

DISCIPLINARY SYSTEM

on the

ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

pursuant to Legislative Decree no. 231 of 8 June 2001

Wärtsilä Italia S.p.A.

1. Scope of the Disciplinary System

Pursuant to article 6 of the Decree, the Organizational, Management and Control Model must include a Disciplinary System to impose sanctions in the event of Breach to the Model. Accordingly, this Disciplinary System ("**Disciplinary System**") is an essential and integral part of the Model and it is included as a Protocol.

The Disciplinary System is in line with any applicable regulations, including any applicable employment national collective contracts. The Disciplinary System is a Company system and it complements any applicable legal requirements.

For any case not covered in the Disciplinary System, reference is made to the applicable regulations, i.e. article 7 of Act no. 300 of 20 may 1970 (Labour Code) and the provisions of any collective agreements and Company regulations.

Sanctions under the Disciplinary System do not replace any further sanctions (criminal, administrative, civil sanctions, etc.) that may be imposed for any Crime.

The Disciplinary System is regularly monitored by the Human Resources Department. It is based on the principles of independence, categorisation, immediateness and proportionality of the disciplinary rationale.

Sanctions are imposed irrespective of the outcome of any criminal proceeding, as the rules of conduct in the Model and the Code of Ethics are applicable irrespective of the type of Crime and Breaches (as defined).

The Disciplinary System is published in the corporate Intranet and it is posted on the Company notice boards in a public area to fully inform Recipients and any Relevant Third Parties.

Capitalised words in this Disciplinary System have the meaning defined in the Model, save as otherwise specified.

2. Recipients

Pursuant to the Decree, the Entity is held liable if the requirements listed in paragraph 1.3 of the General Parts of the Model are met and if the Crime was committed by:

- (i) person vested with representation, administration or direction functions fo the Entity , having financial and operational independence, and individuals that control and manage, including *de facto*, the Entity ("**Individuals in Top Positions**")¹;
- (ii) Persons subject to the direction or surveillance of any individuals in top positions, as listed in point i) (i.e. "**Individuals in Subordinate Positions**")².

Recipients of the Disciplinary System are the Recipients of the Model, as described in paragraph 2.3 of the Model, i.e. Individuals in Top Positions and Individuals in Subordinate Positions as specified above:

¹ This category include individuals in charge of managing or directing the organization or its branches, such as general managers and plant managers.

² Typically, "Individuals in Subordinate Positions" means employees as defined in article 2094 and 2095 of the Civil Code, but also individuals not employed by the entity, who have been appointed to provide a service under the supervisions of Individuals in Top Positions. Therefore, "Individuals in Subordinate Positions" also include external workers, promoters, agents, advisers, who, in line with their mandated, act in the entity interests.

- (a) members of the Board of Directors of Wärtsilä ("**Board of Directors**"), any receiver, in the event of winding-up, and any other officers in charge of management, administration, direction or audit in Wärtsilä or in any of its independent units.
- (b) members of the Board of Auditors:
- (c) officers in charge of the statutory audit of Wärtsilä accounts (and any other individuals defined in points (a), (b) and (c), collectively the "**Corporate Bodies**");
- (d) members of the Supervision Board;
- (e) Top Managers (Dirigenti);
- (f) any other employee of Wärtsilä, including employees that are seconded abroad (and any other individuals defined in points (e) and (f), collectively the "**Employees**"); and
- (g) any other individuals working with Wärtsilä as consultants or, though not employees of Wärtsilä, who act directly or indirectly (on a permanent or temporary basis) on behalf of Wärtsilä (including, but not limited to: temporary staff, contract workers, any external staff, representatives, agents, advisers, providers, trade partners) (collectively "**Relevant Third Parties**"),

(all the above individuals, collectively the "**Recipients**").

All Recipients are required to comply with the Disciplinary System and its principles, and, to the extent of their responsibility, to adopt a proactive approach on its implementation.

Recipients must abstain from any conduct infringing the provisions of the Model and the Code of Ethics, under the pretext they acted in the interests of the Company.

3. **Relevant Conducts**

Under this Disciplinary System, actions or conducts, including omissions, breaching the Model and its Protocols, including the Code of Ethics ("**Breaches**"), and any conduct that may expose the Company to the sanctions described in the Decree are sanctionable.

As Recipients are required to cooperate with the Supervisory Body under the Model, Breaches includes any active conducts or omissions infringing the General Part of the Model, as described in paragraph 2.3, on requirements of Recipients, and in paragraph 9.5.1 on notification requirements to the Supervisory Body,

This Disciplinary System is in line with any legal requirements. Recipients are informed about the Breaches and the relevant sanctions. The System is based on the principles of immediateness, proportionality and appropriateness of sanctions, considering, in the imposition of sanctions, any subjective and/or objective circumstances.

