

**Model of Organization, Management
and Control pursuant to Legislative Decree No.
231/01**

by



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1. DEFINITIONS

- "CASTELLO ITALIA S.p.A. " or "The Company": CASTELLO ITALIA S.p.A.;
- "CCNL": National Collective Labour Agreement currently in force and applied by CASTELLO ITALIA S.p.A.;
- "Code of Conduct": code of ethics adopted by CASTELLO ITALIA S.p.A.;
- "Consultants": those who act in the name and/or on behalf of CASTELLO ITALIA S.p.A.; on the basis of a mandate or other collaboration relationship;
- "Legislative Decree 231/2001" or "Decree": Legislative Decree 231 of 8 June 2001 and subsequent amendments;
- "Recipients": Employees, Consultants, Partners, Service Companies, Corporate Bodies and any other collaborators in any form of CASTELLO ITALIA S.p.A.;
- "Senior management": persons who hold positions of representation, administration or management of the Company or one of its units with financial and functional autonomy, as well as persons who exercise, even de facto, the management and control of the Company.
- "Subordinates": persons subject to the management or supervision of one of the Senior Managers and therefore, in essence, all persons who have an employment relationship with the Company.
- "Employee" or "Employees": all employees of CASTELLO ITALIA S.p.A.; (including executives);
- "Guidelines": the Guidelines for the construction of organisation, management and control models *pursuant to* Legislative Decree 231/2001 approved by Confindustria on 7 March 2002 and subsequent updates;
- "Models" or "Model": the models or the model of organisation, management and control provided for by Legislative Decree 231/2001 or the present model of organisation, management and control prepared for the purpose of preventing offences pursuant to Articles 6 and 7 of the Decree, in addition to the organisational and control instruments in force at the Company (Code of Ethics, Operational Provisions, service orders, organisation charts, powers of attorney, manual operational delegations, mapping of the risks of crime);
- "Sensitive Transaction": transaction or act that is part of the Sensitive Processes and may be of a commercial, financial, technical-political or corporate lobbying nature (with regard to the latter category, examples are: capital reductions, mergers,

demergers, transactions on the shares of the parent company, contributions, returns to shareholders, etc.);

- "Corporate Bodies": the members of the Board of Directors and the Board of Statutory Auditors of CASTELLO ITALIA S.p.A.;
- "Supervisory Body" or "SB": internal body responsible for supervising the functioning and observance of the Model and its updating;
- "P.A." or "PA": the Italian and/or foreign Public Administration, including the relevant officials and persons in charge of a public service;
- "Partners": contractual counterparties of CASTELLO ITALIA S.p.A. such as suppliers, agents, commercial partners, occasional and permanent resellers, both natural and legal persons, with whom the Company enters into any form of contractually regulated collaboration (purchase and transfer of goods and services, Temporary Business Association, joint ventures, consortia, etc.), when destined to cooperate with the Company in the context of Sensitive Processes;
- "Sensitive Processes" or "sensitive processes": activities of CASTELLO ITALIA S.p.A. in which the risk of commission of Offences occurs;
- "Offence" or "Offences": the individual offence or offences to which the provisions of Legislative Decree 231/2001 and subsequent amendments and additions apply;
- "Rules and General Principles": the rules and general principles set out in this Model;
- "Service companies": third party companies that provide services to CASTELLO ITALIA S.p.A..

2. INTRODUCTIVE NOTE TO THE EX MODEL D.LGS. 231/01 VERSION 2019

As a result of changes in the organisation and the introduction of new types of offence from which administrative liability derives pursuant to Legislative Decree 231/01, in December 2018 the Company, at the instigation of its Supervisory and Control Body, carried out a documentary analysis of the model pursuant to Legislative Decree 231/01.

As a result, it emerged that the structure and contents of the model should have been updated to provide the necessary organisational, jurisprudential and regulatory updates.

The company has therefore decided to proceed with a new mapping of sensitive processes and the relative analysis of the risks of all predicate offences pursuant to Legislative Decree 231/01, giving rise to a total revision of the model pursuant to Legislative Decree 231/01, which is updated to the most recent organizational and regulatory structure.

3. LEGISLATIVE DECREE NO. 231/2001 AND THE RELEVANT LEGISLATION

On June 8, 2001, in execution of the delegation of power pursuant to art. 11 of Law no. 300 of September 29, 2000, Legislative Decree no. 231/2001 was issued, which entered into force on July 4, 2001, with the aim of adapting the internal regulations on the liability of legal persons to certain international conventions to which Italy has already adhered for some time¹.

