

# ORGANISATION AND MANAGEMENT MODEL

General Part rev.0

**2013**

Rev. 0 dated 10.05.2013

Approved by the Board of Directors of Leitner SpA, Management and Control Model as per the minutes.

## **TABLE OF CONTENTS**

<b>1</b>	<b>DEFINITIONS</b>	<b>4</b>
<b>2</b>	<b>INTRODUCTION</b>	<b>5</b>
<b>3</b>	<b>RECIPIENTS</b>	<b>6</b>
<b>4</b>	<b>ADMINISTRATIVE LIABILITY OF THE COMPANY</b>	<b>7</b>
4.1	Exemption from administrative liability	10
4.2	Confindustria guidelines	11
<b>5</b>	<b>THE COMPANY'S ORGANIZATION, MANAGEMENT AND CONTROL MODEL</b>	<b>13</b>
5.1	The purpose of the Model	13
5.2	Methodological Approach	13
5.3	The structure of the Model: General Part and Special Part	15
5.4	Predicate offences relevant for the Company	15
5.5	The relationship between the Model and the Code of Ethics	16
5.6	Adoption of the Model and amendments thereto	16
<b>6</b>	<b>THE SUPERVISORY BOARD</b>	<b>17</b>
6.1	Appointment and termination of the assignment to the Supervisory Board	17
6.2	The essential requirements of the Supervisory Board	20
6.3	The identification of the Supervisory Board	21
6.4	The functions of the Supervisory Board	21
6.5	The powers of the Supervisory Board	27
6.6	The budget of the Supervisory Board	28
6.7	Relations between the Supervisory Board and the Internal Auditing Department	28
<b>7</b>	<b>THE DISCIPLINARY AND PENALTY SYSTEM</b>	<b>28</b>
7.1	Definition and limits of disciplinary liability	29
7.2	Recipients of the disciplinary system and their duties	29
7.3	General principles relating to penalties	30
7.4	Sanctions regarding workers, employees and managerial personnel	32
7.5	Sanctions regarding management executives	33
7.6	Measures regarding senior executives	33
7.7	Measures regarding contractors and contractual counterparties	33
<b>8</b>	<b>TRAINING AND THE DISSEMINATION OF THE MODEL</b>	<b>34</b>

<b>9 THE MODEL IN THE CONTEXT OF THE GROUP</b>	<b>36</b>
9.1 Inter-group relationships	36

## **1 DEFINITIONS**

**Company:** The company and the companies belonging to the group;

**Code of Ethics:** A set of principles and values, formalized and adopted by the Company for the purposes of its business;

**Decree:** Legislative Decree No. 231 of 8 June 2001 and subsequent amendments and additions;

**Recipients:** The persons identified in paragraph 3 of this Model, which are required to comply with the requirements set out in the Model itself;

**General Management:** Governing body of the company (CEO, COO, Italy Country Manager);

**Guidelines:** Code of conduct drawn up by Confindustria;

**Model:** This organization, management and control Model;

**SB:** Supervisory Board - the body referred to in paragraph 6 of this Model;

**Predicate Offences:** Relevant offences under Legislative Decree No. 231 of 8 June 2001, as listed in Annex 1 "List of Offences" of the present Model;

**Senior executives:** Those who have an independent power to take decisions on behalf of the company;

**Subordinated individuals:** Those who are subject to the direction and supervision of senior executives.

## **2 INTRODUCTION**

### **Worldwide sustainable technologies united in the same group**

Our group of companies focuses on selected market segments in the following areas: ropeways, snow groomers and tracked vehicles for all types of trails and terrains, snowmaking systems, systems for urban transport, and wind power plants.

The aforementioned activities, although seemingly different, are actually in a position to develop valuable synergy thanks to the characteristic elements of our group of companies such as the high coordination and a network connection for the collection and transmission of data between the concerned companies.

By virtue of the above characteristics we offer our products on the world market as the sole supplier able to offer all the high-tech tools needed for winter activities.

Following the growth of our group even our operating network is ever more substantial. This enables us to provide high quality services that are simultaneously also very advantageous from the economic point of view.

Our production centres and our administrative offices are present in over 10 countries and are located exactly where our major markets are, and where our technologies come into play: in the Alpine countries (Italy, France, Austria, Germany, Slovakia), Scandinavia (Sweden), the United States, Canada and China as well as India, the latter country emerging in the production of wind energy.

### **The Vision**

*Internalization*

*Diversification of products*

*Innovation and research*

*Sustainability*

Technological growth marked by sustainable development. Sustainability in products such as cableways with direct drive for public transport, reduced emissions groomers, tracked vehicles for the production of biomass, and finally wind power as the protagonist of green energy, as well as in the company philosophy with "profit and conscience" inspiring the daily actions. Sustainability that permeates the relationships between management and employees, between the different facilities and local companies within which they work and develop on a daily basis.

## **Code of Ethics**

1. Customer orientation
2. Honesty
3. Reliability
4. Impartiality
5. Loyalty
6. Correctness
7. Good faith
8. Compliance with laws
9. Social commitment

Employees have various ways in which to communicate their views, wishes and ideas. For general issues there is the Personnel Commission which represents the employees with the management. However, in addition to the Commission, in the sphere of programs to optimize costs and quality, their ideas are collected in different locations and implemented together.

In fact, we think that a successful employer of choice must also make a commitment to the improvement and development of its personnel. As a result all employees of the Company have at their disposal a wide range of training programs that focus especially on areas of expertise, procedures, and leadership.

In addition, the Company implements targeted and well-planned measures to promote talents, with the objective of investing today in the skills of the key people of tomorrow.

In individual cases the Company also offers the opportunity to work abroad representing the Company.

Vocational training is the basis to ensure the necessary knowledge and skills within the Company that, for this reason, also involves apprentices every year. Again in 2010/11 all trainees passed the final exam.

## **3 RECIPIENTS**

This Model is intended for the following individuals (the "**Recipients**") who shall undertake to abide by its contents:

- those who perform, even *de facto*, administration, management or control of the Company or one of its organizational units having financial or functional autonomy (called senior executives);
- employees of the Company (the so-called internal subjects who are subordinate to management by others);
- those who collaborate with the Company by virtue of a semi-subordinate or temporary or interim employment relationship (temporarily contracted employees, agents, representatives, etc.);
- those who, although not employed by the Company, act on its behalf (consultants, experts, etc.);
- suppliers and partners (including in the form of a temporary joint venture or joint-ventures) that operate with the Company in the context of so-called sensitive business areas.

When entering into contracts or agreements with third parties, the company equips its stakeholders with its Code of Ethics, informing them of the existence of the Organisational, Management and Control Model and calling for the observance of the principles of the Code of Ethics and Legislative Decree 231/01.

In any case, the agreements governing relations with third parties must include specific clauses that indicate clear responsibility for the failure to comply with the Company's business policies, the Code of Ethics, and the principles of this Model and, if necessary, the obligation to comply with the Company's Supervisory Body's requests for information or the submission of documents and to report any violations of the Model or the procedures established for its implementation directly to the Company's Supervisory Body. All Recipients of the Model are required to carefully comply with the requirements contained therein and its implementation procedures.

