis, the reporting of the meetings, the discipline of the flows of information etc.

4.5 Obligations of information to the Surveillance Body

The correct execution of the functions assigned to the Surveillance Body cannot leave out of consideration the provision of obligations of information towards said body in deference to art.6, paragraph 2, letter d) of Decree 231. Consequently, the Surveillance Body has free access to all the functions of Biffi Italia, without the need of any previous consent, for the purpose of acquiring any necessary information or data, opportune or useful for the execution of its functions in compliance with what is provided in Decree 231, without prejudice to the observance of the provisions of law governing personal data treatment.

The company functions exposed to risk of crime must send the Surveillance Body the periodic results of the controls of same made to implement the Organization and Management Model (for example, summary reports on the activity, monitoring, final indexes), as well as the anomalies or atypical characteristics found in the available information.

Furthermore, all the information essential for the supervisory activity must also be sent to the Surveillance Body, such as, for instance, the information concerning:



- the decisions regarding the request, grant and use of any public grants;
- the measures and/or news coming from criminal police authority or of any other authority, from which indicate the performance of investigations, even against unknown persons, for the crimes indicated in Decree 231;
- the requests for legal assistance sent by employees and/or managers towards which the Courts proceeds for the crimes indicated in Decree 231;
- the reports prepared by the managers of the functions involved from which behaviours not conforming to the regulations of Decree 231 which affect the observance of the Organization and Management Model emerge or may emerge;
- the news concerning the effective implementation, at all company levels, of the Organization and Management Model, with particular reference to the disciplinary provisions carried out and the sanctions issued, or of the filing provisions of these procedures with the relative justifications;
- the news concerning supplies awarded by Public Institutions or persons who perform functions of public utility or interest, with the summary tables of the contracts awarded (tenders and private contracts).

Further obligations of information are provided in the Ethic Code and in the Special Part of this Organization and Management Model. In any case, with reference to the above-mentioned list of information, the Surveillance Body may request, if necessary and advisable, possible modifications and integrations of the information to be supplied.

The employees and everyone who works in the name and on behalf of Biffi Italia who become aware of news concerning the commission of crimes inside Biffi Italia or procedures not in line with the rules of behaviour and the principles of the Ethic Code must duly inform the Surveillance Body. This information may be sent by e-mail to the following address: [odv@biffi.com]. In this respect, we remind you that the workers have however the duty of diligence and the obligation of trustworthiness to the employer pursuant to articles 2104 and 2105 of the Italian Civil Code and therefore the correct fulfilment of the obligation of information by the employer cannot lead to the application of disciplinary sanctions.

The Surveillance Body must guarantee the confidentiality of the person who notifies any infringements with the most appropriate systems and means; the immunity of these persons must also be guaranteed, in particular as regards undue forms of retaliation towards them.

The information supplied to the Surveillance Body has the scope of facilitating and improving the planning activities of the controls of the Surveillance Body and do not force it to make a systematic and punctual check of all the represented phenomena; it is therefore referred to the discretion and responsibility of the



Surveillance Body to establish in which case to take action.

5. TRAINING – COMMUNICATION AND DIFFUSION OF THE ORGANIZATION AND MANAGEMENT MODEL

Biffi Italia is aware of the importance of the diffusion of the Organization and Management Model, of the communication to the employees and of their training for the correct and effective operation of the Organization and Management Model of Biffi Italia and undertakes to widely divulge the principles contained in this Organization and Management Model and the Ethic Code, adopting the most suitable initiatives to promote and diffuse their knowledge, which differs according to the role, responsibility and duties.

In particular, to guarantee the most complete and widest diffusion of the Organization and Management Model, of the Ethic Code and of the instruments adopted by Biffi Italia, the documents are made available to the employees of Biffi Italia, by information technology instruments supplied to the company and by hard copies. All the collaborators are also informed of the adoption of the Organization and Management Model and the Ethic Code, and all the further information on the same is supplied. All the employees of Biffi Italia must know the contents of the Ethic Code and Organization and Management Model (and relative procedures), observe them and contribute to their effective implementation. Adequate information is supplied on everything that can contribute to the transparency of company activity (from the rules of behaviour to the authorized powers, to the company's organization chart, to the procedures, to the flows of information etc.). To guarantee the effectiveness of the Organization and Management Model, the communication must be vast, effective, authoritative, clear and detailed, and periodically repeated.

The activity of diffusion, communication and training towards the employees provides the development of a suitable training program based on a plan defined by the Surveillance Body, assisted and coordinated with the company functions involved, which illustrates the reasons of suitability, besides the juridical ones, at the base of the Organization and Management Model and the Ethic Code. The training program must be calibrated and differ according to the different company functions and the employees involved and according to the activity and the position vested, taking into consideration the processes and the activities with risk of crime pursuant to Decree 231.