The D.lgs. 231/2001, containing the "*Regulation on the administrative liability of legal persons, companies and associations, including those without legal personality*", introduced for the first time in Italy the criminal² liability of entities for certain crimes committed, in the interest or to the advantage of the same, by persons who hold positions of representation, administration or management of the entity or one of its organizational units with financial and functional autonomy, as well as by persons who exercise, even de facto, the management and control of the same and, finally, by persons subject to the management or supervision of one of the persons mentioned above. This liability shall be additional to that of the natural person who actually carried out the act.

The new liability introduced by Legislative Decree 231/2001 aims to involve in the punishment of certain criminal offences the assets of entities that have benefited from the commission of the offence. For all the offences committed, a **pecuniary sanction is** always applied, calculated in quotas (not less than one hundred nor more than one thousand, except for the existence of mitigating and aggravating circumstances, specifically identified in Legislative Decree 231/2001), each of which ranges from a minimum of Euro 258 to a maximum of Euro 1,549 (specifically identified on the basis of the economic and asset conditions of the entity and the effectiveness of the sanction).

¹ The law delegates 29 September 2000, n. 300 ratifies and implements various international acts, drawn up on the basis of the Treaty of the European Union, including:

- the Convention on the protection of the European Community's financial interests (Brussels, 26 July 1995);
- the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union (Brussels, 26 May 1997);
- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Paris, 17 December 1997).

² The nature of the new type of liability introduced into our legal system by Legislative Decree no. 231/2001 has been the subject of wide debate: the rented nature of the sanctions that can be imposed on the entity, the fact that this responsibility derives from the commission of an offence and is ascertained in the context of a criminal trial against the material author of the offence, reinforce the opinion of those who maintain that it is a "semi-penal" responsibility or "a tertium genus that combines the essential features of the criminal and administrative systems in an attempt to reconcile the reasons for preventive effectiveness with those, even more unavoidable, of the maximum guarantee" (Explanatory Report).

Court of Cassation, n. 3615 of 20 December 2005 "Despite the "nomen iuris", the new responsibility, nominally administrative, conceals its substantially criminal nature; perhaps concealed in order not to open delicate conflicts with the personalistic dogmas of the criminal imputation, of constitutional rank (Art. 27 of the Constitution); interpreted in a reductive sense, as a prohibition of responsibility for the actions of others, or in a more varied way, as a prohibition of responsibility for innocent actions.

For some of the alleged offences, **disqualification measures** are also provided for, such as disqualification from carrying out the activity, suspension or revocation of authorisations, licences or concessions functional to the commission of the offence, prohibition of contracting with the Public Administration, exclusion or revocation of financing, contributions or subsidies and possible revocation of those already granted, prohibition of advertising goods and services.

Another main mandatory sanction is the **confiscation of the price or profit** of the crime, which is always ordered against the entity with the conviction, except for the part that can be returned to the injured party and without prejudice to the rights acquired by third parties of good faith.

The same can also be carried out "**by equivalent**", i.e. through the ablation of sums of money, goods or other benefits of a value corresponding to the price or profit of the offence.

Finally, in the event of the application of a disqualification sanction, the Judge may order the publication of the sentence against the entity, with costs to be borne by the latter.

For the **disqualification** measures envisaged, if there are serious indications of the existence of the entity's liability and there are well-founded and specific elements of repetition of the commission of the offence, a **precautionary measure** may be applied.

The precautionary measure also concerns **preventive seizure**, which can be ordered on all things that can be confiscated.

Disqualification sanctions are applied only in relation to offences for which they are expressly provided for when at least one of the following conditions is met (art. 13, paragraph 1 of the Decree): (i) the entity has made a *significant profit* from the offence and the offence was committed by *persons in a top management position* or by *persons subject to the direction of others* when, in the latter case, the commission of the offence was determined or facilitated by serious organisational shortcomings; (ii) in the event of *repetition of the offences*.

The sanctions of prohibition of the exercise of the activity, of prohibition of contracting with the public administration and of prohibition of advertising goods or services can be applied - in the most serious cases - definitively (art. 16 of the Decree).

With reference to the **persons involved**, according to the provisions of Legislative Decree 231/2001, the company is liable for crimes committed in its interest or to its advantage:

- i. by "*persons who hold positions of representation, administration or management of the entity or one of its organisational units with financial and functional autonomy, as well as persons who exercise, even de facto, the management and control of the same*" (so-called "persons in a top position"; art. 5, paragraph 1, letter a) of the Decree);

- ii. by persons subject to the management or supervision of persons in a senior position (so-called "persons subject to the management of others", art. 5, paragraph 1, letter b) of the Decree).

By express legislative provision (art. 5, paragraph 2 of the Decree) the entity is not liable if the persons indicated have acted in their own exclusive interest or that of third parties.

