ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEG. DECREE 8 JUNE 2001, N.231

Company	**ILLVA SARONNO S.P.A.**

Chronology	
Date	**Brief description**
30.06.2022	**Adoption of the Model by ILLVA SARONNO S.P.A.**

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SPECIAL PART

FOREWORD: THE STRUCTURE OF THE SPECIAL PART OF THE MODEL

DEFINITIONS

The following definitions apply within this document:

Annex(es)	The Model Annexes
Sensitive activity(ies)	The activities considered at risk of offence under the Decree within the Sensitive Areas, as identified in the Annexes to the Special Section
Sensitive area(s)	The Areas considered at risk of offences under the Decree in which the Company is structured and organised, as identified in the Annexes to the Special Section
ILLVA or the Company	Illva Saronno S.p.A.
Code of Ethics	The Code of Ethics adopted by the Company
Board of Auditors	The Board of Auditors of the Company
Board of Directors	The Board of Directors of the Company
Decree or D. Legislative Decree No. 231/01	Legislative Decree No. 231 of 8 June 2001, containing '*Regulations on the administrative liability of legal persons, companies and associations, including those without legal personality, pursuant to Article 11 of Law No. 300 of* 29 *September 2000*'.
Addressees of the Model	Unless otherwise indicated, Senior Persons and Subordinates
Institution(s)	The parties referred to in Article 1 of the Decree
Guidelines	The Guidelines issued by Confindustria on 7 March 2002, as subsequently updated, up to the version issued in June 2021
Model	The organisation, management and control model required by the Decree, adopted by the Company by resolution of the Board of Directors
Supervisory Board or SB	Body set up pursuant to Article 6 of the Decree, appointed by the Company's Board of Directors and responsible for supervising the operation of and compliance with the Model, as well as for updating it

General Part	The part of the Model introducing the provisions of Legislative Decree no. 231/01, in which its essential components are illustrated, with particular reference to the choice and identification of the Supervisory Board, staff training and dissemination of the Model in the Company, the disciplinary system and the measures to be adopted in the event of non-compliance with its provisions
Special Part	The part of the Model prepared on the basis of the different types of offences contemplated by Legislative Decree no. 231/01 and considered to be of possible risk, taking into account the activity carried out by the Company
Protocols or Practices	The procedures adopted (or to be adopted in the future) by the Company and/or established behavioural practices, as described in the Annexes to the Special Part of the Model
Senior Executives	Individuals holding top management positions (representation, administration or management of the Company or one of its organisational units with financial and functional autonomy) or persons exercising de facto management and control of the Company
Subordinates	Natural persons subject to the direction or supervision of one of the Key Persons
Third Parties	Commercial and financial partners, consultants, collaborators in any capacity, even on an occasional basis, including agents, trainees, trainees, customers and suppliers, and, in general, anyone who has professional or contractual relations with the Company

GENERAL PART

1. LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001 ON THE ADMINISTRATIVE LIABILITY OF LEGAL PERSONS, COMPANIES AND ASSOCIATIONS, INCLUDING THOSE WITHOUT LEGAL STATUS

1.1. Introduction

Legislative Decree no. 231 of 8 June 2001, which, in implementation of Delegated Law no. 300 of 29 September 2000, introduced in Italy the "*Regulations on the administrative liability of legal persons, companies and associations, including those without legal status*" (hereinafter, for the sake of brevity, "**Legislative Decree no. 231/01"** or the "**Decree**") is part of a broad legislative process to combat corruption and has brought Italian legislation on the liability of legal persons into line with a number of international conventions previously signed by Italy (in particular the Brussels Convention of 26 July 1995 on the protection of the European Community's financial interests, the Brussels Convention of 26 May 1997 on combating bribery of public officials of both the European Communities and the Member States and the OECD Convention of 17 December 1997 on combating bribery of foreign public officials in economic and international transactions).

Legislative Decree No. 231/01 therefore establishes a system of administrative liability (substantially comparable to criminal liability) for legal persons (the '**Entity/ Entities**'), which is in addition to the liability of the natural person who materially committed the individual offence, and which aims to involve, in the punishment thereof, the Entities in whose interest or to whose advantage such offence was committed.

Article 4 of Legislative Decree No. 231/01 further specifies that in the cases and under the conditions laid down in Articles 7, 8, 9 and 10[1] of the Criminal Code, there is the administrative liability of

[1] For the sake of clarity, Articles 7, 8, 9 and 10 of the criminal code are set out below:
Art. 7: Offences committed abroad
"*Any citizen or foreigner who commits any of the following offences on foreign soil shall be punished under Italian law:*
1. crimes against the Italian State;
2. offences of counterfeiting the state seal and of using that counterfeit seal;
3. offences of counterfeiting currency that is legal tender in the territory of the State, or in revenue stamps or in Italian public credit cards;
4. offences committed by public officials in the service of the State, abusing their powers or violating the duties inherent in their functions;
5. any other offence for which special legal provisions or international conventions establish the applicability of Italian criminal law'.
Article 8: Political offence committed abroad
"*A citizen or foreigner who commits on foreign soil a political offence not included among those indicated in No. 1 of the preceding Article shall be punished according to Italian law, at the request of the Minister of Justice. If it is a crime punishable on complaint by the offended person, the complaint is required in addition to this request. For the purposes of criminal law, a political offence is any offence, which offends a political interest of the State or a political right of the citizen. A common offence determined, in whole or in part, by political motives shall also be considered a political offence*'.
Art. 9: Common crime of the citizen abroad
"A citizen who, other than in the cases indicated in the two preceding articles, commits in a foreign country a crime for which Italian law prescribes (...) life imprisonment, or imprisonment of not less than a minimum of three years, shall be punished in accordance with that law, provided he is in the territory of the State.
If it is a crime for which a punishment restricting personal liberty of a lesser duration is prescribed, the offender shall be punished at the request of the Minister of Justice or at the request, or on complaint, of the offended person.
In the cases provided for in the preceding provisions, if the offence is committed against the European Communities, a foreign State or a foreigner, the offender shall be punished at the request of the Minister of Justice, provided that his extradition has not been granted, or has not been accepted by the Government of the State where he committed the offence.
In the cases provided for in the foregoing provisions, the request of the Minister of Justice or the request or

entities that have their head office in the State territory for offences committed abroad by natural persons provided that, against such entities, the State of the place where the criminal act was committed does not prosecute.

The key points of Legislative Decree No. 231/01 concern:

a) the identification of the persons who, by committing an offence in the interest or to the advantage of the Entity, may determine its liability. In particular, they may be:

   (i) natural persons in top positions (representation, administration or management of the Entity or of one of its organisational units with financial and functional autonomy) or persons who exercise de facto management and control ('**Senior Executives**');

   (ii) natural persons subject to the direction or supervision of one of the Key Persons ("**Subordinates**").

According to the doctrinal and jurisprudential orientations formed on the subject, it is not necessary that the Subordinates have a subordinate employment relationship with the Entity, but it is sufficient that there is a collaboration relationship between such persons and the Entity.

It therefore seems more appropriate to refer to the notion of 'persons belonging to the entity', which should also include '*those employees who, while not being "employees" of the entity, have a relationship with it such as to suggest the existence of a supervisory obligation on the part of the management of the entity: for example, agents, partners in joint-venture operations, so-called para-subordinates in general, distributors, suppliers, consultants, collaborators*'[2].

b) the type of offences envisaged and, more specifically:

   i) offences committed to the detriment of the Public Administration, referred to in Articles 24, 25 and *25-decies* of Legislative Decree no. 231/01, as amended by Law no. 69/2015, Law no. 3/2019 and most recently by Legislative Decree no. 75/2020;

   ii) Computer crimes and unlawful data processing, introduced by Article 7 of Law

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complaint of the offended person shall not be necessary for the offences provided for in Articles 320, 321 and 346-bis.

Article 10: Common Offence of the Foreigner Abroad

"A foreigner who, other than in the cases indicated in Articles 7 and 8, commits on foreign soil, to the detriment of the State or a citizen, a crime for which Italian law establishes (...) life imprisonment, or imprisonment for a minimum of not less than one year, shall be punished in accordance with the same law, provided that he is on State territory, and there is a request from the Minister for Justice, or an application or a complaint by the offended party.

If the offence is committed against the European Communities, a foreign State or a foreigner, the offender shall be punished according to Italian law, at the request of the Minister of Justice, provided that

1. is in the territory of the State;

2. it is a crime for which (...) or life imprisonment, or imprisonment of not less than a minimum of three years;

3. his extradition has not been granted, or has not been accepted by the Government of the State where he committed the offence, or by that of the State to which he belongs.

The request of the Minister of Justice or the request or complaint of the injured party shall not be necessary for the offences provided for in Articles 317, 318, 319, 319-bis, 319-ter, 319-quater, 320, 321, 322 and 322-bis".

[2] Thus verbatim: Assonime Circular, dated 19 November 2002, No. 68. See also: Zanalda- Barcellona, *La responsabilità amministrativa delle società ed i modelli organizzativi*, Milan, 2002, pg. 12 et seq.; Santi, *La responsabilità delle Società e degli Enti*, Milan, 2004, pg. 212 et seq.