These meetings of information, training and update, to be held periodically, must, in each case, guarantee that the employees have received the Ethic Code and the Organization and Management Model, are aware of their contents and are adequately informed on each aspect connected with the effectiveness and constant implementation of the Organization and Management Model and the Ethic Code (existence of rules of



behaviour, of procedures, of the subdivision of the organizational and authoritative power, of the flows of information etc.).

The adoption of the Organization and Management Model is also communicated and diffused to all the external persons with whom Biffi Italia has relationships, among them the customers, suppliers, partners, collaborators, distributors, agents, consultants etc. The communication and the formal commitment by all the internal and external persons (the latter as far as applicable), to comply with the principles contained in the Ethic Code and Organization and Management Model must result from suitable documentation, for example declarations of knowledge and of adhesion to the Organization and Management Model or specific contractual clauses. Suitable documentation must also be prepared on the information, training and update meetings.

Biffi Italia will not begin or continue any relationship with anyone who does not intend to undertake to respect the principles contained in the Ethic Code and in the Organization and Management Model (the latter limited to the aspects applicable from time to time, if any).

6. DISCIPLINARY SYSTEM (EX LEGISLATIVE DECREE 231/2001 ART. 6, PARAGRAPH 2, LETTER E)

6.1 Aims of the disciplinary system

Biffi Italia considers essential the compliance with the Organization and Management Model and the Ethic Code. Therefore, pursuant to art. 6, paragraph 2, letter e) of Decree 231, Biffi Italia has adopted a suitable sanctioning system to be applied in case of non-compliance with the Ethic Code and the procedures and prescriptions contained in the Organization and Management Model adopted by Biffi Italia, and the infringement of these rules and measures, laid down by Biffi Italia to prevent the crimes provided by Decree 231, injuring the trust established with Biffi Italia.

For the purposes of the application by Biffi Italia of the disciplinary sanctions provided here, the establishment of possible criminal proceedings and their result are not necessary as the rules and measures provided in the Ethic Code and Organization and Management Model are adopted by Biffi Italia in full autonomy, leaving out of consideration the crime that possible behaviours may cause.

An illicit, illegitimate behaviour or a behaviour infringing the Ethic Code and the Organization and Management Model can never be justified or considered less serious, even if carried out in the interests or to the advantage of Biffi Italia. The attempts, in particular the acts or omissions in non equivocal manner aimed at infringing the



rules and regulations established by Biffi Italia are also sanctioned, even if the action is not carried out or the event does not take place for any reason.

6.2 Sanctioning system towards the employees

In compliance with the applicable legislation, Biffi Italia informs its employees of the provisions, principles and rules contained in the Ethic Code and the Organization and Management Model.

The employee's infringement of the provisions, principles and rules contained in the Ethic Code and the Organization and Management Model prepared by Biffi Italia to prevent the commission of crimes pursuant to Decree 231 constitutes an illicit discipline, punishable according to the procedures of contestation of the infringements and the issue of the consequent sanctions provided by the current National Collective Labour Contract for metal and mechanical workers and plant installers, applied inside the company, in compliance with everything provided by art. 7 of the By-Laws of the Workers transcribed herein.

The present disciplinary system has been configured in full compliance with all the legal provisions concerning labour. Different methods and sanctions from those already coded and shown in the collective contracts and the trade union agreements have not been provided. The following constitute illicit discipline regarding the activities identified at risk of crime:

1. The non-observance of the principles contained in the Ethic Code or the adoption of behaviours not conforming to the rules of same.
2. The non-compliance with the rules, regulations and procedures indicated in the Organization and Management Model.
3. The missing, incomplete or false documentation or its unsuitable preservation necessary to guarantee the transparency and possible checking of the activity carried out in conformance with the rules and procedures indicated in the Organization and Management Model and the Ethic Code.
4. The infringement and elusion of the control system, carried out through the subtraction, the destruction or the alteration of the documentation provided by the above-mentioned procedures.
5. The obstacle to the controls and/or the unjustified impediment to the access to the information and the documentation opposed to the persons assigned to these controls, including the Surveillance Body.

The above-mentioned disciplinary infringements may be punished, according to the seriousness of the lacks, with the following provisions:

- 1) verbal reprimand;
- 2) written warning;
- 3) fine;
- 4) suspension;



5) dismissal.

The type and extent of each of the sanctions will be applied taking into consideration:

- the intentionality of the behaviour or of the degree of negligence, imprudence or inexperience with reference also to the likelihood of the event;
- the global behaviour of the worker, with particular reference to the existence or inexistence of previous disciplines of same, in the limits of law;
- the duties of the worker;
- the functional position and the level of responsibility and autonomy of the persons involved in the facts constituting the lack;
- the other particular circumstances concerning the illicit discipline.