In the case of an offence committed by a Senior Person, the entity is not liable if it proves that (art. 6, paragraph 1 of the Decree):

- a) the management body has adopted and effectively implemented, before the offence was committed, organisational and management models suitable for preventing offences of the type that have occurred;
- b) the task of supervising the functioning, effectiveness and observance of the models, as well as their updating, has been entrusted to an internal body with autonomous powers of initiative and control;
- c) the natural persons have committed the offence by fraudulently circumventing the organisation and management models;
- d) there has been no omission or inadequacy of supervision by the body referred to in point (b) above.³

The Decree outlines the content of the **organisation and management models** (art. 6, paragraph 2 of the Decree), providing that they must respond - in relation to the extent of the delegated powers and the risk of committing offences - to the following requirements:

- a) identify the activities within which the Offences may be committed;
- b) prepare specific protocols aimed at planning the formation and implementation of the entity's decisions in relation to the Offences to be prevented;
- c) identify ways of managing financial resources that are suitable to prevent the commission of the Offences;
- d) prescribe obligations to provide information to the body responsible for supervising the functioning of and compliance with the organisational model;
- e) introduce a disciplinary system suitable for sanctioning non-compliance with the measures indicated in the organisational model.

³ The illustrative report of the Decree underlines, in this regard: "*starting from the presumption (empirically founded) that, in the case of an offence committed by a top management, the "subjective" requirement of responsibility of the body [i.e. the so-called "organisational fault" of the body] is satisfied, since the top management expresses and represents the body's policy; if this does not happen, it must be the company that proves its extraneousness and this can only be done by proving the existence of a series of requirements that are competing with each other*".

In the case of an offence committed by persons subject to the direction of others (art. 7 of the Decree), the entity is not liable if it demonstrates that the failure to comply with the obligations of direction or supervision did not contribute to the commission of the offence. In any case, the body's liability is excluded if, prior to the commission of the offence, it has adopted and effectively implemented an organisational, management and control model suitable for preventing the offences of the type that have occurred.

The organisation and management models can be adopted on the basis of codes of conduct drawn up by the associations representing the bodies, communicated to the Ministry of Justice which, in agreement with the competent Ministries, may make observations within 30 days on the suitability of the models to prevent the Offences (art. 6, paragraph 3 of the Decree).

CASTELLO ITALIA S.p.A. intends to comply with the discipline dictated by the Decree with the aim of preventing the commission of the Offences, equipping itself with a Model of organization, management and control, drawing inspiration, in the preparation of the same, from the Guidelines elaborated by Confindustria.

With regard to the offences to which the rules in question apply, these are currently the following cases

- a) Misappropriation of funds, fraud to the detriment of the State or a public body or to obtain public funds and computer fraud to the detriment of the State or a public body (Article 24 of Legislative Decree 231/01);
- b) Computer crimes and unlawful processing of data Article 24-bis of Legislative Decree 231/01 - as amended by: Legislative Decree 7/2016
- c) Organised crime offences (Article 24-ter of Legislative Decree 231/01) updated following the entry into force of Law 62/2014 which amended Article 416-ter of the criminal code "Mafia political electoral exchange" and Law 236/2016;
- d) Bribery, undue induction to give or promise benefits and corruption (Article 25 of Legislative Decree 231/01, updated following the entry into force of Law 190/2012 which amended the heading and paragraph 3 of Article 25 of Legislative Decree 231/01 known as "extortion by induction" and Law 09.01.2019 no. 3 introduces the crime of "trafficking in illicit influences" pursuant to Article 346-bis of the Criminal Code).)
- e) Counterfeiting of coins, public credit cards, revenue stamps and instruments or identification marks (Article 25-bis of Legislative Decree 231/01) amended by Law 99/2009 and Legislative Decree 125/2016 of 21/06/2016, which amended Articles 453 of the Criminal Code and 461 of the Criminal Code;
- f) Crimes against industry and commerce (Article 25-bis1 of Legislative Decree 231/01);