No. 48/2008, which inserted Article *24-bis* into Legislative Decree No. 231/01, and amended by Legislative Decrees No. 7 and 8 of 2016 and most recently by Law No. 133/2019;

iii) organised crime offences, introduced by Article 2, paragraph 29 of Law No. 94/2009, as amended by Law 69/2015, which inserted into Legislative Decree No. 231/01 and amended Article *24-ter*, and most recently amended by Law No. 236/2016;

iv) offences relating to counterfeiting money, public credit cards, revenue stamps and identification instruments or signs, introduced by Article 6 of Legislative Decree no. 350/2001, converted by Law no. 409/2001, as amended by Law no. 99/2009, which inserted Article *25-bis* into Legislative Decree no. 231/01, and subsequently amended by Legislative Decree no. 125/2016;

v) offences against industry and trade, introduced by Article 17 of Law no. 99/2009, which included in Legislative Decree no. 231/01 Article *25-bis*.1;

vi) corporate offences, introduced by Article 3 of Legislative Decree No. 61/2002, which inserted Article *25-ter* into Legislative Decree No. 231/01, most recently amended by Law No. 3/2019;

vii) Crimes for the purpose of terrorism or subversion of the democratic order, introduced by Article 3 of Law No. 7/2003, which inserted Article *25-quater* into Legislative Decree No. 231/01;

viii) female genital mutilation practices, introduced by Article 8 of Law No. 7/2006, which inserted Article 25-quater.1 into Legislative Decree No. 231/01;

ix) Crimes against the individual, introduced by Article 5 of Law No. 228/2003, which inserted Article 25-quinquies into Legislative Decree No. 231/01, most recently amended by Law No. 199/2016;

x) offences of insider dealing and market manipulation, provided for in Part V, Title I-bis, Chapter II, of the Consolidated Act referred to in Legislative Decree no. 58/1998, introduced by Article 9 of Law no. 62/2005, which inserted into Legislative Decree No. 231/01 Article *25-sexies*;

xi) offences provided for and punished by Articles 589 and 590 of the Criminal Code, relating, respectively, to manslaughter and grievous or very grievous bodily harm, if committed in breach of the rules on accident prevention and protection of hygiene and health at work, as introduced by Article 9 of the Law No. 123/2007, which inserted Article *25-septies* into Legislative Decree No. 231/01;

xii) offences provided for and punished by Articles 648, *648-bis* and 648-ter.1 of the Criminal Code concerning, respectively, receipt of stolen goods, money laundering and use of money, goods or benefits of unlawful origin, as well as selflaundering - as last amended by Legislative Decree no. 195/2021 - introduced byArticle 63 of Legislative Decree no. 231/2007 and by Law no. 186/2014, which respectively inserted Article *25-octies* into Legislative Decree no. 231/01;

xiii) offences relating to non-cash payment instruments provided for in Articles *493-ter*, *493-quater* and in the aggravated hypothesis of Article *640-ter of the* Criminal Code and introduced into Legislative Decree no. 231/01 by Legislative

Decree no. 184/2021 which inserted Article *25-octies*.1;

xiv) offences relating to violation of copyright provided for by Law No. 633 of 22 April 1941, introduced by Article 15 of Law No. 99/2009, which inserted Article *25-novies* into Legislative Decree No. 231/01;

xv) the offence of inducement not to make statements or to make false statements to the judicial authorities, introduced by Article 4 of Law no. 116/2009 ratifying and implementing the United Nations Convention against Corruption, which inserted Article *25-decies* into Legislative Decree no. 231/01;

xvi) transnational crimes[3], provided for and punished by Articles 416, 416 bis, 377 bis and 378 of the Criminal Code, Article 74 of Presidential Decree 309/1990 and Article 12 of Legislative Decree 286/1998, introduced by Law No. 146/2006;

xvii) environmental offences, introduced by Article 2 of Legislative Decree No. 121/2011, which included in the D. Legislative Decree No. 231/01 Article *25-undecies*, most recently amended by Legislative Decree No. 116/2020;

xviii) Employment of third country nationals whose stay is irregular introduced by Article 2 of Legislative Decree no. 109/2012, which inserted Article 25-*duodecies* into Legislative Decree no. 231/01, as subsequently amended by Law no. 161/2017, which introduced paragraphs *1-bis* and *1-ter;*

xix) offences of racism and xenophobia, introduced by Article 5 of Law No. 167/2017 which inserted Article 25-terdecies into Legislative Decree No. 231/01, as amended by Legislative Decree No. 21/2018 which repealed Article 3, paragraph *3-bis*, of Law No 654/1975[4];

xx) offences of fraud in sporting competitions, abusive gaming or betting and gambling exercised by means of prohibited devices, introduced by Law No. 39/2019, which inserted Article 25-quaterdecies into Legislative Decree No. 231/2001*;*

xxi) tax offences, introduced by Law No. 157/2019, which included in Legislative Decree No. 231/2001 Article *25-quinquesdecies*, most recently amended by Legislative Decree No. 75/2020;

xxii) smuggling offences, introduced by Legislative Decree No. 75/2020, which inserted into the Legislative Decree No. 231/2001 Article *25-sexiesdecies*;

xxiii) crimes against the cultural heritage, introduced by Law No. 22/2022, which included in Legislative Decree No. 231/2001 Article *25-septiesdecies*;

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[3] Transnational offences are those offences characterised, in addition to the involvement of an organised criminal group, by the presence of an element of internationality, which occurs when: (i) the offence is committed in more than one State, (ii) it is committed in one State, but a substantial part of its preparation, planning, direction or control takes place in another State, (iii) it is committed in one State, but an organised criminal group engaged in criminal activities in more than one State is involved, (iv) it is committed in one State but has substantial effects in another State.

[4] Pursuant to the provisions of Article 8, paragraph 1, Legislative Decree No. 21 of 1 March 2018, as of 6 April 2018, references to the provisions of Article 3, paragraph 3-bis of Law 654/1975, wherever present, shall be deemed to refer to the offence of "*Propaganda and incitement to commit offences on grounds of racial, ethnic and religious discrimination*" (Article 604- *bis of the* Criminal Code)

xxiv) laundering of cultural assets and devastation and looting of cultural and landscape assets, introduced by Law no. 22/2022, which inserted Article *25-duodevicies* into Legislative Decree no. 231/2001.

For a description of the predicate offences and penalties provided for by Legislative Decree no. 231/01 in the event of their commission, please refer to Annex (a) of the General Part of the Model.

c) having committed the offence in the '*interest*' or to the '*advantage*' of the Entity.

In this respect, it should be borne in mind that, according to the legal guidelines expressed on the subject, interest is defined as the mere psychological 'intention' of the offender, assessable *ex ante* by the judge. Advantage, on the other hand, is defined as any benefit deriving from the offence committed, assessable *ex post by the* judicial authority.

d) failure to have adopted and effectively implemented an appropriate organisation and management model to prevent offences of the kind committed.

In consideration of what is indicated in points a), b), c) and d) above and which constitute the prerequisites for the liability in question, the Company has chosen to prepare and effectively apply the Model, as illustrated in paragraph 5 below.

1.2. Attempted crimes

In the event that the offences set out in Chapter I of Legislative Decree no. 231/2001 (Articles 24 to *25-sexiesdecies*) are committed, in the form of attempt, the financial penalties and disqualification sanctions are reduced by between one third and one half. On the other hand, sanctions are not imposed in cases where the Entity voluntarily prevents the action from being carried out or the event from taking place (Article 26 of Legislative Decree No. 231/01).

The exclusion of sanctions is justified, in such a case, by virtue of the interruption of any relationship of identification between the entity and the persons who assume to act in its name and on its behalf. This is a particular case of the so-called 'active withdrawal', provided for in Article 56(4) of the Criminal Code.

1.3. Changes in the Entity

Legislative Decree no. 231/01 regulates the regime of the Entity's liability also in relation to events modifying it, such as transformation, merger, demerger and transfer of business.

According to Article 27(1) of Legislative Decree No. 231/01, the obligation to pay the pecuniary sanction, only the entity is liable with its assets or with the common fund.

This provision constitutes a form of protection in favour of the partners of partnerships and associates of associations, averting the risk that they may be called upon to answer with their personal assets for the obligations arising from the imposition of fines on the body.

The provision in question, moreover, makes manifest the Legislator's intention to identify a liability of the Entity that is independent not only of that of the perpetrator of the offence, but also of the individual members of the corporate structure.

Articles 28-33 of Legislative Decree No. 231/01 regulate the impact of the modifying events connected to transformation, merger, demerger and company transfer operations on the liability of the Entity.

In this respect, the legislator has taken into account two opposing requirements:

on the one hand, to prevent such transactions from constituting a means of easily evading the Entity's

administrative liability;

on the other hand, not to penalise reorganisation measures without evasive intentions.

The Explanatory Report to Legislative Decree No. 231/01 states that '*The general criterion followed in this respect was that of regulating the fate of the pecuniary sanctions in accordance with the principles dictated by the Civil Code with regard to the generality of the other debts of the original entity, while maintaining, conversely, the connection of the disqualification sanctions with the branch of activity in the context of which the offence was committed*'.

In the event of a transformation, Article 28 of Legislative Decree no. 231/01 provides (consistently with the nature of this institution, which implies a mere change in the type of Company, without determining the extinction of the original legal entity) that the Entity's liability for offences committed prior to the date on which the transformation took effect remains unaffected.

In the event of a merger, the Entity resulting from the merger (including by incorporation) is liable for the offences for which the Entities participating in the merger were liable (Article 29 of Legislative Decree No. 231/2001). The Entity resulting from the merger, in fact, assumes all the rights and obligations of the companies taking part in the operation (Article *2504-bis*, first paragraph, of the Civil Code) and, by making its business activities its own, also incorporates those within the scope of which the offences for which the companies participating in the merger were liable were committed.

Article 30 of Legislative Decree no. 231/01 provides that, in the case of a partial demerger, the demerged company remains liable for offences committed prior to the date on which the demerger took effect.

The entities benefiting from the demerger (whether total or partial) are jointly and severally liable to pay the pecuniary sanctions owed by the demerged entity for offences committed prior to the date on which the demerger took effect, up to the actual value of the net assets transferred to the individual entity.

This limitation does not apply to beneficiary companies to which the branch of activity in the context of which the offence was committed has been transferred, even in part.

Disqualification sanctions relating to offences committed prior to the date on which the demerger took effect apply to the Entities to which the branch of activity in which the offence was committed remained or was transferred, even in part.

Article 31 of Legislative Decree No. 231/01 lays down provisions common to mergers and demergers, concerning the determination of sanctions in the event that such extraordinary transactions have taken place before the conclusion of the case.

1.4. Offences committed abroad

According to Article 4 of Legislative Decree No. 231/01, the Entity may be held liable in Italy in connection with offences - covered by the same D. Legislative Decree No. 231/01 - committed abroad.

The Explanatory Report to Legislative Decree No. 231/01 emphasises the need not to leave a frequently occurring criminal situation without a sanction, also in order to avoid easy circumvention of the entire regulatory framework in question.

The prerequisites (provided for by the regulation or inferable from the whole of Legislative Decree no. 231/01) which form the grounds for the liability of the entity for offences committed abroad are:

- the offence must be committed abroad by a person functionally linked to the Entity, pursuant to Article 5(1) of Legislative Decree No. 231/01;

- the Entity must have its head office in the territory of the Italian State;
- the Entity may only be liable in the cases provided for by Legislative Decree no. 231/01 and Law 146/06 and in the cases and under the conditions provided for by Articles 7, 8, 9 and 10 of the Criminal Code;
- that the State of the place where the act was committed does not proceed against the Entity.

2. SANCTIONS

The sanctions provided for administrative offences are:

(a) Administrative fine;

(b) Disqualification sanctions;

(c) Confiscation;

(d) Publication of the conviction.

(a) <u>The administrative fine</u>

The administrative pecuniary sanction, governed by Articles 10 et seq. of Legislative Decree No. 231/01, constitutes the "basic" sanction, the payment of which the Entity is liable for out of its assets or from the common fund.