The Surveillance Body has the task of checking and assessing the suitability of the disciplinary system in view of Decree 231.

6.3 Sanctions towards managers

If the Ethic Code and Organization and Management Model are infringed by executives, Biffi Italia arranges to issue the most suitable disciplinary measures in compliance with what is provided by the applicable National Labour Contract.

6.4 Measures towards the Directors

At the news of infringement of the principles contained in the Ethic Code and of the provisions and rules contained in the Organization and Management Model by the Board of Directors, the Surveillance Body must duly inform the entire Board of Directors and the Board of Statutory Auditors, for the adoption of suitable provisions, *inter alia*, for example, the calling of the Shareholders' Meeting to adopt the most suitable measures.

6.5 Measures towards the Statutory Auditors

At the news of infringement of the principles contained in the Ethic Code and of the provisions and rules contained in the Organization and Management Model by the Board of Directors, the Surveillance Body must duly inform the entire Board of Directors and the Board of Statutory Auditors, for the adoption of suitable provisions, *inter alia*, for example, the calling of the Shareholders' Meeting to adopt the most suitable measures.



6.6 Measures towards the Auditors

At the news of infringement of the principles contained in the Ethic Code and of the provisions and rules contained in the Organization and Management Model by the Board of Directors, the Surveillance Body must duly inform the entire Board of Directors and the Board of Statutory Auditors, for the adoption of suitable provisions, *inter alia*, for example, the calling of the Shareholders' Meeting to adopt the most suitable measures.

6.7 Measures towards other addressees

The compliance by those who, for any reason, act in the name and on behalf of Biffi Italia (agents, finders, distributors, customers, external consultants/collaborators or other commercial partners etc.) and by the other addressees of the rules of the Ethic Code and the Organization and Management Model (the latter limited to the aspects applicable on each occasion) must be guaranteed by means of specific contractual clauses.

Each infringement by those who, for any reason, act in the name and on behalf of Biffi Italia (agents, finders, distributors, external consultants/collaborators or other commercial partners etc.) or by the other addressees of the rules of the Ethic Code and the Organization and Management Model (the latter limited to the aspects applicable, from time to time) or the possible commission by these persons of the crimes provided by Decree 231 will, as far as possible, be sanctioned as provided in the contracts executed with same which must include specific clauses concerning the sanctions applicable in case of non-observance, for everything pertaining to them, of the Ethic Code and the Organization and Management Model. For example, these clauses may provide the right to terminate the contract by Biffi Italia, in the most serious cases, or the application of penalties, for minor infringements.

6.8 Further measures

Biffi Italia remains entitled to use all the other remedies permitted by the law, including the possibility of requesting compensation for the damages deriving from the infringement of Decree 231 by the persons listed above.

NATIONAL LABOUR CONTRACT OF METAL AND MECHANICAL WORKERS AND INSTALLERS (07/05/03)

Art. 23 – Disciplinary provisions

The workers's non observance of the provisions contained in this Contract may lead, according to the seriousness of the violation, to the application of the following provisions:

- (a) verbal reprimand;
- (b) written warning;
- (c) fine not greater than three hours of hourly retribution calculated on the tabular minimum;
- (d) suspension from the work and from the retribution up to a maximum of three days;
- (e) dismissal for lacks pursuant to art. 25.

The employer cannot adopt any disciplinary provision towards the worker without having previously objected to the debit and without having heard him in his defence.

Except for the verbal reprimand, the objection must be made in writing and the disciplinary provisions cannot be inflicted until 5 days have passed, during which the worker may present his justifications.

If the provision is not inflicted within 6 days after these justifications, they will be considered accepted.

The worker may present his justifications even verbally, with the possible assistance of a representative of the Trade Union to which he belongs, or of a member of the Unitary Trade Union Representation.

The infliction of the provision must be justified and communicated in writing.

The disciplinary provisions indicated in letters (b), (c) and (d) may be impugned by the worker in the trade union, in accordance with the contractual regulations regarding disputes.

The dismissal for lacks indicated in points A) and B) of art. 25 may be impugned in accordance with the procedures provided by art. 7 of Law 604 of 15 July 1966 confirmed by art. 18 of Law 300 of 20 May 1970.

Any effect of the disciplinary provisions will not be taken into consideration when two years have passed since their infliction.

