

# EMPLOYMENT RULES

of: FERROTHERM s.r.o. Mladá Boleslav

with its registered office at Havlíčkova 624, Mladá Boleslav, company identification number 475  
38 511

In Mladá Boleslav on January 2, 2019

Approved by:

Ing. František Kysela – Executive Director  
Tomáš Tvrzník – Chief Executive Officer

Effective from: January 2, 2019  
Drawn up by: Petr Žilinský  
Attention: All employees

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## Introduction

FERROTHERM s.r.o.

Mladá Boleslav Employment Rules are issued in accordance with the statutory authorization given in Section 306 of Act. No. 262/2006 Coll., the Labour Code, as amended (hereinafter referred to

as the "Labour Code").

In accordance with applicable laws, the Employment Rules detail rights and obligations of employees according to special conditions of the employer.

These Employment Rules are binding on all employees of FERROTHERM s.r.o. Mladá Boleslav. Their provisions shall apply accordingly to persons working under agreements on work performed outside an employment relationship.

## **I. RECRUITMENT AND COMMENCEMENT OF EMPLOYMENT**

1. The employer recruits new employees through the HR department. Employment is established through a written employment contract.  
In the employment contract, the employer agrees with the employee on:
  - a) the type of work which the employee will perform for the employer,
  - b) the place of work
  - c) the date of commencement of employment
  - d) term of employment and probationary period (if applicable).In addition, other terms and conditions may be agreed with the employee in the employment contract, depending on the parties' interest. Proposals for such addendums are submitted by the heads of relevant departments. Each employee shall receive one copy of the employment contract.
1. In the employment contract, a probationary period of up to three consecutive months from the date of commencement of the employment relationship, or six months for managerial employees may be agreed. The length of the probation period may not exceed half of the agreed fixed period of the employment relationship.
2. An employment relationship commences on the date which has been agreed in the employment contract as the date of the commencement of employment.
3. The verification of the employee's qualification for work is performed prior to the commencement of employment during a recruitment procedure by the relevant senior employee of the workplace where the employee is recruited.
4. The recruited employee is obligated to undergo an initial medical examination.
5. The company management has the right to demand from the employee the performance of the work agreed in the employment contract and at the same time it is obligated to assign such work to the employee and to enable him/her to perform it. Transfers to alternative work, business trips and transfers to another workplace are governed by the relevant provisions of the Labour Code. A transfer to alternative work is not a transfer of the employee to the same work to which he/she has been contracted, to another centre, department or section at the place of work.
6. The employment contract or other written document must contain information on the rights and obligations of the employee arising from the employment relationship specified in Section 37 para. 1 let. a) to g) of the Labour Code.

## **II. TERMINATION OF EMPLOYMENT**

7. Employment may be terminated by agreement, notice of termination, immediate termination or termination within the probationary period. A fixed-term employment relationship terminates by the expiry of the agreed period.
8. An application for termination of employment by agreement, notice of termination, immediate termination of employment and notice of termination of employment within the probationary

period must be submitted by the employee in writing to his/her superior. The notice of termination may only be withdrawn in writing and with the consent of the other party of the employment relationship.

9. The employer and the employee can terminate the employment relationship by giving notice of termination.  
The employer may give notice to the employee only for one of the reasons expressly provided for in Section 52 let. a) to h) of the Labour Code and the reason for the termination cannot be subsequently changed. The employee may give the employer notice of termination for any reason or without stating a reason. The notice period is two months for both the employer and the employee. The notice period commences on the first day of the calendar month following delivery of the notice of termination and ends upon the expiry of the last day of the following calendar month.
10. Where the employment relationship is terminated by agreement, the employment relationship ends on the agreed date. The agreement must be concluded in writing and the Chief Executive Officer signs it on behalf of the employer in accordance with the Labour Code. The agreement must be initialed in advance by the employee's direct superior.
11. The employment relationship may be immediately terminated by both the employer and the employee. The employer may immediately terminate the employment relationship only for the reasons set out in Section 55 of the Labour Code. The employee may immediately terminate the employment relationship only for the reasons and under the conditions set out in Section 56 of the Labour Code. During the probationary period, the employment relationship may be terminated by both parties at any time (with the exception of the first 14 calendar days of temporary work incapacity), for any reason or without stating a reason, by delivering a written notice to the other party, usually at least 3 days prior to the date of the end of employment.
12. The employer may give notice of termination to the employee or immediately terminate the employment relationship with the employee under the conditions set out in the Labour Code, i.e. after consulting with trade unions.
13. Upon termination of employment, the employee is required to return all equipment and other items provided by the employer and complete all exit formalities listed in the clearance certificate. The employer is obligated to provide the employee with a certificate of employment, any personal documents contained in his/her personal file and, if so requested, employment references. Documents that are stored by law are not returned to the employee.