The legislature adopted an innovative criterion for the commensuration of this sanction, attributing to the Judge the obligation to proceed to two different and successive operations of appreciation, in order to better adapt the sanction to the seriousness of the act and to the economic conditions of the Entity.

In the first assessment, the Judge determines the number of quotas (not less than one hundred, nor more than one thousand, without prejudice to the provisions of Article *25-septies* "*Manslaughter and grievous or very grievous bodily harm, committed in breach of the rules on accident prevention and on the protection of hygiene and health at work*", which in the first paragraph in relation to the offence referred to in Article 589 of the Criminal Code committed in breach of Article 55(2) of Legislative Decree No. 81/2008 provides for a penalty equal to **<u>thousand shares</u>**), taking into account:

- the seriousness of the fact;
- the degree of responsibility of the organisation;
- the activity carried out to eliminate or mitigate the consequences of the act and to prevent further offences.

In the course of the second assessment, the Judge determines, within the minimum and maximum values predetermined in relation to the offences sanctioned, the value of each share (from a minimum of EUR 258.23 to a maximum of EUR 1,549.37) "*on the basis of the economic and asset conditions of the entity in order to ensure the effectiveness of the sanction*" (Article 11(2) of Legislative Decree no. 231/01).

As stated in point 5.1 of the Report to Legislative Decree No. 231/01, in order to ascertain the economic and asset conditions of the Entity "*the judge may make use of the financial statements or other records that are in any event capable of providing a snapshot of such conditions. In certain cases, evidence may also be obtained by taking into consideration the size of the entity and its position on the market.* (...) *The judge will not be able to do without plunging himself, with*

the help of consultants, into the reality of the company, where he will also be able to draw the information relating to the state of economic, financial and patrimonial solidity of the entity".

Article 12 of Legislative Decree no. 231/01 provides for a series of cases in which the financial penalty is reduced. They are schematically summarised in the table below, indicating the reduction made and the prerequisites for its application.

Reduction	Assumptions
1/2 (and still cannot be more than 103,291.38 euros)	- The perpetrator committed the act in his or her own predominant interest or that of third parties and the Entity did not gain an advantage or gained a minimal advantage; or - The pecuniary damage caused is very small.
From 1/3 to 1/2	Before the declaration of the opening of the first instance hearing - The Entity has fully compensated for the damage and eliminated the harmful or dangerous consequences of the crime or has otherwise effectively done so; or - An organizational model suitable for preventing crimes of the kind that occurred has been implemented and made operational.
From 1/2 to 2/3	Before the declaration of the opening of the first instance hearing - The Entity has fully compensated for the damage and eliminated the harmful or dangerous consequences of the crime or has otherwise effectively taken steps to do so; and - An organizational model suitable for preventing crimes of the kind that occurred has been implemented and made operational.

(b) Prohibitory sanctions

The prohibitory sanctions provided for by Legislative Decree no. 231/01 are:

- disqualification from exercising the activity;
- the prohibition to contract the Public Administration, except to obtain the performance of a public service;
- suspension or revocation of authorisations, licences or concessions functional to the commission of the offence;
- exclusion from benefits, financing, contributions or subsidies and revocation of those possibly already granted;
- the ban on advertising goods or services.

Unlike the administrative pecuniary sanction, prohibitory sanctions apply only in relation to the offences for which they are expressly provided for upon the occurrence of at least one of the conditions set out in Article 13, Legislative Decree No. 231/01, indicated below:

- "the *entity has derived a significant profit from the offence and the offence was committed by persons in a senior position or by persons subject to the direction of others when, in this case, the commission of the offence was determined or facilitated by serious organisational deficiencies*";
- "in the *event of a repetition of the* offence" (*id est*: commission of an offence within five years of a final conviction for another previous offence).

In any case, prohibitory sanctions shall not be applied where the offence was committed in the predominant interest of the perpetrator or of third parties and the Entity obtained little or no advantage from it, or where the pecuniary damage caused is of particular tenuousness.

It also excludes the application of prohibitory sanctions if the Entity has carried out the remedial

conduct provided for in Article 17, Legislative Decree No. 231/01 and, more specifically, when the following conditions are met:

- "the *entity has fully compensated the damage and eliminated the harmful or dangerous consequences of the offence or has in any case effectively done so*';
- "the *entity has eliminated the organisational deficiencies that led to the offence by adopting and implementing organisational models capable of preventing offences of the kind committed*";
- "the *entity has made available the profit made for the purposes of confiscation*".

Prohibitory sanctions, without prejudice to the provisions of Article 25(5) of Legislative Decree n. 231/01[5], have a duration of between three months and two years, and the choice of the measure to be applied and its duration is made by the Judge on the basis of the same criteria previously indicated for the commensuration of the pecuniary sanction, "*taking into account the suitability of the individual sanctions to prevent offences of the type committed*" (Article 14, Legislative Decree no. 231/01).

The legislator then took care to specify that the activity ban is of a residual nature compared to other prohibitory sanctions.

(c) Confiscation

Pursuant to Article 19, Legislative Decree no. 231/01, confiscation is always ordered upon conviction - also for equivalent - of the price (money or other economic benefit given or promised to induce or determine another person to commit the offence) or profit (immediate economic benefit derived) of the offence, except for the part that can be returned to the injured party and without prejudice to the rights acquired by third parties in good faith.

(d) The publication of the conviction

The publication in one or more newspapers of the conviction, in extract or in full, may be ordered by the Judge, together with posting in the municipality where the Entity has its head office, when a disqualification sanction is applied. Publication is carried out by the Court Registry at the expense of the Entity.

[5] "*In cases of conviction for one of the offences indicated in paragraphs 2 and 3, the prohibitory sanctions provided for in Article 9(2) shall apply for a term of not less than four years and not more than seven years, if the offence has been committed by one of the persons referred to in Article 5(1)(a), and for aterm of not less than two years and not more than four years, if the offence has been committed by one of the persons referred to in Article 5(1)(b)*".

3. CONDUCT EXEMPTING ADMINISTRATIVE LIABILITY

Articles 6 and 7 of Legislative Decree No. 231/01 provide for specific forms of exoneration from administrative liability of the Entity for offences committed in the interest or to the advantage of the Entity by both Senior Management and Subordinates.

In particular, in the case of offences committed by Senior Executives, Article 6 provides for exoneration if the Entity proves that:

a) the management body has adopted and effectively implemented, prior to the commission of the *offence,* '*organisational and management models capable of preventing offences of the kind committed*';

b) the task of supervising the functioning of and compliance with the models as well as proposing their updating has been entrusted to a Supervisory Board of the Entity (the '**SB**'), endowed with autonomous powers of initiative and control;

c) the persons who committed the offence acted by fraudulently evading the models;

d) there was no omission or insufficient supervision on the part of the Supervisory Board.

As regards Subordinates, Article 7 provides for exoneration from liability in the event that the Entity has adopted and effectively implemented, prior to the commission of the offence, a model capable of preventing offences of the kind committed.

Consequently, in the case of offences committed by Senior Executives, the burden of proof remains with the Entity, whereas, in the case of offences committed by Subordinates, the existence of the model guarantees exemption from liability, unless the prosecuting authority proves that it is not suitable to prevent offences of the kind that have occurred.

Legislative Decree No. 231/01 also provides that the model must meet the need to:

1. identify the activities within the scope of which there is a possibility of offences being committed;
2. provide for specific protocols aimed at planning the formation and implementation of the Entity's decisions in relation to the offences to be prevented;
3. identify ways of managing financial resources that are suitable for preventing the commission of such offences;
4. provide for information obligations vis-à-vis the Supervisory Board;
5. introduce an internal disciplinary system suitable for penalising non-compliance with the measures indicated in the model.

According to Legislative Decree no. 231/01, models may be adopted on the basis of codes of conduct drawn up by representative trade associations.

Confindustria issued Guidelines on 7 March 2002, as subsequently updated (the '**Guidelines**') on 24 May 2004 and, most recently, due to the changed regulatory framework, further updated on 31 March 2008, in March 2014 and in June 2021.

This model takes into account not only the legal requirements, but also the Guidelines.

4. THE COMPANY

The company's registered office is located in Saronno (VA), Via Archimede No. 243.

The company's object is the production and trade of liqueurs, essences, syrups, wines, alcoholic and non-alcoholic concentrates, chemicals, foodstuffs, food extracts, cosmetic products, pharmaceuticals, components for cosmetic and pharmaceutical products, as well as foreign and domestic representations; the exercise of spa, hotel and restaurant activities.

The company's object is also the retail trade of foodstuffs, beverages (including alcoholic beverages), colonial goods, electrical materials, plastic goods, household goods, toys, hardware, clothing, furnishings and their accessories in general, leisure time, sports and do-it-yourself articles, and in general the trade of any consumer and instrumental goods and the creation and trade of technologies and technological systems, trademarks, patents and other intellectual works, and the provision of various services.

The company's corporate purpose also includes the performance of road haulage activities both for own account and for third parties.

The Company is administered by a Board of Directors.

The Company is subject to the control of the Board of Statutory Auditors.

5. THE MODEL

5.1. The Model set-up

The company enjoys an excellent reputation on the market, interfaces with numerous stakeholders and is proud of its traditions. The Company therefore considers it important to maintain and further improve this reputation. In this global context, the long-term success of the Company has been and will be based on business excellence, consistent with the highest ethical standards and strict compliance with applicable regulations. There is a strong belief in the Company that compliance with the law and ethical conduct are not only necessary and morally correct, but also an effective way to manage business.

That being said, the Company - sensitive to the need to ensure conditions of correctness and transparency in the conduct of business and corporate activities, to protect its own position and image, the expectations of its shareholders and the work of its employees - has deemed it consistent with its corporate policies to proceed with the adoption of the organisation, management and control model envisaged by the Decree (the '**Model**').

The Model constitutes a valid tool for raising awareness among the subjects referred to therein so that they follow, in the performance of their activities, correct and straightforward conduct and so that there is an organisation capable of preventing the risk of committing the offences contemplated in Legislative Decree no. 231/01.

More specifically, the Model represents the result of the documented methodological application of the criteria for the identification of risks, on the one hand, and the identification of protocols, where they currently exist, for the planning, formation and implementation of the Company's decisions, on the other.

The purpose of the Model is, in fact, to induce Senior Management, Subordinates and Third Parties to acquire the necessary sensitivity to perceive the existence of the risk of offences being committed in the performance of certain activities and, at the same time, to understand the extent, not only personal but also corporate, of the possible consequences, in terms of criminal and administrative sanctions, in the event of the commission of such offences.

