



ANTI-TRUST COMPLIANCE

Group Policy

LONATO, 30 NOVEMBER 2021

THE FERALPI GROUP DEEMS MARKET COMPETITION TO BE AN ESSENTIAL DRIVER OF THE COMPANY'S ETHICAL GROWTH AND COMPETITIVENESS.

AS A RESULT, FERALPI MAKES COMPLIANCE WITH ANTI-TRUST LEGISLATION A PRIORITY AND CONSIDERS IT TO BE AN INTEGRAL PART OF COMPANY CULTURE.

GIUSEPPE PASINI – CHAIRMAN



Introduction

Antitrust legislation protects the mechanisms of market competition, incentivising companies to excel in the quality and cost effectiveness of their products, to the benefit of technical progress and customers/consumers. With this in mind, Feralpi requires all employees to comply with antitrust regulations, to prevent the Group from being exposed to serious risk in terms of fines and reputation if these regulations were to be breached.

To protect against failing to comply with anti-trust requirements, every Group employee must know how to identify the conduct and activities that could risk non-compliance when carrying out their duties, and if necessary contact the Antitrust Compliance Officer (ACO) immediately (aco@it.feralpigroup.com) to obtain clear instructions.

However, antitrust regulations must not only be viewed as restrictions on business operations, but rather as an opportunity to be more competitive and facilitate the Group's growth in new markets.

Furthermore, Feralpi could be the victim of antitrust practices by its suppliers, customers and competitors, therefore it is crucial to be able to identify such situations so that the company can promptly assert its rights.

FERALPI firmly believes that designing the processes and procedures required to effectively prevent unlawful conduct must be proportionate, measured and suited to its specific business organisation and management structure.



Having made antitrust compliance a priority, Feralpi organises regular audits with senior management, courses and training seminars for all employees most at risk of antitrust non-compliance. This ensures that everyone in the Group is familiar with the essential rules of competition law, with the triple aim of (a) preventing

breaches, (b) reinforcing protection against aggressive business policies and (c) capturing opportunities for growth.

As a result, a 2022 Compliance Plan has been produced to update and consolidate the 2017 and 2019 plans, giving the initiative continuity.

The role of the ACO

As in the past, the ACO is an essential authority in any antitrust policy.

The ACO is appointed by the Group's managing director, has a dedicated budget which is ring-fenced, and is responsible for the following:

- promptly informing the Group's employees about the Antitrust Manual and its procedures;
- promptly giving employees advice in the case of uncertainty, consulting specialist external legal experts if necessary;
- conducting a prior analysis of business operations;
- organising compulsory training courses to ensure ongoing personnel training,;
- setting up an employee disciplinary procedure in the event of non-compliance with regulations;
- implementing a whistleblowing and reward system;
- performing regular checks on employees most at risk of antitrust non-compliance, at intervals of no greater than two years.



Anti-trust legislation

Antitrust legislation is designed to safeguard healthy market competition, by preventing companies from colluding or abusing their dominant position, or from falsifying competition to the detriment of competitors, suppliers, customers and consumers.

Antitrust legislation also aims to prevent mergers and acquisitions that jeopardise market competition, and to this effect, requires prior checks on these operations to avoid creating dominant positions.

Collusion between competing companies

This represents the most serious breach of antitrust legislation. When the collusion agreement concerns prices, quantities and sharing a customer base, it is defined as a cartel. In such cases, fines are often the maximum stipulated, i.e. 10% of the Group's annual turnover.

Companies must never exchange or share sensitive information on the aforementioned two topics through third parties.

Breach is not only defined as a verbal or informal (e-mail) agreement, but also any concerted market practices that have no explanation other than having been agreed beforehand between competing companies. The burden of proof is on companies with regard to providing alternative explanations.

It must be remembered that the ineffectiveness of the cartel will have no bearing on any fines.

In Italy, cartels in public procurement can also be subject to criminal proceedings.