Art. 24 – Written warnings, fines and suspensions

The worker who:

- (a) does not appear at work or abandons his work station without justified reason or does not justify his absence within the day following that of the start of the absence except in the case of justified impediment;
- (b) without justified reason delays the start of the work or suspends it or advances its cessation;
- (c) carries out light insubordination towards the superiors;
- (d) carries out the work assigned to him negligently or with deliberate slowness;
- (e) through carelessness or negligence damages the material of the plant or the material in processing;
- (f) is found in state of intoxication, during working hours;
- (g) outside the company carries out, on behalf of third parties, works pertaining to the company;
- (h) infringes the no smoking provision, where this exists and is indicated with special card;
- (i) carries out in the company's workshop works of light extent on his own behalf or on behalf of third parties, outside working hours and without removing the company's material, with use of company equipment;
- (j) infringes the observance of this Contract in other way or commits any lack that may prejudice the discipline, moral, hygiene and safety of the plant

The warning will be applied for the lacks of minor importance; the fine and suspension for those of major importance.

The amount of the fines that do not constitute compensation for damages is assigned to the existing welfare and social security institutions of company nature or, failing these, to the health insurance fund.

Art. 25 – dismissals for lacks

A) Dismissal with notice

This provision refers to the worker who commits infringements of the discipline and the diligence of the work which, although of greater importance than those contemplated in art. 24, are not sufficiently serious to make the sanction indicated in letter B) applicable.

For example, the following fall within these infringements:

- (a) insubordination to superiors;
- (b) considerable culpable damage of plant material or processing material;
- (c) execution without permission of works in the company on his own behalf or on behalf of third parties, of light extent without use of company material;
- (d) fight in the plant outside the processing departments;
- (e) abandonment of the work station by the employees to whom duties of supervision, caretaking, are specifically assigned, outside the cases provided in point (e) of the following letter B);
- (f) unjustified absences prolonged beyond 4 consecutive days or absences repeated three times in a year in the day following the holidays or on holidays;
- (g) conviction to imprisonment penalty inflicted on the worker, with sentence passed in Court, for action committed not in connection with the development of the labour contract, which injures the moral figure of the worker;
- (h) relapse in any of the lacks contemplated in art. 24, when two suspension provisions indicated in art. 24 are inflicted, with the exception of everything provided by the last paragraph of art. 23.

B) Dismissal without notice

This provision refers to the worker who causes serious moral or material damage to the company or who carries out, in connection with the development of the labour contract, actions that constitute crime pursuant to law.

For example, the following fall within the above infringements:

- (a) serious insubordination to superiors;
- (b) theft in the company;
- (c) stealing of sketches or drawings of machines and tools or other objects, or documents of the company;
- (d) voluntary damage to company material or processing material;
- (e) abandonment of the work station which may prejudice the safety of the persons or plants or performance of actions that imply the same prejudices;
- (f) smoking where this may prejudice the safety of the persons and plants;
- (g) execution without permission of works in the company on his own behalf and on behalf of third parties, of large extent and/or with the use of company material;
- (h) fight inside the processing departments.

Art. 26 – Precautionary non disciplinary suspension

In case of dismissal for lacks indicated in point B) of art. 25 (without notice), the company may arrange for the precautionary non disciplinary suspension of the worker with immediate effect, for a maximum period of 6 days.

The employer will inform the worker in writing of the important facts for the purposes of the provision and examine any contrary deductions. If the dismissal is applied, it will take effect at the moment of the suspension.



BY-LAWS OF THE WORKERS

(Law 300 of 20/05/70)

Art. 7 ***(Disciplinary sanctions)***

1. The disciplinary rules referring to the sanctions, to the infringements to which each of them may be applied and to the procedures of contestation of same must be communicated to the workers through display in place accessible to everyone. They must apply everything established on the subject by labour agreements and contracts if they exist.
2. The employer cannot adopt any disciplinary provision towards the worker without having previously objected to the debit and without having heard him in his defence.
3. The worker may have himself assisted by a representative of the trade union to which he belongs or grants mandate.
4. On the understanding that everything provided by Law 604 of 1996 holds good, disciplinary sanctions which involve definite changes of the labour contract cannot be provided for an amount exceeding four hours of the basic retribution and the suspension from the service and from the retribution for more than ten days.
5. In each case, the disciplinary provisions more serious than the verbal reprimand cannot be applied before five days have passed from the written contestation of the fact that caused it.
6. With the exception of similar procedures provided by the collective labour contracts and the right to start legal proceedings holding good, the worker to whom a disciplinary sanction has been applied may start, in the following twenty days, also through the association in which he is enrolled or through mandate, the constitution, through provincial labour and employment office, a board of settlement and arbitration, composed of a representative of each of the parties and a third member chosen by joint agreement or, if an agreement is not reached, appointed by the manager of the labour office. The disciplinary sanction remains suspended until the announcement by the board.
7. If the employer does not arrange, within ten days from the invitation sent to him by the labour office, to appoint his representative within the board mentioned in the previous paragraph, the disciplinary sanction does not come into force. If the employer goes to Court, the disciplinary sanction remains suspended until the definition of the judgement.
8. No effect of the disciplinary sanctions can be taken into consideration when two years have passed since their application.