### **III. OBLIGATIONS OF THE EMPLOYER AND OF THE MANAGERIAL AND OTHER EMPLOYEES**

#### **16. Obligations of the Employer**

The employer is obligated to assign the employee work according to the employment contract, reward him/her according to wage regulations and collective agreement, and to establish and develop employment relationships in accordance with the Labour Code, other legal regulations and the accepted principles of morality, and to create conditions for the successful fulfilment of work tasks.

#### **17. Fundamental Obligations of Managerial Employees**

In addition to the fundamental obligations specified in the Labour Code, managerial employees are obligated, in particular:

- a) to manage and control work and regularly evaluate the employees and their work attitude and work performance
- b) to organize work in the most efficient manner in order to increase workforce productivity
- c) to create positive working conditions and ensure health and safety at work
- d) to ensure the remuneration of employees according to wage regulations, collective agreements, internal wage regulations, and employment contracts, and to determine

- employees' wages according to their performance and their contribution to the work performance
- e) to create positive conditions for increasing the employees' expertise
  - f) to ensure compliance with the obligations arising from the laws applicable to the employee's work (hereinafter referred to as "work discipline"), to reward their initiative and work effort, and to ensure that work discipline and obligations are not violated
  - g) to ensure that timely and effective measures are implemented to protect the employer's property
  - h) to ensure regular health and safety and fire safety training
  - ch) to ensure the protection of personal data of employees and other persons (former employees, customers, etc.) within the meaning of the relevant provisions of Act. No. 101/2000 Coll., on the Protection of Personal Data and on Amendments to Some Acts, as amended, and Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)
  - i) to communicate with media regarding corporate matters only with prior consent of the Chief Executive Officer
  - j) to avoid any humiliating treatment and sexual harassment of the employees
  - k) to avoid any discriminatory behaviour in the workplace.

#### 18. Fundamental Obligations of Employees

Employees are obligated, in particular:

- l) to work conscientiously and diligently according to their strengths, knowledge and abilities and to comply with the instructions of their superiors, issued in accordance with applicable laws
- m) to make full use of working hours and equipment to carry out the work entrusted to them, to fulfil tasks in quality, economic and timely manner
- n) to comply with legal regulations relating to the work performed by them, with the Employment Rules and other internal regulations of the employer
- o) to properly manage the resources entrusted to them by the employer, guard and protect the employer's property from damage, loss, destruction and misuse
- p) not to use the employer's equipment, devices, material or means of transport for private purposes unless such use is permitted by law
- q) not to carry items from the company premises without permission and notifying their supervisor, to allow inspection of items brought or taken out of the company, and to undergo an inspection in order to protect the employer's property; the Chief Executive Officer, the technical director and the executive director of the company are authorized to carry out such inspections
- r) to ensure protection of confidential information, even after termination of employment
- s) to act on behalf of the employer within the scope of the authorization given by the job description, internal regulation or legal regulation, or under a special authorization granted by the relevant manager of the company
- t) to report immediately any changes in personal circumstances (which are directly related to the performance of work and which the employer is obligated and entitled to require) and other information, such as marriage, divorce, birth or death of a family member, change of residence, circumstances relevant to public health insurance, financial assistance in maternity, personal income tax, call to military service, etc.; to report these facts according to their nature to the HR department and the superior manager