Nowadays, a civil case, running into millions, can often follow when the existence of a cartel has been confirmed, during administrative proceedings, having been brought by the companies that were victim to the cartel agreements in an attempt to claim for damages.

Collusion between non-competing companies

Agreements, and cooperation between companies operating at different levels in the chain, i.e. between a producer and their distributors (traders, wholesalers, retailers), are also relevant to ensure intra-brand competition, first and foremost competition on price between retailers of similar goods,.

This is the case where the producer imposing a retail price on a distributor for goods manufactured by the producer and sold by the distributor constitutes a breach.



Abuse of dominant market position

Companies with a dominant market position, i.e. a market share >50%, have specific responsibility for not abusing their position and jeopardising correct and competitive market operation.

Therefore annual loyalty or target discounts, as well as what is termed the English Clause, are usually prohibited. These restrictions enable businesses competing with the dominant company to operate on the market more easily and with more likelihood of success.

Other prohibited practices include those relating to excessive or predatory pricing, tying policies and exclusivity clauses imposed on suppliers or customers.

Sometimes, in oligopolistic markets with 3-4 active companies, even though none of them is dominant, they can all be liable to proceedings in the case of abuse due to a combined dominant position.

Managing mergers and acquisitions

The takeover of other companies by Feralpi may require the competition authorities to be notified and authorisation obtained.

As a general rule, mergers leading to an aggregate post-merger market share of more than 40% may be critical and prohibited by the antitrust authorities, due to the creation of a dominant position that could obstruct market competition.

For this reason, Feralpi requires employees to promptly inform the ACO of any initiative of this kind, so the pros and cons can be assessed beforehand.



Language to be avoided

Checks and challenges raised by the Antitrust Authorities are mainly based on documents arriving at the company, especially incoming and outgoing e-mails. Even WhatsApp messages have been the subject of scrutiny recently, and once written they are inserted in office files and used as evidence against companies.

All e-mails and text messages on smartphones must therefore be viewed as documents that can be checked by inspectors, remembering that, even if deleted, they can easily be retrieved and produced electronically during an investigation.

Feralpi's golden rule is to impress on employees how they must always be mindful that what they write could be read by the authorities in the future. This also means appropriate terminology must be used to avoid creating the false impression that unlawful conduct is underway. Therefore the following rules must be applied:

- First of all limit the number of documents sent to/received from competitors, which should be an exception for company employees.
- Always indicate the subject clearly in such documents.

- External incoming or outgoing e-mails with terms such as *prices, discounts, agreements, payments, closures, investments, customers, orders, stock, shares or quantities* in the subject header are prohibited.
- Avoid ambiguous language when referring to competitors in internal Group e-mails (e.g. it was discussed, agreed, decided, we learned etc.). If the subject of the e-mail is sensitive always indicate its source.
- Apply the utmost care in communications with associations/organisations of which the company is a member, always immediately rejecting any information that is inconsistent.
- If in doubt regarding the suitability of document contents contact the ACO immediately.

Once the Antitrust Authority has commenced an inspection, company employees are prohibited from deleting/destroying e-mails, paper documents or electronic files. This conduct would not be in line with company policy and could result in serious consequences for the Group, therefore such practices are disciplined severely.