By adopting the Model, the Company aims, in fact, to achieve full and conscious compliance with the principles on which it is based, so as to prevent its fraudulent circumvention and, at the same time, to strongly oppose all conduct that is contrary to the provisions of the law and the ethical principles that shape the Company's activities.

The preparation of the Model was preceded by a series of preparatory activities, divided into different phases and all aimed at setting up a risk prevention and management system, in line with the provisions of Legislative Decree no. 231/01.

Although the adoption of the Model constitutes an 'option' and not an obligation - since failure to implement it is not subject to any sanction - the Company has decided to proceed with its preparation and adoption, as it is aware that such a system constitutes, on the one hand, an opportunity to improve its *Corporate Governance*, and, on the other hand, an exemption from administrative liability, as provided for by Legislative Decree no. 231/01 itself.

The preparation and adoption are divided into different phases, all aimed at setting up a system of risk prevention and management, in line with the provisions of Legislative Decree no. 231/01, the Guidelines, the suggestions of the best doctrine and the jurisprudential guidelines that have been expressed on the subject.

At the same time, these activities, despite being aimed at the preparation of the Model (analysis of potential risks, evaluation and adaptation of the system of controls already in place on sensitive processes), constituted an opportunity to raise awareness, once again, of the terms of control and compliance with corporate processes, aimed at the 'active' prevention of offences.

The following is a brief description of the stages in which the work of identifying sensitive activities is divided, on the basis of which the Model was subsequently drawn up.

1) **Identification of Areas and, within these, of Sensitive Activities ("*as-is analysis*")**, carried out through a prior examination of the Company's documentation (organisational chart, activities performed, main processes, powers of attorney, certifications, procedures, instructions, models, etc.) and a series of interviews with key persons within its structure, aimed at deepening the analysis of Sensitive Activities and their control (existing procedures, verifiability and documentability of the Company's choices, congruence and consistency of operations, separation of responsibilities, documentability of controls, system of proxies and signatures, etc.).

The objective of this phase was twofold: on the one hand, an analysis was made of the context in which the Company operates in order to identify in which areas or activities the offences provided for by the Legislative Decree No. 231/01; on the other hand, the analysis of sensitive Areas or Activities was prodromal with respect to the subsequent assessment of the ways in which offences could, in abstract terms, be perpetrated. To this latter end, the history of the Company, the characteristics of other entities operating in the sector and, in particular, any offences committed by other entities in the same line of business were taken into account.

The result is a representation of the Sensitive Areas and Activities, the existing controls and their criticalities, with a focus on the specific compliance and control elements to meet the requirements of the Model.

2) **Performance of the gap analysis.** On the basis of the situation thus identified (existing controls and procedures), in relation to the sensitive processes and the provisions and purposes of Legislative Decree no. 231/01, the actions aimed at

integrating the internal control system (processes and procedures) that improve the organisational requirements, which are essential for the definition of a 'specific' organisation, management and monitoring model pursuant to the Decree.

At this stage, the system of preventive controls already existing in the Company was assessed in light of the different types of offences provided for by Legislative Decree No. 231/01. Thus, in the case of intentional offences, the possibility of circumventing the controls with fraudulent and intentional conduct aimed at consummating the unlawful event was assessed; in the case of culpable offences, on the other hand, as incompatible with the intentionality of the agent, the possibility of conduct in breach of the controls was assessed, despite the punctual observance of the supervisory obligations by the appropriate body (referred to *below*), even if not accompanied by the intentionality of the event.

5.2. Purpose and structure of the Model

The Model prepared by the Company on the basis of the identification of Sensitive Activities, the performance of which could, in abstract terms, configure the risk of commission of offences, aims to

- create, in all those who perform with, on behalf of and in the interest of the Company the aforementioned Sensitive Activities, as better identified in the Annexes to the Special Section of this document, the awareness that they may incur, in the event of violation of the provisions set forth in the Model, in an offence liable to penal and administrative sanctions, which may be imposed not only on them, but also on the Company;
- condemn any form of unlawful behaviour by the Company, insofar as it is contrary not only to the provisions of the law, but also to the ethical principles adopted by the Company;
- guaranteeing the Company, by means of an action of control of the sensitive Areas and Activities, the concrete and effective possibility of taking timely action to prevent the commission of offences.

The Model also aims to

- introduce, integrate, raise awareness, disseminate and circulate, at all levels, the rules of conduct and protocols for planning the formation and implementation of the Company's decisions, in order to manage and, consequently, avoid the risk of offences being committed;
- inform all those who work with the Company that violation of the provisions contained in the Model will result in the application of appropriate sanctions or termination of the contractual relationship;
- identify in advance the sensitive Areas and Activities, with reference to the Company's operations that could lead to the commission of the offences provided for in the Decree;
- endow the Supervisory Board with specific tasks and adequate powers in order to put it in a position to effectively supervise the actual implementation, constant functioning and updating of the Model, as well as to assess the maintenance over time of the requirements of soundness and functionality of the Model;
- ensure the correct recording and compliance with the protocols of all the Company's

operations within the Sensitive Areas and Activities, in order to make for an *ex post* verification of the decision-making processes, their authorisation and their performance within the Company. All this in accordance with the control principle expressed in the Guidelines, whereby '*Every operation, transaction, action must be: verifiable, documented, consistent and congruous*';

- ensure effective compliance with the principle of the separation of corporate functions, in accordance with the principle of control, according to which "*No one can manage an entire process independently*", so that the authorisation to carry out a transaction is under the responsibility of a person other than the person who accounts for it, executes it operationally or controls it;
- delineate and define responsibilities in the formation and implementation of the decisions of the Company;
- establish authorisation powers conferred in line with the organisational and management responsibilities assigned, disclosing power delegations, responsibilities and tasks within the Company, ensuring that the acts by which powers, delegations and autonomies are conferred are compatible with the principles of preventive control;
- identify the methods of managing financial resources, such as to prevent the commission of offences;
- assessing the activities of all persons interacting with the Company, within the areas at risk of offences being committed, as well as the functioning of the Model, taking care of its necessary periodic updating, in a dynamic sense, in the event that the analyses and assessments carried out make it necessary to make corrections, additions and adjustments.

The adoption and implementation of the Model not only allow the Company to benefit from the exemption provided for in the Decree, but also to improve, within the limits provided for therein, its *Corporate Governance*, limiting the risk of offences being committed.

Through the Model, in fact, a structured and organic system of procedures and control activities (preventive and *ex post*) is consolidated with the aim of reducing the risk of offences being committed by identifying sensitive processes and their consequent proceduralisation.

One of the purposes of the Model is, therefore, to develop the awareness of employees, corporate bodies, consultants in any capacity, collaborators and *partners*, who perform Sensitive Activities on behalf of and in the interest of the Company, that they may incur - in the event of conduct that does not comply with the provisions of the Model, as well as with the rules of the Code of Ethics annexed to the Model and the other corporate rules and procedures (as well as the law) - offences liable to penal consequences not only for themselves, but also for the Company.

Furthermore, it is intended to actively censure any unlawful conduct through the constant activity of the Supervisory Board on the actions of persons with respect to Sensitive Areas and Activities and the imposition by the Company of disciplinary or contractual sanctions.

In the light of the above, the Model is divided into an initial introductory part of the regulations of Legislative Decree no. 231/01 ('General Section'), in which its essential components are illustrated, with particular reference to the choice and identification of the Supervisory Board, the training of personnel and the dissemination of the Model in the Company, the disciplinary system and the measures to be adopted in the event of non-compliance with the provisions contained therein.

It then follows:

- a Special Section prepared on the basis of the different types of offences contemplated by Legislative Decree no. 231/01 and with respect to which the Company intended to protect itself, insofar as they are considered to be of possible risk, taking into account the business activity carried out by the Company;
- the Annexes to the Special Part constituting the mapping document, prepared for the Functions into which the Company is divided and within which the Sensitive Areas and Activities have been identified.

On the basis of the analyses carried out and in consideration of the nature of the activity carried out by the Company and of the predicate offences referred to in Legislative Decree no. 231/01, the Company has taken the decision to draft, update, adopt and effectively implement this Model with reference to the following offences:

- offences against the Public Administration;
- corporate offences;
- bribery between private individuals and incitement to bribery between private individuals;
- offences committed in violation of accident prevention and hygiene protection regulations and health at work;
- offences of receiving stolen goods, money laundering and use of money, goods or benefits of unlawful origin and selflaundering;
- offences relating to non-cash payment instruments;
- computer crimes and unlawful processing of data;
- offences against industry and trade;
- copyright infringement offences;
- environmental crimes;
- offences of employment of illegally staying third-country nationals and illegal brokering and exploitation of labour;
- offences against the individual personality;
- offences of counterfeiting money, public credit cards, revenue stamps and identifying marks or instruments;
- offences of inducement not to make or to make false statements to the Authority Judicial;
- tax offences;
- smuggling.

For a description of offences, please refer to the Special Section. For a description of the Sensitive Areas and Activities and the expected conduct, please refer to the Annexes to the Special Section[6].

[6] *See* Annex a) of the Special Section "Sensitive Areas and Activities".

On the other hand, with regard to the other predicate offences provided for in the Decree and not included in the list above, it should be noted that they have been assessed as not relevant for the Company, since the interest or advantage of the Company with respect to the commission of such offences does not appear configurable.

In any case, also with respect to these offences, it is emphasised that the Code of Ethics, an integral part of this Model, plays a fundamental role of control and protection.

The Model has also been articulated in order to guarantee a more effective and streamlined updating activity. In fact, if the 'General Section' contains the formulation of general principles of law to be considered substantially invariable, the Special Section and its Annexes, in consideration of their particular content, may instead be subject to constant updating, in accordance with the provisions of the Model.

5.3 Principles and inspiring elements of the Model

In drawing up the Model, account was taken of the control systems and controls (identified during the "*as-is analysis"* phase) existing and already operating in the Company, where they were deemed suitable to also serve as crime prevention and control measures on sensitive Areas and Activities, as better described below.

The Model, without prejudice to its particular purpose as described in section 5.2 above, is in fact part of the broader control system consisting mainly of the rules of *Corporate Governance*, the Company's Practices and the internal control system.

The principles, rules and procedures applied in the Company, including the Code of Ethics, are not set out and described in detail in the Model, but are to be understood as fully referred to herein for all intents and purposes, as they form part of the organisation and control system that the Model itself intends to improve and supplement where necessary.

Consequently, the Code of Ethics, all the procedures, all the instructions and all the models, in whatever sector, company function, area of activity they are applied, which have been implemented and applied by the Company, are to be considered an essential and fundamental part of the Model.