- u) to carry out gainful activity, identical to the subject of the employer's activity only with prior written consent, with details stipulated by Section 304 para. 1 of the Labour Code.
  - v) wear appropriate work and social clothing
  - w) not to smoke at the workplace; smoking is permitted only in designated areas and only outside working hours
19. In the interest of health and safety at work, employees are required:
- x) to comply with health and safety legislation, comply with other regulations and guidelines for occupational health and safety, the principles of safety at the workplace, and the work procedures that they have been duly familiarized with
  - y) not to use alcoholic beverages and other addictive substances at the employer's workplaces and during working hours also outside these workplaces; not to enter the employer's workplace under the influence of drugs or alcohol; to comply with the stipulated ban on smoking in all premises except for designated areas
  - z) to use protective equipment and personal protective aids and to care for them and properly manage them,
  - aa) to take part in any training by the employer in the interests of health and safety at work and undergo tests and medical examinations prescribed by law
  - bb) to report to their supervisor or to the authorities supervising work and technical equipment safety any defects and/or malfunction that could jeopardize health or safety at work and to participate in their remedy according to their abilities
  - cc) to undergo, upon instruction of an authorized manager appointed in writing by the employer, determination whether the employee is under the influence of alcohol or other addictive substances; the employer appoints for this purpose the following managerial staff: directors and managers of individual centres
20. In the event of an accident at work, each employee is obligated to provide assistance according to his/her abilities and to immediately inform the competent supervisor, who will ensure provision of first aid and medical treatment according to the severity of the injury, inform the superior department and HR department and take other necessary measures, depending on the circumstances of the case, in particular, finding direct witnesses, keeping the accident site in its original condition, determining possible influence of alcohol, etc.
21. A record of the accident is prepared by the HR department within 24 hours with the participation of witnesses of the accident, in cooperation with the contractual service provider in the field of occupational safety.
22. Employees are obligated to report to their superior any accidents at the workplace, including those that do not immediately result in incapacity for work.
23. Damage caused to employees by accidents at work and occupational diseases is compensated by the employer in accordance with the relevant provisions of the Labour Code and supplementary regulations.

#### **IV. VIOLATION OF OBLIGATIONS ARISING FROM APPLICABLE LAWS IN CONNECTION WITH THE EMPLOYEE'S WORK AND PENALTIES**

24. Work discipline includes compliance with the obligations of employees arising from the relevant provisions of the Labour Code, employment contract, and these Employment Rules.
25. Penalties for discipline violations are as follows:
26. reprimand according to Section 52 let. g) of the Labour Code
27. in the event of a serious breach, termination of employment by the employer according to the same Section of the Labour Code
28. in the case of a particularly gross breach, immediate termination of employment under Section 55 para. 1 let. b) of the Labour Code

29. in the case of a probationary period, termination of employment
30. The labour-law penalty is imposed by the relevant manager or director. The notice of termination of employment or immediate termination of employment is prepared by the HR Department and signed by the Board of Directors. Labour sanctions must be consulted with trade unions in advance. The criteria for assessing the degree of intensity of breach of work discipline, i.e. whether the violation was particularly gross, serious or less serious, are, in particular, the form and severity of the employee's fault (i.e. intention or negligence), the circumstances under which the offence occurred, motives for the action, work position of the employee, the amount of damage caused or the seriousness of the other harm.
31. Less serious breaches of work discipline include
- a) carrying items out of the company premises without permission
  - b) failure to comply with a superior's instructions
  - c) parking the means of transport outside the designated place
  - d) breach of dress code under Article III. Point 18 let. k) of these Employment Rules
  - e) violation of the smoking ban

Serious breaches of work discipline include:

- a) physical attack on another employee
- b) unauthorized absence
- c) systematic breach of work safety rules after the employee has been notified in writing of such breach
- d) failure to protect life, health and property during working hours if resulting in injuries without permanent consequences
- e) unauthorized leaving of the workplace
- f) insufficient use of working time
- g) damage to property of the company and not securing it from being stolen
- h) damage to fencing
- i) culpable failure to fulfil work tasks within required deadlines and in adequate quality
- j) committing an offence against property of the company or property of employees

Gross breaches of work discipline include:

- k) corruption
- l) forgery of company documents, intentional misrepresentation of documents for company top management in order to gain unauthorized benefits, possibly resulting in economic impacts on the company
- m) repeated refusal to comply with legitimate orders of a superior
- n) committing a criminal offence against property of the company or property of employees
- o) unauthorized absence for at least 3 business days continuously
- p) intentional disclosure of confidential and material information about the business, technical, personnel and economic situation of the company
- q) pursuing gainful activity identical with that of the employer without its prior written consent
- r) consumption of alcoholic beverages and narcotics in the workplace, coming to work under the influence of alcohol or intoxicants, bringing alcoholic beverages to the workplace
- s) discriminatory behaviour or sexual harassment in any form, even outside working hours, either personally or electronically