Internal audits and regulations

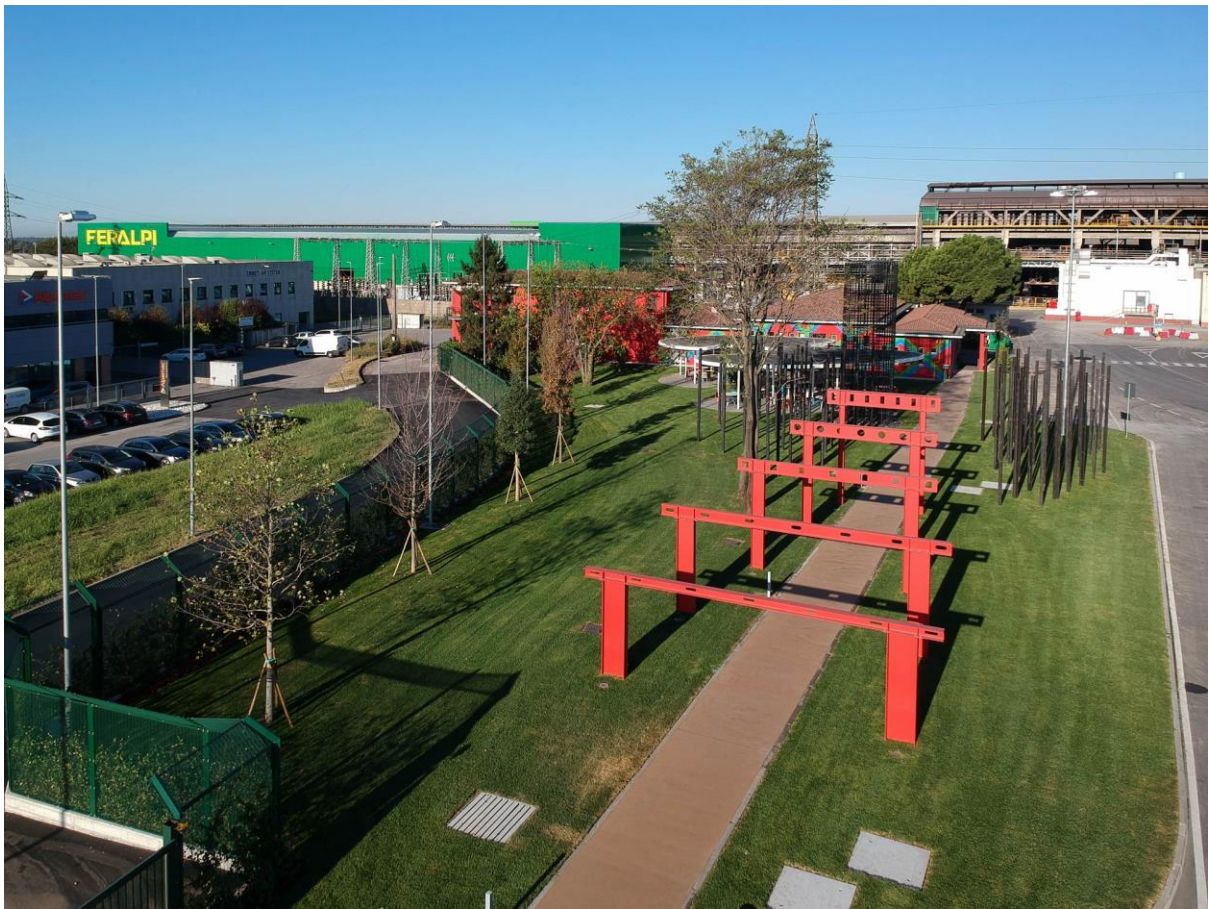
In addition to a concise Feralpi Manual given to colleagues during training sessions, which contains the main antitrust rules and relevant practical examples, every employee exposed to potential antitrust non-compliance is provided with binding regulations requiring that employee to:

- refrain from having contact with competitors;
- ensure that, if meeting competitors, any such meeting must have a valid aim and the topics do not extend beyond this aim;
- avoid sharing sensitive and/or confidential information with competitors;
- monitor their internal and external communication;
- consult the ACO immediately if the legal appropriateness of a situation is uncertain.

To ensure that the Plan is effective, all employees should be aware of the Group's right to organise unannounced internal audits, in accordance with privacy legislation.

The aim of audits is to enable Feralpi to check the following:

- employee compliance with the regulations;
- the presence of items in their laptops, smartphones, files or diaries that demonstrate a breach of antitrust legislation.



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This document is published on the Group's website so third parties (customers, competitors, suppliers) in relationships with group companies are aware of requirements imposed on employees, and also understand how they can comply with antitrust regulations.