- g) Corporate Offences and Corruption between Individuals (Article 25-ter of Legislative Decree 231/01) updated following the entry into force of Law 190/2012 which introduced the letter s-bis in paragraph 1 of Article 25-ter of Legislative Decree 231/01 "corruption between Individuals", since the entry into force of Law 69/2015 "Provisions on offences against the public administration, mafia-type associations and false accounting", by the Decree. Legislative Decree 38/2017 of 15/03/2017, which amended the offences relating to bribery among private individuals (abrogation of the concept of *harm*) and indirectly by Law no. 3 of 09.01.2019, which further amended the offences of bribery among private individuals by repealing the prosecution by lawsuit, providing for prosecution *ex officio*;
- h) Crimes for the purposes of terrorism or subversion of the democratic order (Article 25-quater of Legislative Decree 231/01);
- i) Practices of female genital mutilation (Article 25-quater1 Legislative Decree 231/01);
- j) Crimes against the individual (Article 25-quinquies Legislative Decree 231/01) updated by Law 38/2006 and following the entry into force of Legislative Decree 39/2014 "Implementation of Directive 2011/93/EU on combating the sexual abuse and sexual exploitation of children and child pornography" by Law 199/2016 which amended Article. 603-bis of the Criminal Code;
- k) Market abuse (Article 25-sexies of Legislative Decree 231/01);
- l) Manslaughter or serious or very serious injuries committed in violation of the regulations on the protection of health and safety at work (Article 25-septies of Legislative Decree 231/01);
- m) Receiving, laundering and use of money, goods or benefits of illicit origin, as well as self-laundering (Article 25-octies of Legislative Decree 231/01) updated following the entry into force of Law 186/2014 "Provisions on the emergence and return of capital held abroad and to strengthen the fight against tax evasion. Provisions on self-laundering", as amended by Legislative Decree 90 of 25 May 2017;
- n) Copyright infringement offences (Article 25-novies);
- o) Inducement to not make statements or to make false statements to the judicial authority (Article 25-decies of Legislative Decree 231/01);
- p) Environmental crimes (Article 25-undecies of Legislative Decree 231/01) updated following the entry into force of Law 68/2015 "Provisions concerning crimes against the environment, by Legislative Decree 21/2018 which repealed Article. 260 of Legislative Decree no. 152 of 3 April 2006, finding sequential transposition in Article. 452-quaterdecies of the Italian Criminal Code and by Law n. 12 of 11/02/2019 (conversion into law of Decree Law 135 of 14.12.2018) which repeals from 1 January 2019 the waste traceability control system (SISTRI) referred to in Article 188-ter of Legislative Decree 152 of 3 April 2006 and, consequently, Article 260-bis of Legislative Decree 152/2006, which contained various detailed aspects of the SISTRI regulations);

- q) Employment of third-country nationals whose stay is irregular (Article 25-duodecies of Legislative Decree 231/01) introduced by Legislative Decree 109 of 16/07/2012 and amended by Law no. 161 of 17.10.2017);
- r) Racism and Xenophobia (art. 25 terdecies) introduced by Law no. 167 of 20.11.2017, amended by Legislative Decree 21/2018 of 01.03.2018 - "Provisions implementing the principle of delegation of the reserve code in criminal matters", which has made amendments to the Criminal Code and art. 25-terdecies (Racism and xenophobia).
- s) Transactional offences⁴

⁴ This type was introduced by Law no. 146 of 16 March 2006.

4. REFERENCE GUIDELINES

As part of the adaptation of the organisational and corporate structures to the provisions of Legislative Decree 231/2001, or in the preparation of this Model, CASTELLO ITALIA S.p.A. was therefore inspired by the Guidelines drawn up by Confindustria.

The choice was thus made in accordance with and in consideration of the most recent updating of its Guidelines by Confindustria⁵.

In order to be able to provide a useful and adequate tool for the evolving legislation, the Guidelines are, in fact, in a continuous phase of updating.

It is understood that the choice not to adapt the Model to certain indications of the Guidelines does not affect the validity of the same.

The individual Model, in fact, having to be drawn up with reference to the concrete reality of the Company, may well deviate from the Guidelines which, by their very nature, are of a general nature.

The essential characteristics for the construction of a Model are identified by the Guidelines in the following phases:

1. the identification of risks, i.e. the analysis of company structures in order to highlight in which area/sector of activity and according to which methods the types of offences envisaged by the Decree may occur;
2. the design of the control system (so-called protocols), i.e. the evaluation of the existing control system and any adjustment, in order to effectively counteract the risks previously identified.

The components of a system of preventive control against malicious offences, which must be implemented at company level to ensure the effectiveness of the Model, are thus identified by Confindustria:

- a) adoption of a Code of Ethics with reference to the offences considered;
- b) adoption of a formalised and clear organisational system, especially as regards the allocation of responsibilities;
- c) adoption of manual and IT procedures;
- d) adoption of a system of authorisation and signature powers;
- e) adoption of a management control system;
- f) adoption of a system of communication and staff training.

⁵ The update in force as of March 2014 of the reference guidelines for the updating of this Model was deemed by the Ministry "as a whole adequate and suitable for achieving the purpose set out in art. 6, paragraph 3, of Legislative Decree no. 231/2001".

The above components must be inspired by the following principles:

- a) every operation, transaction and action must be verifiable, documented, consistent and appropriate;
- b) no one can manage an entire process autonomously;
- c) the control system must document the performance of the controls.

These principles are discussed in greater detail in the following chapters.