In the case of repeated less serious breaches of work discipline or in the case of significant non-fulfilment of working requirements (through no fault on the side of the employer), the employee is called upon by the manager in writing to remedy the identified deficiencies and warned of the possibility of termination of employment in the case of another minor breach of work discipline, or failure to remedy defects (Section 52 let. f) and g) of the Labour Code).

## **V. Working Hours and Use Thereof**

32. The weekly working time is 40 hours per week.
33. A more detailed arrangement is set out in Annex no.1 to these Employment Rules regulating flexible working hours.
34. The employee is obligated to be at his/her workplace at the beginning of his/her working hours and to terminate his/her work only after the working hours finish. The employee is obligated to make up for late arrivals or early departures according to the instructions of his/her superior, unless a manager, with the consent of the unions, does not assess such absence as an unauthorized absence and does not proceed to a curtailment of leave. A 30-minute break for meal and rest is not included in working hours.
35. If a woman taking care of a child under 15 years of age or a pregnant woman asks for reduced working hours or other appropriate adjustment to the set weekly working time, the employer is obligated to accept her request unless serious operational reasons prevent it.
36. Employees are required to enter and leave the employer's premises through designated entrances and exits, and use only designated routes and accesses in the company premises. Employees are obligated to personally mark the arrival and departure time on the access card, at the location designated for their workplace.
37. All managers are obligated to record and control the taking of meal and rest breaks. A work break of at least 30 minutes must be provided after a maximum of six hours of continuous work.
38. Whether or not there is unauthorized absence from work or its portion is determined by the department or section manager in agreement with the trade unions. The unauthorized absence from work or its portion leads to consequences under the Labour Code, partly already mentioned.

## **VI. OVERTIME WORK, NIGHT WORK**

39. The employee is obligated to work overtime if he/she has been ordered to work overtime in accordance with the Labour Code. Details are also regulated by a negotiated collective agreement with trade unions.
40. It is not considered overtime work if the employee is making up for time off provided by the employer at his request or for working time which was cancelled due to adverse weather conditions.
41. Youth and pregnant employees may not be ordered by the employer to work overtime. Employees taking care of a child under 1 year of age may not be ordered by the employer to work overtime.
42. Night work is work performed between 10:00 pm and 6:00 am.

## **VII. Annual Leave**

43. The standard length of annual leave is four weeks. A longer leave period may be stipulated by a collective agreement or by an employment contract.
44. The employer determines the leave taking in a written schedule prepared by the HR department so that, as a rule, a leave can be taken en bloc and **by the end** of the relevant calendar year. The employer is obligated to grant the employee whose employment has lasted for the entire calendar year at least four weeks of leave in a calendar year if he/she is entitled to it. The manager is obligated to prepare a schedule for taking leaves for the relevant calendar year by January 31 of the following calendar year at the latest.
45. The employer may order collective leave taking of up to two weeks.
46. The employer is obligated to notify the employee of the determined leave period at least 14 days in advance.
47. The employer is obligated to reimburse the employee for costs incurred by the employee

without his/her fault as a result of the employer changing the period of the leave or cancelling the leave.

48. The actual date of commencement of the leave and the day of resumption of employment is confirmed by the supervisor on the relevant form.

### **VIII. Wage and its Payment, Wage Replacement**

49. The remuneration of employees is governed by the relevant provisions of the Labour Code, the company's wage regulations, and employment and management contracts.
50. The accounting period is one month. The pay day is always the 10th day of the following month. The pay day may be changed.
51. The wage is paid by the employer at its expense and risk to one payment account designated by the employee and which the employee communicates to the employer on the day of commencement of employment at the latest.
52. The employee is obligated to immediately verify that the amount stated on the "payslip" is matching the amount credited to his account. An outstanding balance or overpayment must be immediately reported. The HR department is obligated to provide the employee, at his/her request, the documents on the basis of which the wage was calculated.
53. Wage deductions may be made on the basis of a wage deduction agreement, otherwise only in the cases specified in the Labour Code and the Civil Code.
54. If a trade union exists, individual negotiations are replaced by collective bargaining.