As far as the prevention of workers' health and safety in the workplace is concerned, the Risk Assessment Documents (*pursuant to* Article 28 of Legislative Decree No. 81/08) and all the procedures envisaged on the subject, already adopted and applied in the Company, form an integral part of the Model.

Moreover, in view of the fact that certain Sensitive Activities, as identified in the Special Section, are (or may be) performed by persons belonging to other Group companies, with which the Company has entered into (or will enter into) specific intra-group service agreements, all the procedures, protocols and *policies* in force at the Company, as well as any specific ones adopted at other Group companies, compliance with which is considered essential for the functioning of this Model, are to be considered an essential and fundamental part of the Model.

If, on the other hand, certain Sensitive Activities are performed by Group companies that have not adopted an organisational, management and control model pursuant to Legislative Decree no. 231/01 or, in any case, by Third Parties, the Company shall ensure that the relevant contracts contain all the clauses necessary to guarantee that such parties comply with the provisions of the Company's Model and, in any case, adopt behaviour that respects the principles set out in Legislative Decree no. 231/01, the Model and, in any case, the Code of Ethics.

In particular, as instruments aimed at planning the formation and implementation of decisions of the Company also in relation to the offences to be prevented, the Company has identified the following:

a) the internal control system and thus the currently existing company procedures, instructions and models, documentation and provisions relating to the hierarchical-functional and organisational structure of the Company, as well as the management control system;

b) the rules concerning the administrative, accounting, financial, internal *reporting* system;

c) staff communication, information and training;

d) the disciplinary system set out in the National Collective Labour Agreements (the '**CCNL**') applied to managers and other employees;

e) in general, the applicable Italian and foreign legislation;

f) the Company's Established Practices and Policies;

g) the Company's Code of Ethics.

The main principles on which the Model is based, in addition to the above, are:

- the requirements set out in Legislative Decree no. 231/01 and in particular:
  - the assignment to an internal Supervisory Board of the Company of the task of promoting the effective and correct implementation of the Model also through the monitoring of corporate conduct and the right to constant information on the activities relevant for the purposes of the Decree;
  - the provision of adequate **resources** to the Supervisory Board to support it in its tasks and achieve reasonably reliable results;
  - the activity of **verifying the functioning** of the Model with the consequent periodic updating thereof (*ex post* control);
  - **raising awareness and dissemination** at all levels of the company of the rules of conduct and the procedures established;
- the general principles of an adequate internal control system and in particular:
  - the **verifiability and documentability** of each relevant operation for the purposes of Legislative Decree No. 231/01;
  - respect for the principle of **separation of functions**;
  - the **definition of** authorisation **powers** consistent with the assigned responsibilities;
- the **communication** of relevant information **to the Supervisory Board;**
- the pre-eminence to be given - in the implementation of the control system - to the sensitive Areas and Activities, without prejudice to the necessary general verification of the company's activities.

5.4 The Company's *Corporate Governance* Model and Organisational System

As already mentioned, the Model is part of the broader control system consisting mainly of *Corporate Governance* rules, Company Practices and the internal control system.

It is reiterated that the Company's Procedures, Instructions, *Policies* and/or Practices, which are not individually referred to in this Model, form an integral and essential part of the Model.

The Company's organisational system is depicted in the organisation chart and job description, documents that identify each corporate function:

1. hierarchical dependence;
2. any functional dependence;
3. the job description.

It is a general rule of the Company that only persons with formal and specific powers may enter into commitments towards third parties in the name of or on behalf of the Company.

Furthermore, it is provided that the exercise of powers within the decision-making process is always carried out by positions of responsibility congruent with the importance and/or criticality of certain economic transactions.

6. SUPERVISORY BODY

In order to guarantee the Company exemption from administrative liability in accordance with the provisions of Articles 6 and 7 of the Decree, it is necessary to identify and set up, within its structure, a Supervisory Board with the authority and powers necessary to supervise, in absolute autonomy, the operation of and compliance with the Model, as well as to take care of its updating, proposing the relevant amendments to the Board of Directors.

Consequently, the Company has proceeded with the verification and selection activities necessary to identify the most suitable persons to be members of the Supervisory Board, inasmuch as they possess the characteristics and requirements required by Legislative Decree no. 231/01, the Guidelines, the best doctrine and the legal guidelines.

In particular, the selection criteria followed in identifying the members of the SB took into account the suitability of this body to ensure the effectiveness of controls in relation to the size and organisational complexity of the Company.

For this reason, the Board of Directors may, when appointing the Supervisory Board,
take one of the following decisions alternatively:

1. **assigning the functions and powers of the Supervisory Board to the Board of Statutory Auditors**, with the task of performing the functions and activities that this Model attributes to the Supervisory Board, in accordance with the provisions of Law No. 183 of 12 November 2011 (2012 Stability Law);

2. **appointing a monocratic Supervisory Board**, made up of a person external to the company and chosen from among professionals with proven experience in the field of Legislative Decree No. 231/01 as well legal experience and possessing the requirements of independence and professionalism, capable of adequately performing its tasks; or

3. **constituting a collegial body**.

In the latter case, the members of the Supervisory Board will be identified in the number established by the Board of Directors at the time of appointment and must be chosen from among persons who guarantee possession of the requirements specified below.

In the case of a collegiate Supervisory Board:

a. at least one member must be identified within the Company, among persons without decision-making powers within the Sensitive Areas or Activities identified in the Annexes to the Special Part of the Model;
b. at least one member must be identified from outside the company and chosen from among professionals with proven experience in the field of Legislative Decree no. 231/01 and legal matters and with the requirements of independence and professionalism.

It is understood that, should the Board of Directors decide to entrust the Board of Statutory Auditors with the task of performing the activities that this Model envisages for the Supervisory Board, any reference to the Supervisory Board contained herein shall be understood as referring to the Board of Statutory Auditors.

Notwithstanding the foregoing, the Supervisory Board, in line with the provisions of the Decree and, more specifically, from what can be deduced from a reading of the combined provisions of Articles 6 and 7 of the Decree, from the indications contained in the accompanying Report to the Decree, from the information set out in the Guidelines, and from the case law that has been expressed on the subject, has the following main characteristics

a) **autonomy and independence**. The requirements of autonomy and independence are fundamental and presuppose that the Supervisory Board is not directly involved in the management activities that are the subject of its control activities;

b) **professionalism**. The Supervisory Board possesses, within itself, technical and professional skills appropriate to the functions it is called upon to perform, as well as a wealth of tools and techniques to be able to carry out its activities effectively. These characteristics, together with independence, guarantee objectivity of judgement;

c) **continuity of action**. The Supervisory Board carries out, on a continuous basis, the activities necessary for the supervision of the Model with adequate commitment and with the necessary powers of investigation; it is a structure referable to the Company, so as to guarantee due continuity in the supervisory activity; it takes care of the implementation of the Model, ensuring that it is constantly updated; it does not perform operational tasks that may condition and contaminate the overall view of the Company's activity that is required of it.

In addition to the requirements described above, the members of the Supervisory Board must meet formal subjective requirements that ensure autonomy and independence. In particular, the following cannot be appointed members of the Supervisory Board:

a) persons who find themselves in the conditions provided for in Article 2382 of the Civil Code[7];

b) the spouse, relatives and relatives-in-law up to the fourth degree of kinship of the Company's Directors;

c) the spouse, relatives and relatives-in-law up to the fourth degree of kin of directors of parent companies or subsidiaries;

d) persons who are linked to the Company or its subsidiaries or controlling companies by relationships that may objectively compromise their independence of judgement;

e) those who have been convicted, even if the sentence is not final, of having committed one of the offences referred to in the Decree, or those who have been sentenced to a penalty that entails disqualification, including temporary disqualification, from public offices, or temporary disqualification from the executive offices of legal persons or companies;

f) persons who find themselves in a conflict of interest, even potential, with the Company, such as to jeopardise the independence required by the role and tasks of the Supervisory Board;

g) persons holding, directly or indirectly, shareholdings of such a size as to enable them to exercise a dominant or significant influence over the Company, pursuant to Article 2359 of the Italian Civil Code;

h) persons with administrative, delegated or executive functions at the Company within the Sensitive Areas and Activities;

i) persons with administrative functions - in the three financial years preceding their appointment as member of the Supervisory Board - of companies subject to bankruptcy, compulsory liquidation or other insolvency procedures.

By virtue of the foregoing, the Board of Directors decided to confer the status of Supervisory Board pursuant to Article 6(b) of the Decree.

Without prejudice to the fact that the Board of Directors is called upon to supervise the adequacy of the intervention of the Supervisory Board, since the management body bears ultimate responsibility for the functioning (and effectiveness) of the Model, the activities carried out by the Supervisory Board cannot be reviewed by any other corporate body or structure.

[7] Art. 2382 of the Italian Civil Code '*A person cannot be appointed director, and if appointed shall be disqualified from office, who is disqualified, incapacitated, bankrupt, or who has been sentenced to a penalty involving disqualification, even temporary, from public office or the inability to exercise executive offices*'.

6.1. General Principles of Establishment, Appointment, Replacement and Operation of the Supervisory Board

The members of the Supervisory Board are appointed by the Board of Directors and remain in office for the period stipulated in the relevant appointment decision. They may be re-elected.

The members of the Supervisory Board are not subject, in this capacity and within the scope of the performance of their functions, to the hierarchical and disciplinary power of any corporate body or function.

The Board of Directors of the Company is free to revoke the appointment of the members of the Supervisory Board at any time, provided there is a just cause for revocation. A just cause for revocation is the subjecting of the member to procedures of disqualification, incapacitation or bankruptcy, the indictment in criminal proceedings with charges of offences that envisage a penalty entailing disqualification, even temporary, from public offices or the inability to exercise executive offices, ascertainment of the absence of the requirements of autonomy, independence, professionalism and continuity of action laid down for the appointment, the existence of one of the hypotheses of ineligibility, the serious breach, by the members of the SB, of the duties imposed on them by law or by the Model. In the event that there are members of the Supervisory Board who have an employment relationship with the Company or a Group company, and/or, in any case, legal relations between the Company and any internal member appointed, the termination of the contractual relationship with the Company shall constitute just cause for revocation.

Notwithstanding the foregoing, each member of the Supervisory Board is entitled to inform the Board of Directors of his or her wish to relinquish the appointment, by means of a communication containing the reasons for the relinquishment.