## **4 ADMINISTRATIVE LIABILITY OF THE COMPANY**

### **The administrative liability of legal entities**

Legislative decree 231/2001 established the "administrative liability of legal persons, corporations with legal personality, as well as companies and associations regardless of whether they have legal personality". For the first time in Italy it introduced the administrative liability, ascertainable in criminal proceedings, of entities for certain offences committed "in the interest or for the benefit" of the same, by people who hold positions of representation, administration or management of the entity or one of its organizational units, having financial and functional autonomy, as well as by persons who exercise, even *de facto*, the management and control of the same (so-called senior executives) and by persons subject to the direction or supervision of one of the aforementioned individuals (so-called personnel working under the instructions of superiors). The Decree excludes the liability of the entity in the event that the

senior executives or personnel working under the direction of superiors acted in his/her exclusive interest or that of third parties.

This liability is in addition to that of the natural person who actually committed the offence.

The types of predicate offences relevant under the Decree, and therefore those which can lead to the Company's liability, are included in the following categories:

- a) **offences committed in relations with the Public Administration (Articles 24 and 25 of Legislative Decree 231/2001);**
- b) **IT offences and unlawful data processing (Article 24 bis of Legislative Decree 231/01);**
- c) **counterfeiting currency, securities and revenue stamps (Article 25-bis of Legislative Decree 231/2001);**
- d) **corporate crimes (Article 25-ter of Legislative Decree 231/2001);**
- e) **crimes for the purpose of terrorism or subversion of democratic order (Article 25-quater of Legislative Decree 231/2001);**
- f) **offences consisting in the practice of female genital mutilation (Article 25-quater 1 of Legislative Decree 231/2001);**
- g) **crimes against the person (Article 25-quinquies 6 of Legislative Decree 231/2001);**
- h) **crimes of insider dealing and market manipulation (Article 25-sexies of Legislative Decree 231/2001);**
- i) **so-called transnational crimes under the Convention and the additional Protocols of the United Nations against organized crime (Article 10 of Law 16 March 2006 no. 146); manslaughter, serious or very serious injury through negligence, committed in violation of safety regulations and the protection of health and safety at work (Article 25-septies of Legislative Decree 231/01);**
- j) **receipt of stolen goods, money laundering, use of money, goods or benefits of unlawful provenance (Article 25-octies of Legislative Decree 231/01);**
- k) **environmental offences;**
- l) **offences involving corruption between individuals.**

For the identification of the individual elements of an offence ("Predicate Offences"), please refer to Legislative Decree 231/01. With reference to the sanctions that can be imposed on the entity held liable for one of the Predicate Offences, Art. 9, paragraph 1 of the Decree identifies the following:

- **pecuniary penalty**, which consists of a sum of money quantified according to the severity of the offence, the degree of liability of the entity, the work done to eliminate the consequences of the



offence and mitigate the consequences or prevent the commission of other offences. The Judge will take into account the economic and financial conditions of the entity for the purpose of ensuring the effectiveness of the sanction. If the entity is convicted, the financial penalty is still applied;

- **injunctive sanctions**, which call for a "requirement to refrain from doing". The penalties provided for by the decree include the:
  - i. temporary or permanent ban on the business activities;
  - ii. suspension or revocation of permits, licences or concessions functional to the commission of the offence;
  - iii. prohibition on contracting with the public administration, except to obtain a public service;
  - iv. exclusion from financial incentives, loans, grants or subsidies and the possible revocation of those already granted;
  - v. temporary or permanent ban on advertising goods or services.

Injunctive sanctions are imposed, together with pecuniary penalties, only if expressly provided for that type of offence, such as for:

- crimes committed in relations with the public administration;
- manslaughter and serious or grievous bodily harm committed in violation of safety regulations and the protection of hygiene and health at work.

The duration of the injunctive sanctions is usually temporary, to be established in the range of three months to two years. Only in particularly severe cases may some penalties may be established as permanent.

Injunctive sanctions may also be applied as a precautionary measure, at the request of the Public Prosecutor, if there is serious evidence of the liability of the entity and there are clear and specific elements such as to constitute a real danger that further offences of the same type as the one already committed may be committed;

- **confiscation**, which consists of the acquisition by the State of the price or profit of the offence or of an equivalent value;
- **publication of the judgment**, as an additional sanction to the injunctive sanction, which consists of the publication of the sentence only once, either in part or in whole at the expense of the entity, in one or more newspapers designated by the Judge in the judgment as well as displayed in the Municipal Building where the entity has its headquarters.

The liability of the entity shall remain valid even if the offence takes the form of an attempt only, except for a reduction - in these cases - of the sanctions.

#### **4.1 Exemption from administrative liability**

The existence of the relevant subjective requirement of the offence pursuant to the Decree (that is, the perpetrator of the Predicate Offence is a senior executive or a subordinate of the same) and the objective requirement (that is, the Predicate Offence was committed in the interest or to the benefit of the entity) give rise to the entity's liability.

However, the Decree itself identifies an exemption from administrative liability, which states that an entity shall not be punishable if prior to the commission of the offence:

- it adopted and effectively implemented an "**Organization and management Model**" suitable to prevent the commission of Predicate Offences of the kind that was committed;
- it entrusted to a body within the entity with independent powers of initiative and control ("**Supervisory Board**") the task of overseeing the operation of and compliance with the Model and updating it;
- the Supervisory Board has been diligent in carrying out its duties of oversight of the Model. The Organization, management and control Model (the "Model"), pursuant to Art. 6, paragraphs 2 and 3 of Legislative Decree 231/2001, however, to assert those grounds for exemption, must be:

**A) effective** and meet the following requirements:

- identify the activities in the sphere of which the offences under the Decree may be committed;
- provide for specific protocols aimed at planning the formation and implementation of the entity's decisions in relation to the offences to be prevented;
- identify ways of managing suitable financial resources to prevent the commission of such offences;
- require the mandatory provision of information to the Supervisory Board; introduce a disciplinary system suitable to punish the failure to comply with the measures set out in the Model;
- in relation to the nature and size of the organization, as well as the type of business activity carried out, must include measures to ensure that business is conducted in compliance with the law and to promptly detect and eliminate any situations of risk;

**B) effectively implemented**, that is, its contents must be applied in the company's procedures and internal control system. The Decree requires, in this respect, periodic verifications and updates of

the Model if there are any significant violations of the provisions contained therein, or if there are changes in the Company's organization or business activities, or upon the implementation of regulatory changes or updates regarding Predicate Offences.

The Model operates, then, as a reason for the non-punishability of the entity if the Predicate Offence was committed by a senior executive or if it was committed by a subordinate, with the following differences.

For **offences committed by a senior executive**, the entity must demonstrate, in addition to the above conditions, that the senior executive committed the offence "fraudulently evading" the Model. Thus the entity must prove that the Model was effective and that the senior executive violated it intentionally by going around it.

In contrast, for **offences committed by persons in a subordinate position**, the entity may be penalized only if it is established that the commission of the offence was made possible "by failure to comply with the obligations of management or supervision".

The failure to comply with the obligations of management or supervision does not occur if the entity, prior to the commission of the offence, adopted and effectively implemented a Model suitable to prevent the kind of offence that occurred. It is sufficient for the entity to prove that it adopted and implemented the Model and the Judicial Authorities must prove the ineffectiveness of the Model.

## **4.2 Confindustria guidelines**

Finally, Article 6 of the Decree establishes that the organization and management models can be adopted on the basis of codes of conduct drawn up by trade associations, submitted to the Ministry of Justice, which, in conjunction with the competent Ministries, shall formulate, within 30 days, comments on the suitability of the models to prevent crimes.