3. the appointment of the Supervisory Body, i.e. the body to which it entrusts the task of supervising the functioning and observance of the Model and ensuring that it is updated;
4. the provision of an autonomous disciplinary system or sanction mechanisms for violations of the rules of the Code of Ethics and the procedures provided for by the Model.

5. MODEL AND CODE OF ETHICS

The rules of conduct contained in this Model are consistent with those of the Code of Ethics adopted by the Company, although this Model has specific purposes in compliance with Legislative Decree 231/2001.

In that respect, in fact:

- the Code of Ethics represents an instrument adopted autonomously and capable of general application by the Company in order to express the principles of "corporate ethics" that the Company recognizes as its own and which requires compliance by all Employees, Corporate Bodies, Consultants and Partners;
- the Model, on the other hand, complies with specific provisions contained in Legislative Decree 231/2001, aimed at preventing the commission of particular types of crimes (for acts which, apparently committed for the benefit of the company, may entail administrative liability as a crime on the basis of the provisions of the Decree itself). The Model dictates the rules and provides for procedures that must be complied with in order to constitute an exemption for the Company for the purposes of liability under Legislative Decree 231/2001.

6. THE MODEL

6.1 THE CONSTRUCTION AND UPDATING OF THE MODEL

In 2015, the company launched an internal project aimed at ensuring the preparation of the Model referred to in art. 6 of the aforementioned Decree.

The preparation of the Model was preceded by a series of preparatory activities divided into different phases and all aimed at building a system of risk prevention and management, in line with the provisions of Legislative Decree 231/2001 and inspired not only by the rules contained therein but also by the Guidelines.

Although the adoption of this Model is an "option" of the entity and not an obligation, the Company has decided to proceed with its preparation and adoption as it is aware that this system represents an opportunity to improve its Organizational Structure, while taking the opportunity of the activity carried out (inventory of Sensitive Processes, analysis of potential risks, evaluation and adaptation of the system of controls already existing on Sensitive Processes) to raise awareness of the resources used with regard to the issues of control of business processes, aimed at a "active" prevention of Offences.

On this occasion, a risk analysis was also carried out with reference to the commission of certain predicate offences considered, at the time of the first drafting of the Model, only theoretically conceivable.

The first draft of the model was approved by resolution of the Board of Directors on 30/07/2015; depending on changes in the corporate organisation and the introduction of new types of offence from which administrative liability derives pursuant to Legislative Decree 231/01, in December 2018 the Company, at the instigation of its Supervisory and Control Body, carried out a documentary analysis of the model pursuant to Legislative Decree 231/01.

As a result, it emerged that the structure and contents of the model should have been updated to provide the necessary organisational, jurisprudential and regulatory updates.

The company has therefore decided to proceed with a new mapping of sensitive processes and the relative analysis of the risks of all the predicate offences pursuant to Legislative Decree 231/01.

The phases and methods for updating were not the same as those that characterized the preparation of the Model, but aimed at mapping processes by making an "assessment" of risk factors in association with activities/processes/business functions and in relation to the existing control system, which can be traced back to the 5 controls also provided for by the guidelines of CONFINDUSTRIA:

1. The existence of *procedures to regulate sensitive activities*;

2. the correct attribution of *powers* to carry out sensitive activities;
3. *segregation* (separation) of controls from operational management;
4. *traceability*, meaning the possibility of verifying at any time the type of interventions and solutions adopted to deal with risks;
5. *monitoring*, i.e. the existence of audit (control) activities by the Supervisory and control body and other bodies.

In addition to carrying out a new mapping of the offences already provided for in the existing model, the 2019 update included analyses relating to the new types of offence from which administrative liability derives pursuant to Legislative Decree 231/01, introduced by law:

- **Law no. 186 of 15 December 2014**, which introduced the offence of self laundering into Article 25-octies of Legislative Decree 231/01 (*Receiving, laundering and using money, goods or benefits of illicit origin, as well as self laundering*):
 - Article 648-ter.1 of the Italian Criminal Code Self-laundering
- **Law no. 68 of 22 May 2015**, concerning "Provisions on crimes against the environment" that:
 - **introduced into the Criminal Code the Title VI-bis**, dedicated to **crimes against the environment**, inserting in the legal system **5 new crimes**;
 - amended article **25-undecies of Legislative Decree no. 231/2001** in order to include **new offences among the predicate offences**:
 - Article 452-bis, Criminal Code, "Environmental pollution";
 - art. 452-quater, Criminal Code, "Environmental Disaster";
 - art. 452-quinquies, Criminal Code, "Culpable crimes against the environment";
 - art. 452-sexies, Criminal Code, "Trafficking and abandonment of high-level radioactivity material";
 - Article 452-octies, Criminal Code, "Aggravating circumstances";
 - has made **amendments to certain predicate offences** already provided for by Article 25-undecies of Legislative Decree 231/01:
 - art. 257, Legislative Decree 152/2006, "Site remediation";
 - art. 260, Legislative Decree 152/2006, "Organised activities for the illicit trafficking of waste";
 - has made **changes to the sanctions for natural persons** with regard to the offences of "International trade in endangered animal and plant species" and "Marketing and keeping of live

specimens of mammals and reptiles that may constitute a danger to public health and safety":