### **IX. OBSTACLES TO WORK**

55. The employee is obligated to ask his/her supervisor to provide time off due to obstacle on the side of the employee in advance. If the employee is not aware of the obstacle in advance, he/she is obligated to inform the employer about it and its anticipated duration without undue delay. The employee is obligated to prove the existence of an obstacle to work with an appropriate document. No time off is granted if the employee can handle the matter outside working hours.
56. If the employee has been recognized as unfit due to illness or injury, he/she is obligated to notify the supervisor immediately and, if possible, submit a certificate of incapacity for work. When the incapacity for work is terminated, part II of the certificate must be submitted. Similarly, the employee applies for sickness insurance benefits on prescribed forms during parental leave, family member care, etc.
57. Time off is granted by the employer mainly in the case of important personal obstacles and obstacles due to general interest, training and employer-recommended study while working. Wage replacement is subject to conditions and to the extent provided by applicable laws. During the period of important personal obstacles to work, where the material security is regulated by the laws on sickness insurance, the employer excuses the absence of the employee at work.
58. Section 203 of the Labour Code lists other activities in general interest due to which the employer is obligated to grant time off and the conditions under which the employer provides time off with or without wage replacement.
59. The employer may also grant time off to the employee on other serious grounds, in particular, in order to attend to important personal, family or property matters which cannot be settled outside working hours. Wage replacement is not provided in this case. If the employee is not entitled to wage replacement, the manager who decides on the granting of time off will negotiate with the employee preceding or subsequent making up of the work.

### **X. OBLIGATIONS OF EMPLOYEE TEMPORARILY UNFIT FOR WORK (HEREINAFTER REFERRED TO AS THE "ETUW") AND CONTROL OF THEIR COMPLIANCE BY THE EMPLOYER**

#### 60. Obligations of ETUW

In relation to the Labour Code and the employer, ETUW's obligations include, in particular:

- a) an obligation to stay at their place of residence at the time of temporary incapacity for work.  
The employee is obligated to give the attending physician, as the address of place of residence, as a rule, the place he/she has stated in the personal file at the HR department. Information about the place of residence is given in the part III. (with a blue stripe) of the so-called "sick note" (hereinafter referred to as the "sick note"), this part containing a report to the employer on the occurrence of temporary incapacity for work,
- b) an obligation to comply with permitted walks, including their extent and time, if they have been authorized by the attending physician (indicated by the attending physician on the sick note – part III bottom of the first page).

#### 61. Inspections of Sick Employees

- a) According to Section 192 para. 6 of the Labour Code, the employer is entitled to inspect compliance with the obligations of the ETUW described in point 57. a) and b), thus respecting the obligations to stay in the place of residence and observe the scope and time of permitted walks.
- b) The employer entrusts the performance of inspections to all managers and the manager of the security department. For the sake of provability, any inspections – decided by the director or the relevant manager – will always be carried out by two authorized persons at the same time, i.e. the manager in conjunction with the manager of the security department or the HR department manager. In the case of employees with a corporate mobile phone, the employer can use the "Mobile Phone Location" service provided by the telephone service operators, for its control activities.
- c) In the event that the inspecting person discovers a breach of the obligation of the ETUW, he/she leaves a notice of the inspection – see Annex no. 2 in a suitable place such as in the mail box of the house or the apartment. If, during the first 14 calendar days of temporary incapacity for work, the employee changes his or her place of residence without the employer's consent, this will also be considered a breach of ETUW's obligation.
- d) The record of the breach of the obligation of the ETUW, which constitutes Annex no. 3, shall be prepared by the relevant manager, who took part in the inspection. The record will also be made in case of non-breach of the ETUW's obligations (in this case, the inspected employee also signs the record). In the event of a breach of duty by the ETUW, the relevant manager will send – after a prior inspection by the HR department – the record without undue delay to the attention of the employee. The record with delivery receipt is filed by the manager in the employee's personal file.