In March 2002, Confindustria approved the first "Guidelines for the construction of organization, management and control models pursuant to Legislative Decree no. 231/2001", relating only to offences against the Public Administration.

Later, Confindustria approved various supplementary appendices to these Guidelines with reference to the various types of Predicate Offence gradually included in the Decree, up to the last version dated 31 March 2008.

The basic steps that the Guidelines identify for the construction of models can be summarized as follows:

*Organization, Management and Control Model pursuant to Legislative Decree 231/01*

(A) The first step involves identifying the risks, that is, the analysis of the business environment to highlight where (in which business area/sector) and in what way the offences referred to in Legislative Decree no. 231/2001 may occur;

(B) The second step involves the design of the control system (the so-called protocols for planning training and implementation of the entity's decisions) after evaluating the existing system within the entity and identifying the need for updates, in terms of the capacity to effectively counteract, that is, reduce to an acceptable level, the identified risks.

The relevant components of the control system, according to the Guidelines proposed by Confindustria are:

- the Code of Ethics, which defines ethical principles in relation to conduct that may be considered an offence by Legislative Decree 231/01;
- a sufficiently formalized and clear organizational system, which defines the hierarchy of corporate positions and especially the responsibilities for the conduct of business activities;
- the manual and computerized procedures (information systems) to regulate the conduct of such activities providing for the necessary controls; in this context the control instrument represented by the separation of duties of those who carry out activities crucial to a process at risk plays a particularly effective preventive role;
- an authorization system that confers internal powers of authorization and signatory powers to the outside assigned in accordance with the defined organizational and management responsibilities;
- the management control system can provide timely indications of situations of general and/or particular criticality;
- a communication system for and training of personnel. These components must comply, among others, with the following control principles:
- every operation, transaction, and action must be verifiable, documented, consistent and appropriate: for each operation, there must be adequate supporting documentation by which controls can be carried out at any time to confirm the nature and reasons for the operation and identify who authorized, performed, recorded and verified the operation;
- no one shall independently manage an entire process: the system must ensure that the principle of separation of functions is applied, where the authorization to perform an operation must be the responsibility of a person other than the person responsible for recording, operationally running, or controlling the operation;
- documentation of the controls: the control system must document (through the drafting of reports, if necessary) the carrying out of controls and supervision activities.

It should be noted that the failure to comply with specific points of the Confindustria Guidelines does not by itself affect the validity of the Model.

The individual Model, in fact, must be drawn up taking into consideration the concrete situation of the company to which it refers, and it may well differ in certain points from the Guidelines (which, by their very nature are general), when this is due to the need to further ensure the requirements of the Decree. In view of this the illustrative observations contained in the annex to the Guidelines (the Case Study) as well as the summary list of the control instruments referred to therein must also be considered.

## **5 THE COMPANY'S ORGANIZATION, MANAGEMENT AND CONTROL MODEL**

### **5.1 The purpose of the Model**

Through the adoption of the Model, the Company intends to pursue the following main objectives:

- promote awareness of the correct and transparent management of the Company, in compliance with applicable law and fundamental ethical principles in the conduct of business;
- reiterate that any unlawful conduct is strongly condemned by the Company, as it is contrary not only to the provisions of law but also to the ethical principles to which the Company subscribes, and which it intends to follow in the course of its business activities;
- enable the Company to maintain constant control and careful supervision of the business activities, in order to intervene promptly in the event risk profiles should appear and apply the disciplinary measures envisaged by the Model if necessary;
- determine the level of awareness of all those who act in the name and on behalf of the Company that the commission of the offences covered by the Decree is subject to criminal penalties for the perpetrator of the crime as well as administrative fines for the Company.

### **5.2 Methodological Approach**

In accordance with the Confindustria Guidelines the following was carried out when preparing the Model:

- **identification of the so-called sensitive activities**, through the preliminary examination of company documents (organizational charts, powers of attorney, job descriptions, rules and regulations, and organizational communications) and a series of interviews with those responsible

for the various areas of the company's business operations (that is, with the managers of the various departments). The analysis was intended to identify and evaluate the actual course of business activities, in order to identify those behaviours that could support possible Predicate Offences. At the same time the control procedures in place and any critical issues to be subjected to subsequent improvement were evaluated;

- **identification and implementation of measures to improve the control system** and its adaptation to the aims pursued by the Decree, in light and in consideration of the Confindustria Guidelines, as well as the fundamental principles of the separation of duties and the definition of authorization powers consistent with the responsibilities assigned and the documentation of controls carried out. In this phase, particular attention was devoted to identifying and regulating the financial management and control processes in the at-risk business activities;
- **definition of the control protocols in cases where a theoretical risk was identified as existing.** In this sense protocols and procedures were established that express the set of rules and protocols that those with operational responsibility for these activities helped to identify as the most suitable to manage the identified at-risk activities. The principle adopted during the construction of the control system is that the conceptual threshold of acceptability of the risk of commission of the offence is represented by a prevention system that cannot be bypassed in any way other than fraudulently, as already indicated in the Confindustria Guidelines. Protocols/procedures are furthermore influenced by the requirement to make the various stages of the decision-making process verifiable and documented so that it is possible to trace the procedure back to the motive that led to the decision.

**The core activities for the realization of the Model were therefore:**

- the mapping of the Company's high risk activities, that is, those activities in which it is possible for offences under the Decree to be committed, and gap analysis;
- the preparation of protocols/procedures that identify appropriate moments for control so as to prevent the commission of offences under the Decree;
- the dissemination to and the involvement of all levels of the company in the implementation of rules of conduct and established procedures;
- the establishment of the Supervisory Board with the assignment of specific supervisory tasks regarding the effective and proper functioning of the Model, which shall be periodically updated;
- the adoption of an appropriate disciplinary sanction system;
- the adoption of a Code of Ethics, which is an integral part of this Model.

### **5.3 The structure of the Model: General Part and Special Part**

The Organization, management and control Model consists of a General and a Special Part. The General Section describes the content and impacts of Legislative Decree 231/01; the general characteristics of the Model; the categories of Predicate Offence that can lead to the liability of the Company; the characteristics, functions and powers of the Supervisory Board; the disciplinary system; and the guiding principles for the training of personnel.

The Special Part describes in detail, with reference to the specific types of offences to which the Company is considered at risk of being exposed to, the map of sensitive areas, the adaptation of the preventive control system, as well as specific protocols relating to sensitive areas.

### **5.4 Predicate Offences relevant for the Company**

In the light of the analysis carried out by the Company for the purposes of preparing this Model, the following have emerged as categories of Predicate Offences that could potentially lead to the Company's liability:

- **offences against the Public Administration and corruption between private parties (Articles 24 and 25 of the Decree);**
- **corporate offences (Article 25-ter of the Decree);**
- **manslaughter and serious or grievous bodily harm, committed in violation of regulations regarding safety and the protection of hygiene and health at work (Article 25-septies of the Decree);**
- **transnational crimes (Article 10 of the Law of 16 March 2006, no. 146);**
- **environmental offences.**

As for the remaining categories of Predicate offences it is considered that, in light of the main business activities carried out by the Company, the socio-economic context in which it operates, and the legal and economic relations that it usually establishes with third parties, there are no risk profiles such as to make the possibility of their commission in the interest or to the advantage of the Company reasonably founded.