- Article 1(1) and (2) of Law 150/1992;
 - Article 2(1) and (2) of Law 150/1992;
 - Article 6, paragraph 4 of Law 150/1992.
- **Law 27 May 2015 no. 69**, containing "Provisions on crimes against the public administration, mafia-type associations and false accounting" which has:
 - Amendment of Article 25-ter (Corporate Offences) with offences:
 - Article 2621 of the Italian Civil Code False social communications
 - Article 2621-bis of the Italian Civil Code Minor facts
 - Art. 2622 comma False corporate communications of listed companies
 - Amended art. 25 (Bribery, undue induction to give or promise benefit) in the sanctions regime for crimes:
 - Art 317 of the Criminal Code Bribery
 - Article 317 of the Criminal Code Bribery
 - Article 318 of the Criminal Code Corruption for the exercise of the function
 - Article 319 of the Criminal Code Corruption for an act contrary to official duties
 - Article 319-bis of the Criminal Code Aggravating circumstances
 - Article 319-ter of the Criminal Code Corruption in judicial proceedings
 - Article 319-quater of the Criminal Code Undue induction to give or promise benefits
 - Article 320 of the Criminal Code Corruption of a person in charge of a public service
 - Article 321 of the Criminal Code Penalty for the Corrupter
 - Article 322 of the Criminal Code Incitement to corruption
 - Article 322-bis of the Criminal Code Embezzlement, extortion, corruption and incitement to corruption of members of the bodies of the European Communities and officials of the European Communities and foreign states
 - Amended Article 24-ter (Organised crime offences) in the sanctions regime for the crime:
 - Article 416-bis of the Criminal Code (mafia-type associations, including foreign ones)
 - **Legislative Decree no. 7/2016**, which amended and partly decriminalised certain predicate offences in relation to Article 24 bis of Legislative Decree no. 231/01, in particular:

- Art. 485 c.p. (False private contract) (Depenalised by art. 1, Legislative Decree 7/2016)
 - Article 486 of the Criminal Code (False signed sheet in white. Private deed) (Depenalised by art. 1, Legislative Decree 7/2016)
 - Art. 489 c.p. (Use of false deed) (Only paragraph 2 has been removed from Article 2 of Legislative Decree no. 7/2016)
 - Article 490 of the Criminal Code (Deletion, destruction and concealment of true acts) (Amended by art. 2, Legislative Decree 7/2016)
- **Legislative Decree no. 125/2016 of 21/06/2016**, which amended Article 25-bis (Counterfeiting money, public credit cards, revenue stamps and identification instruments or signs - Amendments to articles 453 of the Criminal Code and 461 of the Criminal Code)
 - **Law no. 199 of 29 October 2016**, which amended Article 25-quinquies (Crimes against the individual - Modified Article 603-bis of the Criminal Code) (Illegal intermediation and labour exploitation)
 - **Law no. 236 of 11 December 2016**, which amended Article 24-ter, which made changes to the offence (organ transplantation) Art. 416 c.p.
 - **Legislative Decree no. 38 of 15 March 2017**, which implements the provisions of Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector into national law:
 - *made amendments to Article 2635 of the Civil Code*
 - *introduced Article 2635-bis of the Civil Code*
 - **New anti-money laundering standards under Legislative Decree no. 90 of 25 May 2017**, which implements Directive 2015/849/EU, (published in the Official Gazette General Series no. 140 of 19 June 2017 - Ordinary Supplement No. 28 and in force since 4 July 2017), which no longer meets the anti-money laundering obligations of the members of the Supervisory Board appointed pursuant to Legislative Decree 231/2001, (without prejudice to the general supervision of money laundering prevention and self-money laundering pursuant to Article 25-octies of Legislative Decree 231/2001);
 - **Law no. 161 of 17.10.2017** (Amendments to the Code of Anti-Mafia Laws and Prevention Measures, as per Legislative Decree no. 159 of 6 September 2011, the Criminal Code and the implementing, coordinating and transitional provisions of the Code of Criminal Procedure and other provisions. Delegation to the Government for the protection of employment in seized and confiscated companies) that makes changes to:

Article 25-duodecies of Legislative Decree No 231 of 8 June 2001

(Employment of illegally staying third-country nationals)

- New **ANAC Guidelines**, adopted by Resolution no. 1134/2017 of 8 November 2017, for the implementation of legislation on the prevention of corruption and transparency by companies and bodies governed by private law controlled and participated by public administrations and public economic bodies, which give the Organizational Model, Management and Control pursuant to Legislative Decree 231/2001 a central role in the prevention of corruption.
- **Law no. 20.11.2017 no. 167** (*Provisions for the fulfilment of obligations deriving from Italy's membership of the European Union - European Law 2017*). The measure expands the catalogue of offences underlying the criminal liability of collective bodies. In particular, Article 5, paragraph 2, inserts Article 25-terdecies of Legislative Decree 231/2001, entitled "Racism and Xenophobia".