#### 62. Penalty for Breaching ETUW's Obligation in the First 14 Calendar Days of the Temporary Incapacity for Work

- a) The employer is entitled to reduce or not to provide wage replacement for the period from the 4th to the 14th calendar day of temporary incapacity for work. This penalty may also be applied with retroactive effect.
- b) The rate of reduction or total non-payment of wage replacement shall be decided by the relevant manager after prior consultation with the HR department manager who, by putting his/her initials on the "penalty note" to the payroll accountant, certifies that the entire process of inspection and enforcing the penalty was lawful and in accordance with these Employment Rules.

#### 63. Handling the Sick Note and the Decision on Attendance Needs

- a) The employee is obligated to immediately notify his/her manager of the occurrence, continuation or termination of temporary incapacity for work or the entitlement to "care-

giver's allowance" (formerly "family member care benefit") within the meaning of Section 39 et seq. of Act No. 187/2006 Coll., on Sickness Insurance. In the case of a temporary incapacity for work, the employee shall immediately hand over to his/her supervisor parts III and IV of the sick note, while inserting – if it is objectively possible – banking details, a date and a handwritten signature on the part IV. on the other side.

- b) In the event of a temporary incapacity for work continuing, the employee shall hand over to his supervisor the completed certificate of the continuation of temporary incapacity for work and, upon its termination, on the day of resumption of employment, the part V of the sick note. Managers are obligated to submit all these documents (parts III – V of the sick note, certificate of continuation of temporary incapacity for work and decision on attendance needs) to the payroll accountant in the HR department always by the third calendar day of the following calendar month at the latest.

## **XI. BUSINESS TRIPS AND TRAVEL EXPENSES**

64. Employees are sent on business trips by a supervisor who signs a travel order. The employee is obligated to make the business trip in compliance with the time and transport details specified in the travel order and to fulfil the assigned work tasks. On a business trip, the employee is obligated to proceed in such manner that the purpose of the trip is achieved as economically as possible. The prerequisite for a business trip is a prior consent of the employee.
65. At the end of the business trip, the employee is obligated to inform the supervisor of the result of the business trip.
66. Details are regulated by internal regulations – the organizational directive "Travel Compensation for Domestic Business Travel and Business Travel Abroad" and the financial director's instruction "Meal Allowance Rates and Basic Compensation Rates per Km Travelled".

## **XII. CARE OF EMPLOYEES**

67. The employer provides meal vouchers to all employees and contributes 55% of their nominal value.
68. The employer takes care of the systematic acquisition, enhancement and expansion of employees' qualifications by organizing appropriate types of training, in particular by organizing self-study, by sending employees to courses and by enabling them to study while working.
69. Pension applications are prepared by the HR department.
70. Employees are obligated to place their clothing and personal items they usually carry to work in cabinets or desks, or in other designated locations, to lock their offices and desks, and leave no key in the lock if they are not nearby. The employer is obligated to ensure appropriate and adequate security measures (locks for desks, cabinets, rooms, etc.) in timely manner.
71. During working hours, the employer allows employees to store bicycles and motorcycles in its premises. It is forbidden to store these means of transport outside the designated areas. It is forbidden to ride bicycles and motorcycles throughout the employer's premises. The employer supports alternative modes of transport and thus allows to recharge e-bikes and electric scooters.

## **XIII. WORKING CONDITIONS FOR WOMEN AND YOUTH**

72. Women must not be employed in types of works mentioned in the Labour Code and types of work which are typically inappropriate or harmful to the females.
73. In connection with childbirth and caring for a newborn child, a woman is entitled to maternity and parental leave under the Labour Code. To enhance childcare, the employer is obligated

to provide a woman who requests it with additional parental leave in accordance with the Labour Code. A written application for additional parental leave shall be submitted by the woman to the HR department no later than 14 days before the required date of its commencement. However, a woman's application for parental leave up to 4 years of age of the child may not be accepted by the employer.

74. Youths may only be employed in work that is adequate to their physical and intellectual development. The employer may not employ youths to work overtime or to work at night. Youths must not be employed in work which, in view of their anatomical, physiological and psychological peculiarities, is inappropriate, dangerous or harmful to their health. When assigning work tasks to a youth, the employer is obligated to follow a medical opinion issued by the occupational health service provider.
75. Child labour or forced labour is expressly prohibited.