In this regard, steps were nevertheless taken to guard against the risks by including appropriate standards of conduct in the Code of Ethics which in any case bind Recipients with regard to the essential values such as solidarity, respect for human dignity, morality, propriety and legality.

For the purposes of this Model the Company will, in any case, undertake to continuously assess the relevance of any further offences currently included in the Decree or subsequently introduced by amendments thereto.

In the Special Part that follows, for each of the categories of Predicate Offences considered relevant for the Company, the activities at risk during the course of which it is theoretically possible that one of the offences listed above may be committed will be identified.

## **5.5 The relationship between the Model and the Code of Ethics**

The principles and rules of conduct contained in this Model are supplemented by those expressed in the Code of Ethics, even though the Model, for the purposes that it pursues in the implementation of the provisions of the Decree, has a different scope and range than the Code of Ethics.

In this respect it is appropriate to clarify that:

- The Code of Ethics is a document that contains the corporate code of conduct, valid also for the purposes of the reasonable prevention of the offences referred to in the Decree, which the Company recognizes as its own and regarding which it intends to draw the compliance of all Recipients and of all those who cooperate in the pursuit of its the Company's business;
- the Model is a set of rules, instruments and procedures designed to prevent the commission of certain types of offences that, if committed in the interest or to the advantage of the company, may lead to administrative liability pursuant to the provisions of the Decree.

## **5.6 Adoption of the Model and amendments thereto**

Article 6, paragraph 1, letter a) of the Decree requires that the Model is a "document issued by the governing body". Its adoption is therefore the responsibility of the Board of Directors by means of a resolution.

The Model must always be promptly modified or supplemented by the Board of Directors when:

- there have been any violations or avoidance of the provisions contained therein which have demonstrated its inefficacy or inconsistency in the prevention of the Predicate Offences;



- significant changes have occurred in the legal framework, or in the Company's organization or activities.

Changes of a formal or substantial nature can occur following a proposal from the Supervisory Board or at the suggestion of the department managers. The latter submit their suggestions in writing to the Chairman of the Supervisory Board, indicating the operational or legal reasons underlying the proposed amendment. It is the responsibility of the Chairman to convene a meeting of the Supervisory Board and put the proposal for the change on the agenda.

The Supervisory Board, in any case, shall promptly notify the Chairman of the Board of Directors in writing of any matters that highlight the need to modify or update the Model. The Chairman of the Board of Directors, in this case, must convene the Board of Directors to adopt the resolutions within its authority.

The implementation of the principles and provisions of the Model is the responsibility of the Company's Board of Directors as well as the relevant corporate departments. The Supervisory Board is continuously informed of the updates to and implementation of operational procedures and suggestions made for their modification.

The CEO/Chairman of the Board of Directors, having consulted with the Supervisory Board, is responsible for any changes or additions to the following elements:

- updating the mapping of sensitive activities;
- company procedures and relevant references in the Special Part of this document.

## **6 THE SUPERVISORY BOARD**

Article 6, first paragraph, letter b) of Legislative Decree 231/01 provides for, among the necessary preconditions for the exemption of the entity from administrative liability resulting from the commission of Predicate Offences, the institution of the Supervisory Board or "a body within the entity with independent powers of initiative and control" with "the task of supervising the functioning of and compliance with the models and their updating".

### **6.1 Appointment and termination of the assignment to the Supervisory Board**

The Supervisory Board is appointed with a resolution by the Board of Directors which shall determine the number and composition. The Board of Directors identifies, among the members, the name of the Chairman of the Supervisory Board, assigning the task of seeing to the implementation of the formalities relating to meetings, the setting of the agenda, the coordination the work, and the execution of meetings.

Each individual appointed to the Supervisory Board by the Board of Directors must be informed of that appointment and must provide a formal acceptance of the appointment. The acceptance of the appointment will be formally communicated by the Board of Directors to all levels of the company by the circulation of an internal announcement outlining, in addition to its members, the powers, duties, and responsibilities of the Supervisory Board, as well as the purpose of its establishment.

Each member of the Supervisory Board must personally have the qualities of integrity and morality and a professional/job profile that enables him/her to perform the assigned tasks effectively, does not affect the fairness of his/her judgements, and the authority and the ethics of conduct.

The members of the Supervisory Board must not have executive powers and must not have family ties with senior executives, nor shall they be linked to the Company by economic interests (e.g., significant equity investments, consultancy relations that exceed 50% of their turnover, etc.), without prejudice to all the components of remuneration, or any situation which could lead to conflict of interest.

The Supervisory Board, as a whole, must have the following characteristics:

a) ***Knowledge and skills:***

- knowledge of the organization and key business processes typical of the industry in which the Company operates;
- legal knowledge that would enable the identification of circumstances likely to set up or lead to an offence;
- ability to identify and evaluate impacts, stemming from the reference regulatory context, on the company's situation;
- knowledge of the principles and techniques of the Internal Audit Department and knowledge of the techniques of those engaged in "inspection" and "consulting" activities.

If one or more members of the Supervisory Board do not meet one or more of the above requirements, he/she may draw on the expertise of internal corporate and/or external resources.

b) ***Personal characteristics:***

- unquestionable ethics;
- real expert credentials.

Grounds for ineligibility/disqualification include the following:

- when a member is declared disqualified, incapacitated or bankrupt;
- when a member receives a conviction - even if not definitive - for offences:

*Organization, Management and Control Model pursuant to Legislative Decree 231/01*

- committed in the performance of his duties;
- significantly affecting his professional conduct;
- which result in the disqualification from public office, from the executive offices of companies and legal persons, from a profession or an art, as well as inability to contract with the Public Administration;
- referred to in Legislative Decree 231/2001.

The Supervisory Board is appointed for three years and can be renewed by the Board of Directors.

The Supervisory Board expires at the Shareholders' Meeting called to approve the financial statements for the last year of its office, although it continues to perform its duties for the time being until new members are appointed.

The appointment must also provide for compensation for the assignment, except in the case of the appointment of members of other bodies or departments for which supervision regarding the adequacy and actual functioning of the internal control system is a predominant part of their duties, given that the Model is - according to the most authoritative doctrine - an integral part of the internal control system.

The members of the Supervisory Board terminate their role by means of resignation, forfeiture, incapacity, death, or dismissal for just cause.

The members of the Supervisory Board may be removed for just cause by the Board of Directors, with immediate reporting to the Board of Auditors. By way of example the following circumstances are considered to be just cause for removal:

- serious breaches of Supervisory Board duties or unjustified inactivity;
- imposition, with regard to the Company, of injunctive sanctions for the commission of Predicate offences facilitated by the inactivity of the member or members of the Supervisory Board;
- opening of a criminal case with committal to trial against a member of the Supervisory Board.

Other reasons that shall also constitute grounds for revocation of office of members of the Supervisory Board are:

- the loss of the requirements of good repute, morality, and professionalism above;
- the occurrence of one of the causes of ineligibility above.

In case of resignation, forfeiture, incapacity or death of a member of the Supervisory Board, the Chairman of the Supervisory Board shall give prompt notice to the Board of Directors which shall take the necessary decisions without delay.

In the event of resignation, incapacity, death or dismissal of the Chairman of the Supervisory Board, the successor shall be the most senior member, who shall remain in office until the date on which the Board of Directors has approved the appointment of the new Chairman of the Supervisory Board.