In the event of termination, for any reason whatsoever, of the office of member of the Supervisory Board, the Board of Directors shall, without delay, provide for his replacement by means of a specific resolution. The outgoing member of the Supervisory Board shall, in any case, be required to perform all the functions laid down by law or by the Model until the person appointed by the Board of Directors to replace him takes office. The members of the Supervisory Board appointed as replacements shall remain in office for the time for which the persons they replace should have remained in office.

The Board of Directors decides, on the proposal of the Supervisory Board, on the financial resources that, from time to time, the Supervisory Board deems necessary to perform its functions correctly and effectively.

Any remuneration due to the members of the Supervisory Board is established at the time of appointment or by subsequent decision of the Board of Directors. The members of the Supervisory Board are, in any case, entitled to reimbursement of expenses incurred in connection with their office.

The Supervisory Board adopts its own internal rules of procedure, which provide for: the planning of activities and controls, the procedures for convening meetings, the voting procedures, the procedures for appointing, where collegiate, the Chairman and, where appropriate, the Vice-Chairman, the minuting of meetings, the regulation of information flows to and from the Supervisory Board.

6.2 Tasks of the Supervisory Board

From a general point of view, the SB is essentially responsible for two types of activities that tend to eliminate and/or reduce the risks of commission of offences and, more specifically:

a) ensure that the addressees of the Model, specifically identified on the basis of the different offences, comply with the provisions contained therein (function of inspecting and repressing offences);

b) verify the results achieved by the application of the Model with regard to the prevention of offences and assessing the need or, simply, the appropriateness of proposing the adaptation of the Model to new legislation, or to new company requirements (crime prevention function).

In a nutshell, the above activities are aimed at constant vigilance regarding the transposition, implementation and adequacy of the Model.

In view of the above, in particular, the Supervisory Board is obliged to supervise:

- on the compliance of the Model with the provisions of the legislation concerning the liability of legal persons in general and, in particular, with the provisions of the Decree;
- on compliance with the provisions of the Model;
- on the real suitability of the Model to prevent the commission of the offences referred to in the Decree and against which the Company has decided to protect itself;
- on the appropriateness of updating the Model, where significant violations of its prescriptions, significant changes in the internal structure of the Company and/or in the conditions of Company operations, or in the regulatory framework of reference are found.

The Supervisory Board is also obliged to:

- verify compliance with internal procedures and the effectiveness of the control procedures of each decision-making process of the Company relevant to the terms of the Decree;
- constantly monitor the Company's activities in order to obtain an up-to-date survey of the Sensitive Areas present in the Company and of the Sensitive Activities carried out respectively, so as to be able to determine in which of these Areas, and Sensitive Activities and in what manner, the potential risks of commission of offences relevant under the Decree may become relevant as well as of the additional offences included in the scope of effectiveness of the Model itself, following the adoption of future resolutions of the Board of Directors to that effect, identifying for each strategy, business activity, the risk of commission of such offences, also determining their impact on the Company according to the degree of likelihood of their occurrence and identifying the criteria and methods necessary to prevent their commission;
- periodically carry out targeted checks on specific operations or acts performed within the Sensitive Areas and Activities as defined in the Annexes to the Special Part of the Model;
- promote appropriate initiatives for the dissemination of knowledge and understanding of the Model in the Company and verify its correct implementation;
- check internal organisational documentation containing the instructions, clarifications or updates necessary for the functioning of the Model;
- collect, process and store information relevant to the functioning of the Model;

- verify that records of information concerning compliance with the Model are kept, in order to provide evidence of the effective functioning of the Model;
- arrange whatever is necessary so that each record is and remains legible and can be easily identified and traced;
- verify the adequacy of the documented procedure prepared by the Company to establish the necessary methods for the identification, storage, protection, retrieval, storage duration and disposal of the aforementioned records;
- coordinate with the other corporate functions in order to control the Areas and, within these, the Sensitive Activities. Of all the requests, consultations and meetings between the SB and the other company functions, the SB is obliged to prepare appropriate documentary evidence or minutes of meetings. This documentation shall be kept at the seat of the SB itself;
- examine any reports from other corporate bodies, from Third Parties or from Company personnel and conduct the necessary internal investigations to ascertain alleged violations of the provisions of the Model;
- verify that the provisions contained in the Special Part of the Model and in the Annexes are adequate with the provisions of the Decree, proposing to the Board of Directors, if not, an update of the provisions themselves;
- verify, in the event that a violation of the Model is ascertained, the implementation of sanctioning mechanisms against those responsible for the violation, as better described in section 8;
- periodically verify, with the support of the other competent functions, the validity of appropriate standard clauses aimed at ensuring compliance by personnel and/or Third Parties with the provisions of Legislative Decree no. 231/01;
- indicate to the Board of Directors, where it finds deficiencies in practice, any necessary additions.

For the performance of its tasks, the Supervisory Board is vested with the power to request all necessary and appropriate documentation and information. In the performance of its duties, the Supervisory Board is obliged to process personal data collected in the performance of its activities in full compliance with the applicable legislation on the protection of personal data and in accordance with any instructions on the processing of personal data issued by the Company.

If it emerges that the implementation of procedures is deficient in operations, it will be up to the SB to take all necessary initiatives to correct this condition. Considering the functions of the SB and the specific professional content it requires, in carrying out its supervisory and control activities, the SB may be supported by a dedicated staff (used, also on a part-time basis, for such specific tasks); the SB may also avail itself of the support of the other functions of the Company that, from time to time, it may be necessary to call upon for the effective implementation of the Model.

In particular, the Supervisory Board must coordinate with the competent functions within the Company for the specific profiles.

In cases requiring activities that require professional specialisations not present within the Company or the Supervisory Board, the latter - to which the power and responsibility for supervising the functioning of and compliance with the Model and its updating shall always refer - if it deems it appropriate, has the right to make use of external consultants, to whom it delegates predefined areas of investigation. Consultants must, in any case, always report the results of their work to the SB.

The consultants external to the Company whom, if any, the Supervisory Board deems it appropriate to use, shall meet the requirements of autonomy, independence, professionalism, continuity of action and shall not incur in any of the causes of ineligibility laid down for members of the Supervisory Board.

6.3 Reporting by the Supervisory Board to the Corporate Bodies

The Supervisory Board has the task of informing the corporate bodies along the following *reporting* lines:

- the first, on an ongoing basis, directly to the Managing Director;
- the second, on a periodical basis, to the Board of Directors and the Board of Auditors. Every six months, the Supervisory Board transmits to the Board of Directors and the Board of Auditors a written report on the implementation of the Model at the Company.

Notwithstanding the above, the Supervisory Board may be convened at any time by the aforementioned bodies or may, in turn, submit a request to that effect, to report on the functioning of the Model or on specific situations.

6.4 Reporting to the Supervisory Board by the Addressees of the Model -Procedures for reporting and safeguards (*whistleblowing*)

The correct and efficient performance of its functions by the Supervisory Board is based on the availability to it of all information relating to Sensitive Activities, as well as of all data concerning conduct potentially functional to the commission of an offence.

For this reason, it is necessary that the Supervisory Board has access to all the Company's data and information, that it is the recipient of all reports and that it is informed of all acts coming from the judicial authorities.

With specific reference to Senior Executives and Subordinates, it should be borne in mind that the obligation to report to the Supervisory Board, in addition to reflecting the general duties of loyalty, fairness and good faith in the performance of the employment and/or service relationship, constitutes an important specification of the principles of the Code of Ethics.

6.4.1 Reports by Addressees of a general nature

The Addressees must promptly inform the Supervisory Board about offences that they in good faith consider highly probable to have occurred and that are relevant for the purposes of the Decree, or about violations of the Model and/or the Code of Ethics of which they have become aware due to or in the performance of their duties, as better described in the Model.

6.4.2 *Ways* of reporting (*whistleblowing*)

Reports must be made in accordance with the provisions of the Model and/or the specific *whistleblowing* procedure that may have been adopted by the Company.

It is expected that in most cases one's hierarchical contact person will be able to solve the problem informally. To this end, the hierarchical contact persons must consider all concerns raised seriously and comprehensively and, where necessary, seek advice from the Supervisory Board.

If the reporting person feels uncomfortable reporting to the above-mentioned entities, the reporting person may send a report through one of the channels indicated below.

For the purposes of this paragraph, the report must have the following characteristics:

- description of the matter with all relevant details (e.g. the incident, the type of behaviour, the date and place of the incident and the parties involved);
- indication of whether the event has occurred, is occurring or is likely to occur;
- indication of how the reporter became aware of the fact/situation;
- further information deemed relevant by the reporter;
- whether the reporter has already raised the issue with someone else and, if so, with which function or manager;
- the specific function or direction in which the conduct occurred suspicion.

Where possible and not contraindicated, the reporter should also provide his or her name and contact information. The non-anonymous reporting procedure should be preferred, due to the greater ease of establishing the violation.

In any case, anonymous whistleblowers are requested to provide all the above information and, in any case, sufficient information to allow a proper investigation.

Without prejudice to the foregoing, the disclosure of information and/or news covered by corporate, professional, scientific and industrial secrecy[8] constitutes just cause when the reporter discloses such information and/or news in the manner set out in this paragraph in order to protect the integrity of the Company as well as to prevent and repress possible misconduct.

Reports of conduct that does not comply with the Model may also be made through a dedicated communication channel, enabling the Supervisory Board to gather relevant information with respect to the commission or risk of commission of offences.

In this sense, any Addressee who becomes aware of a violation or alleged violation of the Model or the Code of Ethics may refer to it:

- to the e-mail address of the Supervisory Board, i.e. odv@disaronno.it
- send a letter addressed to the Supervisory Board of the Company

6.4.3 Protection of the reporter

The reporting protection system is considered to be a fundamental tool for enforcing effective crime risk prevention system.

[8] Reference is made in particular to the obligations under Articles 326, 622 and 623 of the Criminal Code and Article 2105 of the Civil Code.

Therefore, anyone intervening, directly and/or indirectly, in the process of handling the report is required to comply with the following measures to protect the reporter:

- has a duty to act by taking all necessary precautions to ensure that whistleblowers are protected against any and all forms of retaliation, discrimination and/or penalisation, whether direct or indirect, for reasons connected, directly or indirectly, with the report made;
- has an obligation to ensure absolute confidentiality and anonymity - if any - of the identity of the reporting person;
- has an obligation to ensure the confidentiality and secrecy of the information and documents acquired, without prejudice, in the event of a finding that the report is well-founded, to the obligations of disclosure in favour of the functions competent to initiate any disciplinary procedures.

Furthermore, anyone who reports a breach of the Decree or of the Model, even if it does not constitute an offence, must not be in any way disadvantaged by this action, regardless of whether or not his report turns out to be well-founded. Anyone who, in his or her capacity as a whistleblower, believes that he or she has been subjected to direct or indirect retaliatory or discriminatory acts for reasons connected, directly or indirectly, to the report made must report the abuse to the Supervisory Board.