#### **XIV. LIABILITY**

75. In order to protect the employer's property, the employer is entitled to carry out, to the extent necessary, inspections of items that employees bring or carry away from the company, or searches of the employees. The employees of the security department at the company gatehouses are entitled to carry out these inspections and searches.

#### 76. Liability

The employee is liable to the employer under the conditions stipulated by the Labour Code (Sections 250 – 264)

- a) for damage due to breach of obligations

through his/her own fault when performing working tasks or in direct connection therewith

- b) for failure to fulfil obligations to avert damage pursuant to Section 251 of the Labour Code  
c) for a shortfall on entrusted valuables, which the employee is obligated to account for under the liability agreement to protect valuables  
d) for the loss of entrusted items

77. The employer takes out occupational liability insurance with the consent of the employee.

78. The responsible manager is obligated to demand compensation from the employee for damages for which the employee is liable for. If not so, the person who has not fulfilled the obligation is liable for the damage.

#### 79. Liability of the Employer

The employer shall be liable to the employee for any damage sustained by him/her:

- a) in the performance of work tasks or in direct connection therewith, as a consequence of breach of legal obligations or intentional acts in conflict with accepted principles of morality, or caused by breach of legal obligations in the performance of the tasks of the employer by employees acting on its behalf  
b) in accidents at work and occupational diseases  
c) to items left at designated areas  
d) in averting damage imminent to the employer's property

80. The amount of compensation for damage sustained by the employee should be determined within two months of the discovery of the damage.

81. The employee reports the damage without undue delay to his/her direct supervisor, in the case of damage to items left at designated areas *no later than 15 days from the day on which*

*the employee discovered the damage, otherwise the right to compensation for damages expires.*

#### **XV. AGREEMENTS ON WORK PERFORMED OUTSIDE AN EMPLOYMENT RELATIONSHIP**

82. The employee may not, without the consent of the employer, enter into any agreement on work performed outside the employment relationship with our suppliers or purchasers.

#### **XVI. COMPLAINTS, EMPLOYEE NOTICES AND PROPOSALS, LABOUR DISPUTES, SERVICE OF DOCUMENTS**

83. If there are any problems in the workplace or if the employee feels deprived of his/her employment rights, he/she may contact his/her direct supervisor or a superior supervisor or the head of HR department, who is responsible for receiving and handling complaints.

84. If the employee's claim arising from the employment contract or the agreement on work performed outside the employment relationship is not satisfied by the procedure set out in point 78, or if the employee does not use the procedure, he/she may apply to the competent courts.

85. Service of relevant documents is regulated by the Labour Code. Written documents may be delivered to the employer either by personal delivery to the direct superior or a superior supervisor or to the HR department or by mail to FEROTHERM s.r.o., Mladá Boleslav, with its registered office at Havlíčkova 624 , 293 01 Mladá Boleslav.

#### **XVII. GENERAL AND FINAL PROVISIONS**

86. Amendments and additions to the Employment Rules are issued by the employer after approval by the company executive director. Other internal regulations may not be in conflict with the Employment Rules.

87. All employees must be familiarized with the Employment Rules and its amendments and additions and confirm this with their signature. The Employment Rules are publicly available to employees at the workplace and on the corporate intranet. They are also available at the HR department.

88. Labour regulations are available for reference at the HR department. This unit manager is obligated to allow employees to review the regulations.

89. These Employment Rules come into effect on January 2, 2019.

## **FLEXIBLE WORKING HOURS SCHEME**

In order to make better use of the working hours, to increase the efficiency and performance of employees, to reduce overtime work and administrative difficulties in issuing and checking permits to leave, and in order to meet the personal needs of employees, **“the flexible working hours scheme” is introduced as a significant employee benefit** in accordance with the provisions of Section 85 of the Labour Code.