Breaches, divided into categories depending on the severity level, are the following:

- a) non-compliance with the Model, save as the events listed in points b), c) and d);
- b) non-compliance with the Model, i.e. infringement of a general rule of conduct or a Protocol on prevention, as listed in the Special Parts and/or in the Code of Ethics, save as the events listed in points c) and d);
- c) non-compliance with the Model, i.e. the objective element is part of the Crime, but no subjective element exists;
- d) non-compliance with the Model on objective and subjective criteria on Crimes.

4. Corporate Bodies

Sanctions on Breaches, as described in the Disciplinary System, may be imposed on members of the Corporate Bodies.

5. Employees

Sanctions on Breaches, as described in the Disciplinary System, may be imposed on Employees pursuant to article 2106 of the Italian Civil Code.

As for executives and Top Managers (Individuals in Top Positions) considering their positions, omissions or negligence in supervising Individuals in Subordinate Positions, enabling the Breach, sanctions may be imposed as described in the Disciplinary System.

Compliance with the Model is an essential part of the legal requirements of the Employees pursuant to article 2104 and subsequent articles of the Italian Civil Code.

6. Relevant Third Parties

Sanctions on Breaches, as described in the Disciplinary System, may be imposed on any Relevant Third Party.

Compliance with the Model is an essential part of the legal requirements of any Relevant Third Party pursuant to article 2104 and subsequent articles of the Italian Civil Code.

7. Sanctions

The following criteria apply to determine the severity of Breaches:

- type;
- circumstances;
- how the Crime was committed;
- the subjective element⁵;
- Whether the Crime has been committed by a Top Manager or Subordinated Staff;
- the position, the role and the responsibility of the individual that has committed the Crime in the Company;
- any consequences resulting from the Breach, including on the relations based on trust with the Company.

The following criteria apply to determine the actual sanctions:

- the severity of the Breach;
- if Breaches are repeated in the framework of the same conduct;
- the involvement of several individuals in the Breach;
- any repeated Breaches by the individual who has committed the Crime.

⁵ The subjective element may be the malicious act, as awareness and will in the conduct infringing the provisions of the Model, or negligence, imprudence or malpractice of the individual committing the Crime.

8. Sanctions on members of Corporate Bodies

If a member of any Corporate Body is responsible for a Breach, the following sanctions are imposed:

- written warning on the provisions of the Model;
- order to stop any conduct infringing the provisions of the Model;
- dismissal from office for justified cause. If any external auditor is responsible for any Breach, the dismissal will also result into the termination of its contract, as described in the relevant provisions.

This includes, but it's not limited to:

- For Breaches described in article 3, point a), of this Disciplinary System, the sanction is a written warning or the order to stop any Breach;
- For Breaches described in article 3, points b) and c), of this Disciplinary System, the sanction is the order to stop the Breach or the termination of the contract;
- For Breaches described in article 3, point d), of this Disciplinary System, the sanction is the dismissal (and for the external auditor, the termination of the relevant contract).

Sanctions are imposed in line with the principle of proportionality under the criteria described in article 7 of this Disciplinary System.

If the Breach was committed by a director who's also an Employee of the Company, sanctions on Employees apply. However, if the sanction is dismissal with or without notice, the General Meeting will terminate his/her office as director.

9. Sanctions on Employees

Pursuant to collective employment contracts, sanctions on Employees are the following:

- verbal warning;
- written warning;
- fine up to 3 hours of retribution calculated on the minimum retribution;
- suspension from the office and from the retribution up to 3 days;
- dismissal for cause with notice;
- dismissal for cause without notice;

Similar sanction may be imposed on Top Managers ("Dirigenti") under the national collective employment contracts (article 27 of the collective employment contract for industrial managers). Therefore, whenever evidence of a Breach is found concerning a manager, one or several of the above sanctions are imposed.

This includes, but it's not limited to:

- For Breaches described in article 3, point a), of this Disciplinary System, the sanction is a verbal or written warning; verbal warning is applied whenever the conduct is not so severe as to determine other sanctions;
- For Breaches described in article 3, point b), of this Disciplinary System, the sanction is a written warning or a fine; fines are also imposed for any repeated Breaches requiring a written warning;

- For Breaches described in article 3, point c), of this Disciplinary System, the sanction is suspension from office and retribution or dismissal for cause with notice. The sanction on the suspension from the office and retribution up to 3 days also applies to conducts resulting into the above sanctions, if the actual circumstances or the repeated conducts justify it, they are more severe or in case of very severe negligence affecting the safety of the plant where the individual committing the Crime works;
- For Breaches described in article 3, point d), of this Disciplinary System, the sanction is dismissal for cause without notice. The sanction on dismissal for cause without notice is imposed if the malice or criminal or financial impact or repeated Crimes or its very nature of the Breach affects the trust at the basis of the employment relation, resulting into the termination of the employment with immediate effects.