## **6.2 The essential requirements of the Supervisory Board**

In view of the specific tasks that it is entrusted with, the provisions of the Decree, and the indications contained in the Guidelines issued by Confindustria, the choice of the internal body took place in such a way as to ensure the Supervisory Board the requirements of autonomy, independence, professionalism, and continuity of action that the Decree requires for this delicate task.

In particular, in consideration of the above Guidelines, these requirements can be qualified in the following manner.

### ***Autonomy and Independence***

The position of the Supervisory Board in the entity "must ensure the independence of its control from any form of interference and/or influence by any component of the entity" (including the governing body). Thus from a hierarchical and information level the Supervisory Board reports to the Board of Directors. In addition, in order to ensure it the necessary freedom of initiative and independence, the Supervisory Board is not involved in operational activities in any way, nor does it participate in management activities. It should be noted that "operational activities", for the purposes of the Model and of the Company, refers to any activity that may have an impact on strategic or financial aspects of the Company. The activities carried out by the Supervisory Board cannot be controlled by any other company body or structure. The Supervisory Board is also autonomous in terms of its regulation, that is, it determines its own rules of conduct and procedures within the sphere of powers and functions established by the Board of Directors.

### ***Professionalism***

The Supervisory Board is professionally capable and reliable.

Thus as a whole at the collegial level it must have the technical and professional skills appropriate to the functions it is called to perform; legal, accounting, business and organizational skills are assumed. In particular, specific skills in inspection and consulting activities must be ensured, such as skills related to statistical sampling, analysis and risk assessment techniques, interview and questionnaire processing techniques, as well as methodologies for the detection of fraud.

### ***Continuity of action***

In order to ensure the efficient and effective implementation of the Model, the Supervisory Board operates uninterruptedly. The Supervisory Board, therefore, in the performance of its duties must ensure significant commitment, although not necessarily exclusive, that is nevertheless suitable to effectively and efficiently perform its duties.

### **6.3 The identification of the Supervisory Board**

Applying all of the above principles to the circumstances of the Company and in consideration of the specific tasks of the Supervisory Board, it was decided to opt for a composition as a unified bench. This composition is recognized as adequate to ensure that the Supervisory Board has the prescriptive requirements of autonomy of action and continuity of action called for by the Guidelines.

The members of the Supervisory Board were chosen from among individuals who possess the specific skills needed in relation to the peculiarities of the powers of the Supervisory Board and related professional content.

### **6.4 The functions of the Supervisory Board**

The Supervisory Board performs the tasks referred to in Articles 6 and 7 of Legislative Decree 231/01 and in particular performs:

- continuous supervisory activities of the compliance with the Model by the corporate bodies, employees, and consultants, and the Recipients of the Model in general;
- continuous supervisory activities on the efficacy of the Model in relation to its actual ability to prevent the commission of offences under the Decree, also in consideration of the Company's corporate structure;
- monitoring the effective implementation of the provisions of the Model and the Code of Ethics and compliance with those requirements by the Recipients in the exercise of sensitive activities that may expose the Company to the risk of the commission of Predicate Offences deemed relevant for the Company;
- periodic inspections of the individual areas deemed sensitive, verification of the effective adoption and proper implementation of the protocols, the preparation and the proper keeping of records provided for in the protocols, as well as the overall efficiency and functionality of the measures and precautions adopted in the Model with respect to the prevention and the impediment of the commission of the offences provided for by Legislative Decree 231/01;

- adaptation and updating of the Model where there is a need to adapt it in relation to changes in the corporate structure and organization or regulatory framework;
- periodic reporting to the relevant corporate bodies;
- management of the flow of information to the Supervisory Board.

**The Supervisory Board is responsible for:**

- verifying the effective adoption and correct application of the control protocols in the Model. It must be noted, however, that the control activities are primarily the responsibility of the operating management and are considered an integral part of every business process ("control"), hence the importance of a personnel training process;
- carrying out periodic checks on certain specific operations or transactions in the context of sensitive activities, the results of which are summarized in a separate report the contents of which shall be explained in the communications to the relevant corporate bodies, as described below;
- developing monitoring and control systems aimed at the reasonable prevention of irregularities pursuant to the Decree;
- collecting, processing, and storing the information and documentation relevant to the verification of compliance with the Model;
- monitoring initiatives for the dissemination of knowledge and the understanding of the Model (i.e., promoting and/or developing, in agreement with the relevant company departments, programs regarding information and internal communications, with reference to the Model, standards of behaviour, the ethical principles and procedures adopted pursuant to the Decree);
- making sure that the Management of the company prepares and makes available the documentation containing instructions, clarifications or updates that may be required for the operational functioning of the Model;
- coordinating with other business functions (including through appropriate meetings) to enhance the monitoring of activities in relation to the code of conduct and control protocols set out in the Model;
- The Supervisory Board shall interact from time to time with the company units to acquire any further information.

The Supervisory Board plays an important proactive and constructively critical role since it technically evaluates and determines the changes to be made to the Model, formulating appropriate recommendations for the Board of Directors, which may become necessary as a result of:

- significant violations of the provisions of the Model;

***Organization, Management and Control Model pursuant to Legislative Decree 231/01***

- significant changes to the internal structure of the Company, or the methods of conducting business activities;
- regulatory changes, primarily as a result of legislative additions of Predicate Offences.

In particular, the Supervisory Board is responsible for:

- continuously updating and verifying the adequacy of the internal control system in the light of any new regulatory requirements and Guidelines;
- verifying the existence of conditions for the updating of the Model.

***Reporting to the corporate bodies***

The Supervisory Board must be in continuous contact with the Board of Directors and maintain adequate regular communication with the Board of Auditors.

The Supervisory Board shall report to the Board of Directors:

- when necessary, regarding the formulation of proposals for any updates or adjustments to the Model, to be carried out with appropriate changes and additions;
- immediately, with regard to violations of the Model, in cases where such violations may lead to the emergence of liability by the Company, so that appropriate measures can be taken. In cases where it is necessary to take appropriate action against the directors, the Supervisory Board must immediately inform the entire Board of Directors and the Board of Auditors in writing;
- The Board of Directors organizes the hearing of the person concerned, with the participation of the Supervisory Body and the Board of Auditors, acquires the statements of that person, and conducts any further investigation deemed appropriate;
- the Supervisory Board shall immediately notify the entire Board of Directors and the Board of Auditors by written notice. The Board of Directors organizes the hearing of the person concerned, with the participation of the Supervisory Body and the Board of Auditors, acquires the statements of that person, and conducts any further investigation deemed appropriate;
- annually, providing a plan of monitoring and control activities for the following year;
- periodically, at least every six months, by means of an informational report on the verification and control activities performed and their outcome, as well as in relation to any problems which emerged in terms of behaviour or events that may have an effect on the adequacy or efficacy of the Model itself;
- in the context of the report above the Supervisory Board shall summarize the updates it proposes to be made to the protocols and information flows in order to enable the Board of Directors to decide on the matter.

**The Supervisory Board shall report to the Board of Auditors:**

- immediately, with regard to violations of the Model, in cases where such violations may lead to the emergence of liability by the Company;
- periodically, transmitting the annual activities plan and the periodic report prepared for the Board of Directors.

The Supervisory Board may be called at any time by the above bodies or may submit a request to meet with them, to report on the performance of the Model or specific situations.

***Management of the information flow to the Supervisory Board***

In order to facilitate the control and supervision activities of the Supervisory Board, the information flows to the Supervisory Board from the relevant corporate bodies and units must be activated and ensured. The Supervisory Board must be continuously informed of what is happening in the Company and all noteworthy aspects.