*"Art. 25-terdecies
(Racism and xenophobia)*

- **Law no. 179 of 30.11.2017**, which introduces **Whistleblowing** and amends article 6 of Legislative Decree no. 231 of 8 June 2001, providing for amendments to the **disciplinary** system and the procedures for information flows to the Supervisory and Control Body:

"2-bis. The models referred to in point a) of the first subparagraph shall provide for:

- a) *one or more channels that allow the persons indicated in article 5, paragraph 1, letters a) and b), to submit, for the protection of the integrity of the entity, detailed reports of unlawful conduct, relevant for the purposes of this decree and based on precise and consistent factual elements, or of violations of the entity's organisation and management model, of which they have become aware by reason of the functions performed; these channels guarantee the **confidentiality of the identity of the reporter** in the activities of managing the report;*
- b) *at least one alternative reporting channel capable of ensuring, **by computerised means, the confidentiality of the identity of the reporter;***
- c) *the **prohibition of retaliatory or discriminatory acts**, direct or indirect, against the **reporter** for reasons directly or indirectly related to the report;*
- d) *in the disciplinary system adopted pursuant to paragraph 2, letter e), sanctions against those who violate the measures to protect*

the whistleblower, as well as those who intentionally or grossly negligently make reports that prove to be unfounded.

- **Legislative Decree 21/2018 of 01.03.2018**

Provisions implementing the principle of delegation of the reserve code in criminal matters, which has made amendments to the Criminal Code and consequently to Legislative Decree 231/01.

Specifically, it made amendments to Article 25-junecies (Environmental offences) -

abrogates Article 260 of Legislative Decree No. 152 of 3 April 2006, finding pedissequent transposition in Article 452-quaterdecies of the Italian Criminal Code - and in Article 25-terdecies (Racism and Xenophobia)

- **Law no. 3 of 09.01.2019**

("Measures to combat offences against the public administration, as well as on the prescription of offences and on the transparency of political parties and movements"). Article 1, paragraph 9 of the law introduces into Article 25 of Legislative Decree 231/01, the new predicate offence relating to "trafficking in illicit influences" pursuant to Article 346-bis of the Italian Criminal Code; it also provides for a tightening of penalties, although accompanied by a new provision aimed at requesting the "procedural cooperation" of the entity, through the introduction of a specific mitigation of the duration of the disqualification sanctions. Important news also on the subject of "bribery between private individuals" because both for article 2635 cc (bribery between private individuals), for article 2635-bis (incitement to bribery between private individuals) the prosecution only by lawsuit is Abrogated, providing for prosecution ex officio.

- **Law no. 12 of 11 February 2019**

(Conversion into Law Decree no. 135 of 14.12.2018) ("Urgent provisions on support and simplification for businesses and public administration"). Article 6 "Provisions on the traceability of environmental data concerning waste" repeals from 1 January 2019 the waste traceability control system (SISTR) referred to in Article 188-ter of Legislative Decree no. 152 of 3 April 2006 and, consequently, Article 260-bis of Legislative Decree no. 152/2006, which contained various detailed aspects of the SISTR regulations (some of which are relevant for the purposes of 231).

- **LAW No 39 of 3 May 2019**

Ratification and implementation of the Council of Europe Convention on the manipulation of sporting competitions, done at Magglingen on 18 September 2014. (19G00046)

(OJ General Series No 113 of 16-05-2019)

Entry into force of the measure: 17/05/2019

Art. 5

Offences relating to fraud in sporting competitions, abusive exercise and games of chance exercised by means of a Prohibited devices

1. The following shall be inserted after Article 25-terdecies of Legislative Decree No 231 of 8 June 2001:

"Art. 25-quaterdecies (Fraud in sporting competitions, abusive gambling or betting and gambling by means of prohibited devices). –

1. In relation to the commission of the offences referred to in Articles 1 and 4 of Law no. 401 of 13 December 1989, the following financial penalties are applied to the entity:

- a) for crimes, the monetary sanction up to five hundred shares;
- b) for fines, the financial penalty of up to two hundred and sixty shares.