### **A. Fundamental Provisions**

1. The benefits of flexible working hours scheme may only be used by employees who have received prior approval from the relevant manager. When deciding to grant this employee benefit, the manager will take into account the specificity of the job, possible issues in cooperation with other departments of the company, etc. The approval may be withdrawn at any time by the manager, even without giving reasons.
2. The flexible working hours scheme is applied when the working time is evenly distributed, where the employee chooses the start and end times of shifts and is required to work the entire **month's working time** in the month concerned.
3. The flexible working hours scheme means scheduling working time within individual months, where the employee selects the start or end times of shifts (**optional working hours**), and the time period of mandatory presence at the workplace (**core working hours**) is inserted between two periods of optional working time.
4. The core working time of **5 hours** is set **from 8:00 am to 1:00 pm** each working day.
5. The working hours in the first optional period (i.e. the beginning of the shift) may be started no earlier than **at 6:00 am**. The working hours in the second optional period (i.e. the end of working hours) must be completed by **6:00 pm** at the latest.
6. The core working hours together with the optional working hours form a daily operating time. The employee may not perform work exceeding the daily operating hours unless it is overtime.
7. The start of work marked in the electronic attendance system is recognized from 6:00 am, with only completed half-hours being included in the time worked. The start and end times of working hours must be marked in the electronic attendance system.
8. Any working time exceeding the length of the monthly working time when applying the flexible working hours schedule is not taken into account, unless it is overtime or the making-up of part of the working time not worked.
9. The working time under this special mode is 40 hours per week.

### **B. Obstacles to Work**

10. Obstacles to work on the side of the employee (examination or treatment of an employee in a health care facility, escort of a family member to a health care facility, etc.) are treated as performance of work with wage replacement only to the extent that they have affected the core working hours; to the extent that they affected the optional working hours, they are treated as excused, but not as performance of work, and **wage replacement is not provided**.
11. If laws applicable to obstacles to work on the side of the employee provide for the exact length

of time off to which the employee is entitled, the entire period of time is considered to be the performance of the work.

12. All-day obstacles on the side of the employee set out in the government implementing regulation to Section 199 para. 2 of the Labour Code are included in working hours in the extent of the average shift length (e.g. 8 hours).
13. If the employee has not worked the monthly working hours (including any eligible obstacles to work), he/she is obligated to make up for the period not worked by the end of the following calendar month at the latest. Making up for the period not worked is possible only during the optional working hours.

### **C. Overtime Work**

14. Overtime work is work performed by the employee at the employer's orders or with its approval when applying a monthly flexible working period beyond the core working hours set for the month in question, if the employee has been working beyond the set monthly working hours. The statutory limits set out in Section 93 of the Labour Code and the arrangements contained in the collective agreement have to be complied with.
15. It is not overtime work if the employee has used the work performed under the previous paragraph within the same month to fulfil the obligation to work the set monthly working hours.

### **D. Work Breaks**

16. As a rule, a break for meal and rest is provided during core working hours, no later than every **six hours** of continuous work.

### **E. Exceptions to the Principles for Applying Flexible Working Hours Scheme**

Flexible working hours do not apply especially when:

- a) sending the employee to a business trip
- b) there is a need to ensure an urgent task
- c) operational reasons prevent its application
- d) at a time of important personal obstacles to work for which the employee is entitled to wage replacement or allowance under the sickness insurance regulations

### **F. Final Provisions**

1. Compliance with the flexible working hours principles is monitored by the relevant employees of the HR department.
2. The employee notifies **in advance** his/her manager or his/her deputy of leaving the workplace, whether within the core or optional working hours. In the case of an unfinished work task or a new urgent work task, the manager is entitled to reject the employee leaving the workplace before 2:30 pm on the given day and is also entitled to order the employee to work overtime if necessary.
3. Attendance sheets of employees who use flexible working hours will be marked by red letters "PD". The HR department is responsible for the proper identification according to the list of employees entitled to this benefit.

Annex no. 2  
to the Employment Rules

In ..... on .....

Dear Mr. / Ms.

**Notification of Inspection**

We inform you that on ..... at ..... your employer, company ....., a.s. with its registered seat at ....., in accordance with Section 192 para. 6 of the Labour Code, performed an inspection of the compliance with the regime of Employee temporarily incapable of work at the place that you have reported in your personal file as the place of your residence. You were not reached during the inspection. We ask you to contact your supervisor without delay in your own interest.

Sincerely,

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**Record  
on inspection of the compliance with the ETUW regime**

name of the inspected employee:	
function:	
place of residence:	
date and time of the inspection:	
inspection findings:	
In..... on.....	
Signatures of inspectors and of the supervised employee: 1) 2) 3)	