The obligation to inform the Supervisory Board of events ensures the proper supervision and control of the efficacy of the Model and refers, on a periodic basis, to the information, data and news specified in detail in the Special Parts, or identified by the Supervisory Board, and/or requested from the individual Company functions by the Supervisory Board.

This information must be submitted within the time frame and in the manner defined in detail in the Special Parts or that shall be defined by the Supervisory Board (the so-called information flows).

The obligation to inform the Supervisory Board also concerns, on an occasional basis, any other information, of any kind, pertaining to the implementation of the Model in sensitive areas of activity as well as compliance with the provisions of the Decree, which may prove useful for the performance of the Supervisory Board (notifications). In particular, there is an obligation to report:

- news on the actual implementation of the Model at all levels of the company with evidence of violations, or alleged violations, found as a result of audits arranged by internal functions and from which liability for offences referred to in the Decree may result;
- the unexplained deviations from the code of conduct and the principles of the Code of Ethics issued by the Company;
- the emergence of new risks in the areas directed by managers; any relationships established by managers within the context of their activities, which may be sources of events, actions or omissions,



*Organization, Management and Control Model pursuant to Legislative Decree 231/01*

anomalies or atypical events revealing possible criticalities with respect to compliance with the provisions of the Decree or the Model;

- measures and/or information from the judicial police, or any other public authority, which indicate an ongoing investigation that involves the Company for offences under the Decree, even if initiated against unknown persons;
- the establishment of investigative committees or internal reports that reveal the existence of liability for theoretical offences;
- notifications or requests for legal assistance sent to the Company by senior executives or those subjected to management by others in the case of the initiation of legal proceedings against them for an offence under the Decree;
- the dismissal of such proceedings and the justification thereof;
- reports by senior executives or those subjected to management by other companies of the Group that perform services on behalf or in the interest of the Company, as part of the so-called sensitive areas of activity, with reference to allegations of violations and breaches of specific behavioural precepts, or any suspicious behaviour with reference to the predicate offences in the Decree;
- decisions on the application for, disbursement of, and use of public funds;
- any relevant issue, amendment and/or addition to the Company's organizational system (e.g., with reference to the operating procedures, the appointment of proxies and assignment of authorisations, the changes in situations of risk or potential risk);
- reports of possible violations of the Model by employees, agents and representatives, consultants and in general all subjects engaged as independent contractors, by suppliers and partners (including in the form of a temporary joint venture, as well as joint venture), and, more generally, by all those who, for whatever reason, work within the in the so-called sensitive business areas on behalf or in the interest of the Company;
- copy of the periodic reports on health and safety at work;
- any communications from the independent auditors relating to the organizational system.

The Supervisory Board is required to evaluate every report received initiating, where appropriate, the necessary investigations in relation to the phenomena reported and to evaluate the truthfulness and relevance of the report.

All evaluations of the relevance of the specific cases reported and the subsequent decision to initiate more detailed verifications and measures are left to the discretion and responsibility of the Supervisory Board.

In the event that, following the preliminary investigations, the Supervisory Board determines that the reports are not significant and violations are not present, the decision not to proceed must be justified with an explanation. In contrast, in the event that a violation is verified the Supervisory Board shall immediately inform the holder of disciplinary power who shall initiate the disciplinary proceedings within its authority for the purpose of the charges and the possible application of sanctions.

With reference to the procedure for sending reports by senior executives or those subject to management by others it is noted that the obligation to inform the employer of any behaviour that is contrary to the Model is part of the broader duty of diligence and loyalty by the employee. Consequently, the employee's proper fulfilment of the obligation to provide information cannot give rise to the application of disciplinary sanctions. In contrast, any improper disclosure, both in terms of content and form, driven by slanderous intention shall be subject to appropriate disciplinary action.

In particular, the following requirements shall apply:

- regardless of who they are provided by, all reports, including those relating to any violation or suspected violation of the Model, its general principles, and the principles in the Code of Ethics, must be made in writing;
- information and reports must be submitted by the person concerned directly to the Supervisory Board at the dedicated e-mail address;
- the Supervisory Board acts in such a way as to protect those who provide information or reports from any form of retaliation, discrimination, penalization or any consequences arising therefrom, assuring them the confidentiality of their identity, without prejudice to the requirements of law and the protection of the rights of the Company or persons accused wrongly and/or in bad faith;
- the Supervisory Board shall independently assess the reports received. All those individuals who are obligated to provide information are also required to cooperate with the Supervisory Board in order to facilitate the collection of any additional information deemed necessary for the proper and complete evaluation of the report.

The flow of information and the reports are filed by the Supervisory Board in a special computer and/or paper database. The data and information saved in the database is made available to parties outside the Supervisory Board subject to the authorization of the Supervisory Board, except when that access is required under the law. With a special internal disposition the latter shall define the criteria and conditions for access to the database, as well as the conservation and protection of data and information, in accordance with the legislation in force.

## **6.5 The powers of the Supervisory Board**

The main powers of the Supervisory Board are:

- self-regulation and definition of internal operating procedures;
- supervision and control. With reference to the powers of self-regulation and definition of internal operating procedures, the Supervisory Board has the exclusive authority to establish:
- the procedure to call a meeting;
- the organization of the meetings, including the schedule;
- the method of deliberation and recording minutes of meetings, or of participation in meetings with the Board of Directors and the Statutory Auditors;
- the modes of communication and direct relationship with all company structures, as well as the acquisition of information, data and documents of company structures;
- the mechanisms for coordination with the Board of Directors and the Statutory Auditors and of participation in the meetings of these bodies, on the initiative of the Supervisory Board;
- the manner in which its supervision and control activities are organized, as well as the presentation of the results of the activities.

With reference to the supervision and control powers, the Supervisory Board:

- has free and unconditioned access to all departments of the Company - without the need for prior approval - in order to obtain any information, document, or data considered necessary to carrying out the tasks provided for in the Decree;
- may inspect and take copies of the Company's books, the Company's main contracts, and its proxies with respect of the delegation of powers.
- may freely organize, without interference, its initial and periodic budget, in order to meet all requirements necessary for the proper performance of its duties;
- may, if considered necessary, use - under its direct supervision and responsibility - all the structures of the Company;
- in the same way it can, with complete decision-making independence and where specific expertise is needed, and in any case to fulfil its duties professionally, take advantage of the opportunity to collaborate with special experts from outside the Company, as well as the expertise of the Group's Internal Auditing department, using the budget for the period for this purpose. In these cases, the external experts operate under the direct supervision and responsibility of the Supervisory Board;
- may, having made the appropriate inquiries and investigations and consulted with the alleged perpetrator of the violation, report the event in accordance with the regulations set forth in the

Disciplinary System adopted pursuant to the Decree, provided that the formal process to present the charges and the imposition of the sanction is carried out by the Competent Department.

## **6.6 The budget of the Supervisory Board**

In order to further strengthen the requirements of autonomy and independence, the Supervisory Board has an adequate initial and periodic budget approved in advance by the Board of Directors.

The Supervisory Board will have full autonomy over these resources, without prejudice to the requirement to report on the use of the budget at least on an annual basis, as well as to justify the presentation of the budget for the subsequent period, as part of the periodic report for the Board of Directors.