Violation of the provisions of this paragraph shall entail, as the case may be, the imposition of disciplinary sanctions and/or the application of the other measures provided for in paragraph 8 of the General Section of the Model.

In any case, anyone who makes a report that turns out to be unfounded with malice or gross negligence shall not be entitled to the protections offered by the system described herein and shall be subject, as the case may be, to disciplinary sanctions and/or the other measures provided for in paragraph 8 of the General Section of the Model.

6.4.4 Obligations of the Supervisory Board vis à vis reports

In the event that the Supervisory Board receives a report in the terms described in the preceding paragraphs, the Supervisory Board must:

- carefully examine the report received, acquiring the documentation and information necessary for the investigation - also through the involvement of other Key Persons or Subordinates;
- inform any persons involved in the investigation of the confidentiality of the report, warning them against disclosing information about the investigation to third parties;
- draw up a report, both in the event that the report proves to be unfounded and in the event that the report proves to be well-founded;
- ensure the archiving of the file, which will contain the documents acquired and the minutes.

6.4.5 Additional information obligations towards the Supervisory Board

Notwithstanding the foregoing, the Addressees and all Third Parties must obligatorily transmit to the e-mail address of the Supervisory Board

- all the information required by the Model in favour of the Supervisory Board;
- measures and/or news of the Judicial Police and/or of the Judicial Authority, or of any other authority, from which it can be inferred that investigations are being carried out, even against unknown persons, for the offences referred to in the Decree that may involve the Company and/or its staff and/or, where known, the Company's external collaborators;
- requests for legal assistance made by employees of the Company, whether managers or not, in the event of legal proceedings being initiated against them for offences under the Decree;
- all information concerning the application of the Model, with particular reference to disciplinary proceedings concluded or in progress and any sanctions imposed or measures taken to dismiss such proceedings, together with the reasons therefor;
- decisions relating to the application for, disbursement and use of public funds.

The Supervisory Board, should it deem it appropriate, may propose to the Board of Directors any amendments to the above-mentioned list of disclosures.

6.5 Information gathering and storage

Any information or report provided for in the Model is kept by the Supervisory Board in a special paper and/or computer file.

The verification activities of the Supervisory Board are recorded in a special book.

Without prejudice to the legitimate orders of the Authorities, the data and information stored in the archive, as well as the Book, are only made available to persons outside the Supervisory Board (Administrative and Control Bodies or third parties) with the prior authorisation of the Supervisory Board itself.

7. CODE OF ETHICS, ETHICAL PRINCIPLES AND RULES OF CONDUCT

The Company has always operated with integrity, in compliance not only with the laws and regulations in force, but also with the moral values that are considered inalienable by those whose ultimate goal is to act always and in any case with fairness, honesty, respect for the dignity of others, in the absence of any discrimination of persons based on gender, race, language, personal conditions and religious and political beliefs.

In this perspective, the Company adheres to the principles set out in Legislative Decree no. 231/01 through the adoption of the Model, of which the Code of Ethics, which is attached to the Model as Annex (b) of the General Section, is an integral part.

The adoption of ethical principles relevant to the prevention of offences under Legislative Decree 231/2001 is an essential element of the preventive control system. These principles find their natural place in the Code of Ethics and contribute to:

- ensuring a high standard of in-house professionalism;
- ensuring respect for corporate values;
- prohibiting conduct that is in conflict with regulatory requirements and with the values and principles that the Company intends to promote;

- creating a corporate identity that recognises itself in these values and principles.

The Code of Ethics, therefore, highlights the most important rights and duties in the performance of the functions of those who, in any capacity, work in the Company or in its interest.

The observance of the Code of Ethics and the respect of its contents are required indiscriminately from: directors, auditors, managers, employees, consultants, suppliers, business *partners,* as well as all those who are bound by a relationship of collaboration and all stakeholders, and in particular with the workers entrusted with the production of semi-finished and finished products.

It is understood that, in the event of a conflict between the provisions contained in the Code of Ethics and the prescriptions of the Model, the prescriptions and *Policies* and Practices described in the Model, where more restrictive, shall prevail.

8. DISCIPLINARY SYSTEM AND MEASURES IN THE EVENT OF NON-COMPLIANCE WITH THE PROVISIONS OF THE MODEL

Violation of the provisions of the Model, the Code of Ethics, the procedures contained therein and in its Annexes, the company protocols and their updates may, in itself, compromise the relationship of trust existing between the Company and employees and/or Third Parties.

In fact, Article 6(2)(e) of Legislative Decree No. 231/01 provides that organisation and management models must '*introduce a disciplinary system capable of penalising non-compliance with the measures indicated in the model*'.

This disciplinary system applies - to the extent relevant for the purposes of the Decree - to all those who are bound by a contractual relationship of any nature with the Company, and in particular to members of the Board of Directors, members of any supervisory or control bodies, employees and collaborators and third parties working on behalf of the Company.

The disciplinary system is subject to constant verification and evaluation by the Supervisory Board with the support of the competent corporate functions, also with reference to the dissemination of the disciplinary code and the adoption of appropriate means of publicising it to all persons required to apply the provisions contained therein.

Accordingly, the regulation of the disciplinary system and the measures that apply in the event of non-compliance with the provisions of the Model and the annexed Code of Ethics is set out below.

The application of disciplinary sanctions is irrespective of the outcome of any criminal proceedings, since the rules of conduct established by the Model are adopted by the Company in full autonomy and independently of the type of offence that breaches of the Model, of the procedures contained therein and in its annexes, of the Code of Ethics, of the protocols and corporate *policies* and their updates may determine.

Any sanctions imposed must, however, always be adopted in compliance with the principle of proportionality of sanctions.

Since each violation materialises according to peculiar and often unrepeatable aspects, it was considered appropriate to identify - in the light of the provisions of Article 133 of the criminal code - certain parameters that can objectively guide the application of sanctions - in compliance with the aforementioned principle of proportionality - in the event of violation of the Model and/or the Code of Ethics.

The following parameters must be considered when assessing the sanction to be applied:

- existence and relevance - also externally - of the negative consequences for the Company resulting from the violation of the Model and/or the Code of Ethics;
- intentionality of the conduct and degree of negligence, recklessness or inexperience also with regard to the foreseeability of the event;
- nature, kind, means, object, time, place and any other manner of action;
- seriousness of the damage or danger caused to the Company;
- multiple violations and repetition of violations by those who have already been sanctioned;
- type of relationship established with the person committing the breach (collaborative relationship, consultancy relationship, white-collar type employment, managerial type employment, etc.);
- job duties and/or functional position of the person who violates the Model;
- other special circumstances accompanying the disciplinary offence.

Accordingly, the regulation of the disciplinary system and the measures that apply in the event of non-compliance with the provisions of the Model and the Code of Ethics are described herein.

8.1 Sanctions for employees

8.1.1 Employees in non-management positions

Conduct by non-managerial employees in violation of the rules contained in the Code of Ethics, in this Model, in the procedures contained therein and in its annexes, in the company protocols and *policies* and in their updates, have disciplinary relevance.

With reference to the type of sanctions that may be imposed on these employees, they are provided for in the National Collective Labour Agreement applied by the Company and will be - where applicable - imposed in compliance with the procedures provided for in Article 7 of Law No. 300/1970 (hereinafter, for brevity, '*Workers' Statute*').

Violation by employees of the provisions of this Model, of the Code of Ethics, as well as of the company protocols and *policies* may give rise, depending on the seriousness of the violation, to the adoption, after carrying out the procedure laid down by law and by collective contractual provisions, of measures that are established in application of the principles of proportionality, as well as of the criteria of correlation between the violation and the sanction and, in any case, in compliance with the form and methods provided for by the regulations in force.

The disciplinary measures applicable to non-managerial employees, in ascending order of severity, consist, purely by way of example and without prejudice to the provisions of the CCNL applicable to the Company in:

- **(i) VERBAL WARNING, (ii) WRITTEN WARNING, (iii) FINE NOT EXCEEDING THREE HOURS' PAY, (iv) SUSPENSION FROM WORK AND PAY FOR UP TO A MAXIMUM OF THREE DAYS, (iv) DISMISSAL WITH NOTICE** the employee who:

  a) does not comply with the procedures laid down in the Model, its annexes and corporate protocols (including, purely by way of example, the obligation to inform, notify and report to the Supervisory Board, the obligation to fill in the periodic declarations prescribed for the purpose of monitoring the effectiveness of the Model, the obligation to carry out the prescribed checks, etc.) and/or does not comply with the procedures that, from time to time, will be implemented by the Company, following any updates and additions to the Model that will be duly notified;

  b) adopts, in the performance of Sensitive Activities (as defined in the Special Part of the Model), a conduct that does not comply with the prescriptions of the Model and its annexes, company protocols and related updates.

Verbal warning and written reprimand will be applied for minor offences and fine, suspension and dismissal with notice for major ones, all according to a principle of proportionality to be assessed on a case-by-case basis:

- An employee incurs the measure of **DISMISSAL WITHOUT NOTICE** if:

  a) is a repeat offender in the offences referred to in section 1) above and in respect of whom the relevant sanction has already been imposed;

  b) does not comply with the procedures prescribed by the Model and its annexes, the company protocols and their updates, adopts, in the performance of Sensitive Activities, a conduct that does not comply with the prescriptions contained in these documents, and his conduct is so serious as not to allow the continuation, even temporarily, of the relationship.

The Supervisory Board will monitor the application and effectiveness of the disciplinary system described herein.

Disciplinary measures are imposed, in compliance with the procedural and substantive rules in force, by the Functions empowered to do so by virtue of specifically assigned powers, also upon request or report by the Supervisory Board, after consulting the competent corporate function.

The concrete measure of the sanction, in compliance with the provisions of the C.C.N.L. in force, shall be determined taking into account the nature and intensity of the breach, the possible repetition of the breach itself, as well as the reliability, validity and relevance of the justifications submitted by the person concerned.

The employer may not take any disciplinary action against the employee without first notifying him of the charge and hearing his defence.

Except in the case of a verbal warning, the reprimand must be in writing and disciplinary measures may not be imposed before eight days have elapsed, during which the employee may present his justification.

If the measure is not imposed within eight days of such justifications, they shall be deemed to have been accepted.

The employee may also present his justifications verbally, with the possible assistance of a

representative of the trade union association to which he belongs, or of a member of the unitary trade union representation.

The imposition of the measure must be justified and communicated in writing.