If the sanction on the Employee is based on a Breach listed in article 3, points c) and d), of this Disciplinary System, as an alternative, the Company may:

- suspend the Employee for precautionary reasons with immediate effects up to 6 days. At the end of the suspension, the Company will send a written notice to the Employee on the relevant case and will assess any statement to the contrary;
- temporarily and as a precaution, for a period up to 3 months, the Employee may be assigned to a different position, without prejudice for article 2103 of the Italian Civil Code.

The above sanctions are imposed in line with the principle of proportionality under the criteria described in article 7 of this Disciplinary System.

10. Sanctions on any Relevant Third Party

In its relations with any Relevant Third Parties, any appointment/contracts includes special provisions on the requirement to comply with the Model - and the Code of Ethics - and the requirement to comply with any request for information, data, reports from the Supervision Board, which result into the imposition of sanctions in case of Breach.

If evidence of a Breach is found concerning any Relevant Third Party, in line with article 3 of this Disciplinary System, the following sanctions apply:

- contractual fine, if applicable, save as the damages for higher loss;
- termination of the contract pursuant to article 1456 of the Italian Civil Code and contractual fine, save as the damages for higher loss.

If Breaches to the Model are committed by temporary workers or subcontractors or seconded workers, the Company will inform the relevant company which will impose the sanctions on its employees and/or other staff.

Breaches of employees and/or other staff of any Relevant Third Party are under the responsibility of such Relevant Third Party. This is without prejudice for any sanctions on any Relevant Third Party in case of inappropriate control on employees and other staff.

The above sanctions are imposed in line with the principle of proportionality under the criteria described in article 7 of this Disciplinary System.

11. Procedures on the enforcement of sanctions on members of Corporate Bodies

If the Supervisory Body identifies a Breach committed by a member of any Corporate Body (other than not an Employees of the Company), the Supervisory Body, using its powers, may require information, access any document, conduct interviews and, in general, implement any actions to

investigate the alleged Breach. As a result, it will promptly report to the Board of Directors and the Board of Auditors, focussing on:

- the questioned conduct and the relevant evidence as well as the provisions of the Model referring to the Breach;
- the individual/organisation responsible for the Breach;
- documental evidence, if available;
- suggested sanction.

Upon the notification of the Supervisory Body, the Board of Directors will promptly call the involved individual/organisation to provide any relevant information. Taking into account the remarks of the involved individual/organisation, it will determine the applicable sanction with the relevant reasons and it will send a written notice to the involved individual/organisation and to the Supervision Board.

The relevant body will enforce the sanction.

If the office of a member of the Board of Auditors is terminated, article 2400, paragraph 2 of the Italian Civil Code applies.

If the Breach is committed by a director who is also an Employee of the Company, the sanctions will be enforced pursuant to article 12 of this Disciplinary System.

12. Procedures on the enforcement of sanctions on Employees

If the Supervisory Body identifies a Breach committed by and Employee, the Supervisory Body, using its powers, may require information, access any document, conduct interviews and, in general, implement any actions to investigate the alleged Breach. As a result, it will promptly report to the Board of Directors and the Board of Auditors, focussing on:

- the questioned conduct and the relevant evidence as well as the provisions of the Model referring to the Breach;
- the individual/organisation responsible for the Breach;
- documental evidence, if available;
- suggested sanction.

Article 7 of Act no. 300/1970 (Labour Code) and any provisions of the collective employment contract as well as any corporate regulations apply to the appeal and enforcement procedure on sanctions:

- Sanctions on Employees, other than managers, are enforced by the relevant unit by a duly empowered representative;
- Sanctions on managers are enforced by the Board of Directors or a duly empowered representative;
- The measures on the relevant sanction must include the reasons and they must be notified in writing to the involved individual and to the Supervisory Body within 6 days from the comments from the involved individual.

13. Procedures on the enforcement of sanctions on any Relevant Third Party

If the Supervisory Body identifies a Breach committed by any Relevant Third Party, the Supervisory Body, using its powers, may require information, access any document, conduct interviews and, in

general, implement any actions to investigate the alleged Breach. As a result, it will promptly report to the Board of Directors and the Board of Auditors and the head of the relevant unit ("**Relevant Manager**"), focussing on:

- the questioned conduct and the relevant evidence as well as the provisions of the Model referring to the Breach;
- the individual/organisation responsible for the Breach;
- documental evidence, if available;
- suggested sanction.

Upon the notification to the Supervisory Body, the Relevant Manager will promptly report to the Board of Directors and the Board of Auditors on the report of the Supervisory Body and it will notify the Relevant Third Party on the questioned conduct and the relevant provisions of the Model as well as the applicable contractual sanction.

If the Board of Directors resolves that the sanctions must be enforced, the Relevant Manager is informed and he/she will send a written notice to the Relevant Third Party and the Supervision Board, enforcing the sanction.

If evidence is found on significant Breaches of the Mode and/or the Code of Ethics, a review is performed on the efficacy of the sanctions and the need for amendments.