In cases of urgency and necessity, where the Supervisory Board needs financial resources beyond those allocated in the original budget to carry out the duties of the office, it shall be able to independently arrange for the additional resources without spending limits, subject to the subsequent and timely reporting of the expenses to the Board of Directors for its approval.

## **6.7 Relations between the Supervisory Board and the Internal Auditing Department**

The Supervisory Board is a body internal to the company that established it, pursuant to the Decree. Nevertheless, in order to achieve a synergistic result and containment of operating costs, the Supervisory Board may use, in carrying out its tasks of supervising the functioning of and compliance with the Model adopted, the professional resources of the Company's Internal Auditing department. The subjects external to the Supervisory Board that may support it - whether they are professional resources of the Group's Internal Auditing department or external professional resources - operate exclusively as a consulting technical specialist with respect to the Supervisory Board.

## **7 THE DISCIPLINARY AND PENALTY SYSTEM**

Pursuant to Art. 6 par. 2, letter e), and Art. 7 par. 4, letter b) of the Decree, the organization, management and control Model, the adoption and implementation (together with the other conditions provided for in Articles 6 and 7) of which is a *sine qua non* condition for the company's exemption from liability in the

case of offences under the Decree, can be considered effectively implemented only in the presence of a disciplinary system to penalize the failure to comply with the measures set out therein.

The application of disciplinary sanctions does not depend on the initiation or the outcome of criminal proceedings, since the Model and the Code of Ethics are binding rules for the Recipients, the violation of which can be punished regardless of the actual commission of a crime or the liability to punishment of the same.

The rules of conduct imposed by the Model are, in fact, autonomously determined by the company in order to enforce compliance with the legal provisions binding the company itself in the best possible manner.

Furthermore, the principles of timeliness and immediacy make it inadvisable to delay the imposition of disciplinary sanctions pending the outcome of any proceedings in a Court.

## **7.1 Definition and limits of disciplinary liability**

This section of the Model identifies and describes the relevant offences pursuant to Legislative Decree no. 231/2001 and subsequent amendments, the corresponding disciplinary sanctions that may be imposed and the procedure to present the charges.

The Company, aware of its responsibility to observe the rules of law and the provisions of relevant treaties and agreements in force, shall ensure that the penalties under its disciplinary system comply with the provisions of the national collective labour agreements applicable to the sector, and the collective bargaining at company level. It shall also ensure that the procedure for the presentation of charges and the application of the relevant penalties is in line with the provisions of Article 7 of Law 30 May 1970 No. 300 (the so called "Workers' Statute").

For those recipients who are bound by contracts different from an employment relationship (directors and third parties in general) the applicable measures and procedures for sanctions must be in accordance with the law and the contractual terms.

## **7.2 Recipients of the disciplinary system and their duties**

The recipients of this disciplinary system are the same as the recipients of the Model itself.

Recipients are required to ensure that their conduct conforms to the principles established in the Code of Ethics and to all the principles and measures adopted for the organization and management of business operations.

Any violation of these principles, measures and procedures (hereinafter referred to as "**Infractions**"), is, if proven:

- in the case of employees and managers, a breach of contract in relation to the obligations arising from the employment relationship pursuant to Art. 2104 and Art. 2106 of the Italian Civil Code;
- in the case of directors, a breach of the duties established by law and by the articles of association pursuant to Art. 2392 of the Italian Civil Code;
- in the case of external parties, a breach of contract and legitimizes the termination of the contract by the Company, without prejudice to claim for damages.

Therefore, the procedure for the imposition of penalties referred to below takes into account the particularities arising from the legal status of the person against whom action is being taken.

By way of example, the following behaviours are Infractions:

- the violation, even by omission and in conspiracy with others, of the principles and procedures established by this Model or established for its implementation;
- the preparation, possibly in conspiracy with others, of false documentation;
- the facilitation, by omission or concealment, of the drafting by others of false documentation; the removal, destruction, or alteration of documents regarding the procedures to evade the control system provided for in the Model;
- the obstruction of the supervisory activities of the Supervisory Board or its representatives;
- impeding access to information and documentation requested by the persons authorized to control procedures and decisions;
- any other conduct suited to evade the control system provided for in the Model;
- the failure to report violations detected to the Supervisory Board.

### **7.3 General principles relating to penalties**

The system is based on the principles of transparency and fairness of the investigation processes aimed at verifying the violation and guaranteeing the right of defence of the persons investigated and the timeliness and accuracy of the application of the corresponding sanctions.

In any case, the penalties imposed for the infractions must comply with the principles of proportionality and progressiveness of the penalties themselves with respect to the gravity and repetition of the violations committed.

*Organization, Management and Control Model pursuant to Legislative Decree 231/01*

The determination of the type, as well as the extent of the penalty imposed as a result of the Infractions committed, including relevant offences pursuant to Legislative Decree 231/01, must be based on the assessment of the following factors:

- the intentionality of the behaviour which gave rise to the violation;
- the negligence, imprudence and inexperience demonstrated by the perpetrator during the commission of the violation, especially in reference to the actual ability to anticipate the event;
- the significance and consequences of the violation or offence;
- the position of the Recipient within the company's structure especially in view of the responsibilities connected with his/her duties;
- any aggravating and/or mitigating circumstances that may be detected in relation to the Recipient's conduct; by way of a non-limiting example aggravating circumstances may include the consideration of any previous disciplinary sanctions against the same Recipient in the two years preceding the violation or offence in question;
- whether or not the violation or offence was committed by a conspiracy of Recipients.

The sanctions and the resulting procedure for the presentation of charges for the infraction in question differ in relation to different categories of Recipients.

In any case, the Supervisory Board shall be empowered to carry out the investigation process, while the imposition of disciplinary penalties shall be applied by the relevant management entity.

All Recipients of this Model are bound to report violations.

Consequently, any violation of the Model or the procedures established thereunder, committed by anyone, shall be immediately communicated in writing to the Supervisory Board which shall evaluate the existence of the violation. The Supervisory Board is required to identify the source and to investigate the truthfulness of what is described in the report. The Supervisory Board collects information in such a way as to ensure the confidential handling of the report's content. In no case shall the Supervisory Board communicate names or circumstances that could lead back to the source of the information received. The Supervisory Board shall endeavour to keep the documentation related to the report in a safe and inaccessible place.

Once the violation is assessed, the Supervisory Board shall immediately inform the holder of the disciplinary power, who shall initiate the disciplinary procedure within its powers.

The Supervisory Board verifies the application of specific procedures to inform all the subjects provided for above, from the initial stages of their relationship with the Company, about the existence and content of the present penalty system.

The Supervisory Board must also be given notice of any decision taken with regard to the disciplinary procedures in force.

#### **7.4 Sanctions regarding workers, employees and managerial personnel**

The behaviours of employees in violation of the rules of conduct set forth in this Model are defined as disciplinary violations.

With reference to the penalties to be imposed on workers, employees and managerial personnel, they fall within the provisions of the Company's disciplinary system and/or the penalty system provided for by the national collective bargaining agreement (CCNL in Italian), in accordance with the procedures provided for in Article 7 of the Workers' Statute and any special applicable regulations.

The Model refers to the sanctions and the categories of punishable acts envisaged by the existing penalty system under the national collective bargaining agreement in order to harmonize the violations of the Model with the cases already provided for by the provisions of the national collective bargaining agreement.