The above disciplinary measures may be appealed in accordance with the regulations in force.

8.1.2 Executives

In the case of:

a) violation of the provisions of the Model and its annexes, of the Code of Ethics, as well as of company protocols and/or procedures (which will be implemented by the Company from time to time following any updates and additions and duly communicated),

b) adoption, in the performance of Sensitive Activities (as defined in the Special Section of the Model), of a conduct that does not comply with the prescriptions of the above-mentioned documents,

the relevant measures of a disciplinary nature to be adopted shall be assessed in accordance with the provisions of this disciplinary system also in the light of the special relationship of trust that binds the management profiles and, in any case, in compliance with the applicable CCNL.

If a disciplinary sanction is applied to an employee who also has powers of attorney, the Board of Directors may consider whether to also apply the further measure of revocation of the power of attorney and/or delegation of authority.

The same sanctions shall also apply where, through inexperience or negligence, the manager has prevented or not facilitated the discovery of violations of the Model or, in the most serious cases, the commission of offences relevant for the purposes of the Decree, as well as where he/she has failed to supervise, by reason of his/her professional skills and hierarchical and functional powers corresponding to the nature of his/her office, the compliance of his/her staff with the provisions of the law, this Model and the Code of Ethics.

8.2 Measures against Directors

In the event of a breach of the Code of Ethics, of the Model of company protocols and their updates, as well as of company procedures and *policies* by one or more of the directors, the Supervisory Board shall promptly inform the Shareholders' Meeting, through the Board of Statutory Auditors, which shall take the appropriate initiatives provided for by the applicable legislation. The possible sanctions applicable to directors may consist, depending on the seriousness of the conduct, in:

- written censure on the record,
- suspension of remuneration,
- removal from office for just cause by the Assembly.

The same sanctions shall also apply where, through inexperience or negligence, the directors have prevented or not facilitated the discovery of violations of the Model or, in the most serious cases, the commission of offences relevant for the purposes of the Decree, as well as where they have failed to supervise, in particular with reference to any delegated powers, the compliance of

company personnel with the law, this Model and the Code of Ethics.

Supervision by the directors over the activities of the persons subject to their direction and supervision, within the scope of the provisions and duties laid down in the Civil Code, is mainly carried out through the verification and control systems provided for in this Model.

The director and/or directors, who are accused of violating the provisions of the Model and/or the Code of Ethics, have the right to present their defence in a timely manner before the above measures are taken.

In the event that one or more of the Directors, alleged to be perpetrators of the offence from which the administrative liability of the Company derives, are committed for trial, the Chairman of the Board of Directors or one of the other Directors shall proceed to convene the Shareholders' Meeting to resolve on the revocation of the mandate.

8.3 Measures against the Board of Auditors

In the event of concurrence in the breach of this Model by one or more members of the Board of Statutory Auditors, the Supervisory Board shall inform the Board of Directors, which shall take the initiatives deemed most appropriate, including convening the Shareholders' Meeting where deemed necessary, for appropriate measures. In this regard, reference is made to the applicable provisions of the Civil Code.

8.4 Measures against Third Parties

Any conduct adopted by Third Parties (commercial and financial *partners*, consultants, collaborators in any capacity, including casual ones, trainees, interns, agents, customers and suppliers, and, in general, anyone who has professional or contractual relations with the Company) in conflict with the principles, procedures the lines of conduct indicated in the Code of Ethics or in the Model and its annexes, gives rise to the right for the Company, in accordance with the provisions of the specific contractual clauses, to immediately terminate the existing relationship with the Third Parties and to request, if the conditions are met, compensation for damages suffered.

8.5 Measures in cases of breaches of reporting requirements (whistleblowing)

By reason of the provisions of paragraph *2-bis,* of Article 6 of Legislative Decree no. 231/01, in the event that the measures for the protection of the reporter provided for in paragraph 6.4.3 of this Model are breached and/or in the event that unfounded reports are made, with wilful misconduct or gross negligence, by:

1) employees in non-management positions: the disciplinary sanctions set out in section 8.1.1 shall apply;
2) Managers: the disciplinary sanctions provided for in paragraph 8.1.2 shall apply;
3) Directors: the provisions of Section 8.2 shall apply;
4) the Board of Auditors: the provisions of Section 8.3 shall apply;

5) Third Parties: the contractual remedies provided for in Section 8.4 shall apply;

6) the members of the Supervisory Board: the measures laid down in the paragraph 6.1 shall apply.

9. CONFIRMATION OF THE APPLICATION AND ADEQUACY OF THE MODEL AND PERIODIC AUDITS

The Company has an organisational system that is adequately formalised and rigorous in the allocation of responsibilities, lines of hierarchical dependence and punctual description of roles, with the assignment of authorisation and signature powers consistent with the responsibilities defined, as well as with the provision of control mechanisms based on functional counterparts and separation of duties.

The Company avails itself, particularly in the area of non-outsourced financial management, of an efficient information system, characterised by standardised automated procedures or consolidated practices capable of allowing each operation to be adequately supported in terms of documentation, so as to be able to proceed, at any time, to the execution of controls that identify the genesis, purposes and motivations of the operation being examined, with identification of the complete cycle of authorisation, registration and verification of the correctness and legitimacy of the operation itself.

The Model, as pointed out in both the General Section and the Special Section, has also identified a control system aimed at the timely detection of the occurrence and existence of anomalies and critical issues to be managed and cancelled.

In particular, this system is represented by the Company's internal processes thatdescribe its activities, internal organisation, procedures and controls applied in administrative management, with specific regard to financial flows, as well as the special procedures that are applied in the areas relating to cash management, accounting and other areas identified in detail and that guarantee the correctness of the activities carried out.

Lastly, the Model provides for an information system, linked to a coherent training programme, which makes it possible to reach all those who work, in any capacity, for the Company.

Without prejudice to the foregoing, in order to verify the effectiveness and concrete implementation of the Model, it is necessary to carry out a periodic verification of its actual functioning in the manner to be established by the Supervisory Board.

Lastly, the Company shall carefully analyse all the information and reports received by the Supervisory Board concerning the implementation of the Model in the performance of Sensitive Activities, the actions taken by the Supervisory Board or other competent persons, the situations deemed at risk of offences being committed, and the awareness of the recipients of the Model with regard to its purposes and the provisions contained therein, by means of interviews that may also be carried out on a sample basis.

10. ADOPTION, AMENDMENTS AND ADDITIONS TO THE MODEL

Since the Model is an "*act of issuance by the management body*" (in accordance with the provisions of Article 6, paragraph 1, letter a) of Legislative Decree no. 231/01), its adoption, as well as any subsequent amendments and additions that may become necessary due to the Company's requirements or to regulatory adjustments, are the responsibility of the Board of Directors.

In particular, the Board of Directors, also upon proposal and with the assistance of the Supervisory Board, is called upon to supplement the General Section, the Special Section of the Model and the Annexes with other types of offences that, as a result of new legislation or any subsequent decisions, needs or activities of the Company, may be deemed relevant.

This activity will also aim to ensure that no amending measures are introduced
that could counteract or diminish the effectiveness of the Model.

In particular, the Supervisory Board has the task of proposing amendments or additions to the Model consisting of, *inter alia*, the:

i) introduction of new procedures and controls, as well as new control measures in the event that *policies* and Practices prove to be no longer sufficient to monitor sensitive Areas and Activities;

ii) revision of the corporate and company documents formalising the allocation of responsibilities and tasks to the positions in charge of 'sensitive' organisational structures or, in any case, playing a pivotal role within sensitive Areas and Activities;

iii) introduction of further controls of sensitive activities, with formalisation of the improvement initiatives undertaken in specific procedures;

iv) highlighting the need to integrate rules of a general nature;

v) updating of the Annexes to the Special Part in consideration of new offences included in Legislative Decree no. 231/01 or new *business* activities being undertaken by the Company.

11. DISSEMINATION AND TRAINING

11.1 Dissemination of the Model within the Company

The Company, in coordination with the Supervisory Board, promotes suitable initiatives for the dissemination of the Model for its widespread knowledge and application within the Company.

To this end, the Company, in close cooperation with the Supervisory Board and any functions concerned, will define specific information and ensure the dissemination of the contents of the Model within the Company.

Notice of the adoption of the Model is made public in an appropriate manner.

The company publishes the Model on the company intranet and informs employees by means of a periodic *reminder.*

11.2 Dissemination of the Model and information to Third Parties

The Company also promotes knowledge of and compliance with the Model and/or the principles of the Model and the Code of Ethics among Third Parties.

To this end, the Company, in close cooperation with the Supervisory Board and any functions concerned, shall define specific information and take care of the dissemination of the principles of the Model and the Code of Ethics to Third Parties, given that they too are required to behave in compliance with the regulations and in such a way as not to entail or induce a violation of the Model and the Code of Ethics by the Company.

The Company, upon proposal of the Supervisory Board, may also:

a) provide Third Parties with adequate information on the requirements set out in the Model;

b) include in contracts with Third Parties contractual clauses aimed at ensuring compliance with the principles of the Model and the Code of Ethics also on their part.

In particular, in the latter respect, the Company may be expressly granted the right to terminate the contract in the event of conduct by Third Parties in breach of the principles of the Model or the Code of Ethics that lead the Company to violate the provisions of the Model.

11.2.1 Reporting to the Supervisory Board by Third Parties

Third Parties are required to inform the Supervisory Board immediately if they receive, directly or indirectly, a request in violation of the Model or become aware of any of the circumstances listed in paragraph 6.4.2.

The report is made directly to the Supervisory Board, either by sending an e-mail to odv@disaronno.it or by sending a letter addressed to the Company's Supervisory Board at its registered office.

The Company warrants to Third Parties that they shall not suffer any consequences as a result of their possible reporting activity and that, in no way, shall this prejudice the continuation of the existing contractual relationship.

11.3 Training courses

For the effective functioning of the Model, the training of the Senior Management and Subordinates is managed by the Company in close cooperation with the Supervisory Board.

The training courses cover the Model, the Code of Ethics and other topics that may be relevant for the purposes of the Decree.

Attendance at training courses is monitored through attendance systems.

Depending on the type of training, participants may be administered tests to assess the degree of learning achieved and to guide further training interventions.

Participation in training courses is mandatory for all personnel working for the Company. This obligation constitutes a fundamental rule of this Model, the violation of which is linked to the sanctions provided for in the disciplinary system.

Finally, the Company guarantees training in the event of changes and/or updates to the Model and/or the provisions of the Decree in the context of training activities.

ANNEXES GENERAL PART

(a) Predicate offences and related penalties

(b) Code of Ethics