In particular, pursuant to the National Collective Bargaining Agreement (CCNL in Italian) it is expected that the employee is subjected to:

- **verbal or written warnings or a fine** (up to a maximum of the equivalent of three hours pay), or **suspension without pay** (up to a maximum of three days), in cases of the violation of internal procedures provided for by the Model such as for example: repeated failure to observe the provisions in force or the commission of a violation of a certain gravity with respect to the rules of conduct provided for in the Code of Ethics or the Organizational Model;
- **dismissal with notice**, in cases of acts inconsistent with the provisions of the Model and unequivocally intended to commit an offence punishable under the Decree, which results in a violation of the work duties serious enough to not even allow the temporary continuation of the employment relationship;
- **dismissal without notice**, in the case of acts inconsistent with the provisions of the Model serious enough to result in the application by the Company of the sanctions provided for by the Decree or in cases where the Company's employee has been convicted by a Court for a Predicate Offence. Such behaviours do in fact void the relationship of trust between the Company and the employee, and constitute serious moral and/or material damage for the Company and its organization.



The workers shall be given immediate and widespread information about the introduction of any new provision, by issuing an internal circular to explain the reasons and summarize the content.

### **7.5 Sanctions regarding management executives**

When the violation of internal procedures established by this Model or the adoption, when carrying out activities in areas at risk of a behaviour not satisfying the requirements of the Model is carried out by management executives, the penalty to be applied to those responsible shall be the most suitable in accordance with the provisions of the Italian Civil Code, the Workers' Statute, and the rules established in the collective bargaining agreement.

- non-compliance with prescribed procedures;
- failure to disclose required information to the Supervisory Board;
- failure to carry out expected control procedures;
- behaviour not-compliant with the requirements of the Model causing danger for corporate assets or causing harm to the Company;

As a specific sanction, the Supervisory Board may also propose the suspension of the powers granted to the executive.

### **7.6 Measures regarding senior executives**

In the case of violations by the Directors, the Supervisory Board must be informed in a timely manner. In turn, the Supervisory Board shall inform the Company's entire Board of Directors and the Statutory Auditors who shall take the appropriate steps required by current law and ensure that relevant initiatives are also implemented within the Group.

Those behaviours that do not constitute a violation of the Model are governed by the laws in force and current procedures without the involvement of the Supervisory Board.

### **7.7 Measures regarding contractors and contractual counterparties**

Any conduct adopted by contractors, that is, external collaborators (consultants, temporary contract workers, long-term consultants, agents, brokers, etc.) or by contractual counterparties, even belonging to the Corporate Group, inconsistent with the requirements of the Code of Ethics and principles of this Model in light of Legislative Decree no. 231/01 and resulting in the risk of committing an offence under the Decree, may result, in accordance with the provisions of specific contractual clauses included in letters of appointment or contracts, in the termination of the contractual relationship, that is, the right to

withdraw from the contract, without prejudice to any claim for compensation if such conduct results in damage to the Company, or, by way of example, in the case of the application, even as an interim measure, of the penalties provided for in the Decree.

The Supervisory Board, in coordination with the reference department, verifies that specific procedures for communicating the principles and guidelines for conduct contained in this Model and the Code of Ethics to external collaborators and contracting parties have been adopted and implemented and verifies that the above persons are informed of the consequences that may result from the violation of said principles and guidelines.

## **8 TRAINING AND THE DISSEMINATION OF THE MODEL**

Internal training is an indispensable tool for the effective implementation of the Model and for the widespread dissemination of the behaviour and control principles adopted by the Company in an effort to prevent crimes for which the Company has administrative liability pursuant to the Decree.

The Human Resources department manager is responsible for the proper training of personnel regarding the application of the Organisation, Management and Control Model, which is subject to verification by the Supervisory Board that shall approve training programs.

Training programs must comply with the following requirements:

- be appropriate to the position held by the person within the organization (new hires, employee, middle managers, managers, etc.);
- content must differ according to the activity carried out by the person within the company (activities at risk, control activities, activities not at risk, etc.);
- the periodicity of the training must be functional and appropriate to the changes the external environment is subjected to, as well as to the learning ability of the personnel and the level of commitment of the management towards the training activities carried out;
- the presenter must be qualified and competent to ensure the quality of the content covered, as well as able to explicitly communicate the importance that training plays for the Company and for the strategies it intends to pursue;
- participation in training programs shall be compulsory and special control mechanisms to monitor the presence of the parties must be defined;

- it must provide for control mechanisms able to verify the participants' learning.

Training can be classified as general or specific. In particular, **general training** must involve all levels of the organization, in order to allow each individual to be aware of:

- the provisions contained in Legislative Decree 231/2001 concerning the administrative liability of entities, of criminal offences and penalties provided for therein;
- the standards of conduct required by the Code of Ethics;
- the principles of the Disciplinary System;
- Guidelines and control principles contained in the internal operating procedures and standards of conduct;
- the powers and duties of the Supervisory Board;
- the internal reporting system regarding the Supervisory Board.

**Specific training**, on the other hand, involves all those individuals who due to their activities require specific skills in order to handle the peculiarities of the activities themselves, such as the personnel that work in sensitive contexts.

These individuals will need both general and specific training. Specific training will allow the recipient to:

- be aware of the potential risks associated with his/her activities, as well as the specific control mechanisms to activate in order to monitor the activity itself;
- learn techniques for the assessment of risks inherent to the activities carried out as well as the appropriate procedures to carry out the activities and/or the procedures that govern them, in order to acquire the ability to detect and report anomalies in a timely manner in order to implement corrective actions effectively.

In the event of relevant changes to and/or updates of the Model suitable documentation and/or training shall be prepared to bring them to the attention of the Recipients.

Training shall also involve the direct superiors of the above Recipients, including new hires, who, in light of their management and supervision activities, shall be required to supplement the specific training directly in the coordination of work activities.

### **Communication**

In agreement with the provisions of the Decree, the Company shall disseminate this Model in full and at all levels, in order to ensure that all personnel are aware of all its elements.

**The dissemination shall be comprehensive, effective, clear and detailed, with periodic updates related to changes to the Model itself**, in accordance with the provisions of the Guidelines.

In particular, to be effective the dissemination must:

- be sufficiently detailed in relation to the hierarchical level of destination;
- use the most appropriate and easily accessible communication channels for the recipients of the communication in order to provide the information in a timely fashion, allowing the recipient the full access to the communication itself both effectively and efficiently;
- be of high quality in terms of content (include all necessary information), timely, updated (it must contain the most updated information) and accessible.

Therefore, the actual plan for communicating the essential components of this Model will be developed in line with the above principles, by the business communication means deemed most appropriate, such as, for example, e-mail or posting on the company intranet.

## **9 THE MODEL IN THE CONTEXT OF THE GROUP**

### **9.1 Inter-group relationships**

Within the activities of the companies of the group two possible situations can be identified:

1. SUBSIDIARIES
2. INVESTEE COMPANIES

In the first case, the subsidiary shall implement the organizational Model based on the provisions of the parent company communicated by means of a resolution of the Board of Directors.

In this case, the subsidiary's Supervisory Board shall be the reference entity to the parent company which may either appoint a Supervisory Board or share it with the parent company through a resolution of its Board of Directors.

In the second case the Companies are partners and therefore by mutual agreement endeavour to develop the Model in the time frame and with the methods defined by the individual Boards of Directors. In this case the Supervisory Board shall be appointed by the Boards of Directors of the two companies within 90 days.