2. In cases of conviction for one of the offences indicated in paragraph 1, letter a), of this article, the disqualification sanctions provided for in article 9, paragraph 2, are applied for a duration of not less than one year".

- **LAW 21 May 2019, no. 43**

published in the Official Journal of the European Union Law no. 43 of 21 May 2019 "Amendment to article 416-ter of the criminal code on the subject of voting on political-mafia exchanges" which amended article 416 ter of the criminal code, already included in article 24 ter of Legislative Decree 231/01.

SMART TEXT

Article 416b of the Criminal Code "Political-Mafia Electoral Exchange":

Anyone who accepts the promise to procure votes in the manner referred to in the third paragraph of Article 416 bis in exchange for the disbursement or promise of disbursement of money or other benefits is liable to imprisonment for a period of between six and twelve years. The same penalty is applied to those who promise to procure votes in the manner referred to in the first paragraph.

NEW TEXT

Article 416b of the Criminal Code "Political-Mafia Electoral Exchange".

Anyone who accepts, directly or through intermediaries, the promise to procure votes from persons belonging to the associations referred to in Article 416-bis or through the procedures referred to in the third paragraph of Article 416-bis in exchange for the disbursement or promise to disbursement of money or any other benefit or in exchange for the willingness to meet the interests or needs of the mafia association shall be punished with the penalty established in the first paragraph of Article 416-bis.

The same penalty is applied to those who promise, directly or through intermediaries, to procure votes in the cases referred to in the first paragraph.

If the person who accepted the promise of votes, following the agreement referred to in the first paragraph, was elected in the relevant election, the penalty provided for in the first paragraph of Article 416-bis, increased by half, shall apply.

In the event of conviction for the offences referred to in this Article, perpetual disqualification from public office shall always apply.

A second update was made to the model, which was approved by resolution of the Board of Directors on 30/07/2019.

In addition to the new types of offences introduced in the catalogue of predicate offences pursuant to Legislative Decree 231/01, in updating the model, due consideration was also given to the new regulations on **Privacy** in view of the entry into force on **25 May 2018 of the new Regulation 679/2016 GDPR** (General Regulation on Data Protection) on the processing of personal data.

The phases of the second update of the Model are briefly described below.

1) Identification of Sensitive Processes ("*as-is analysis*")

As-is analysis was carried out by examining company documentation (organisation charts, activities carried out, main processes, minutes of board meetings, powers of attorney, organisational instructions, service contracts, risk assessment documents, etc.) and conducting interviews with key persons within the company structure.

The subjects interviewed for the second update of the model were:

- Production Manager
- Supply Chain Manager
- Purchasing Manager
- RSPP - Head of the Prevention and Protection Service for Safety at Work
- Quality and Environment Manager
- Head of Human Resources and Assistant Directorate
- Head of Research and Development
- Head of Administration
- Automotive Sales Manager
- Commercial Industrial

Belonging to the plant in Casalmorano (CR).

The interviews were aimed at an in-depth analysis of the Sensitive Processes and their control (the business structure understood as the prevailing commercial and financial activity carried out, the company representatives involved, any existing procedures governing this activity, verifiability, documentation, consistency and consistency of operations, separation of responsibilities, documentation of controls, etc.).

The objective of this activity was to analyse the company situation in order to identify in which area/sector of activity and according to which methods the Offences could be carried out. The result is an updated representation of the

Sensitive Processes, of the already existing controls and of the relative criticalities, with particular focus on the specific *compliance* and control elements to satisfy the requirements of the Model. The Sensitive Processes are those described in chapter 8 below.

From the specific point of view of both the obligations provided for in relation to the prevention of crimes of *money laundering, terrorism and subversion, as well as self-laundering*, a *specific mapping* has been carried out with the aim of reconsidering the operations and the procedures that govern them in order to understand if and what action was necessary to carry out in order to ensure constant compliance with the regulations in question.

In this context, the different application requirements and characteristics of the two bodies of legislation referred to (Legislative Decree 231/2001 and, if necessary, the principles of Legislative Decree 231/2007) have been taken into account, with a view, where necessary, to modifying or introducing, as a result of the mapping, operating procedures or organisational measures capable of meeting the requirements of both of these regulations.

The Anti-Money Laundering Mapping was conducted through a specific interview with the Head of Administration, Control and Finance.

2) Carrying out gap analysis

On the basis of the current situation (existing controls and procedures on Sensitive Processes) and the provisions and aims of Legislative Decree 231/2001, actions have been identified that integrate the internal control system (processes and procedures) and improve the essential organisational requirements for the definition of a "specific" model of organisation, management and control pursuant to Legislative Decree 231/2001.

The results of the activities of Identification of Sensitive Processes ("as-is analysis") and Implementation of the "gap analysis", are highlighted in a summary document ("detail gap") that contains:

- General findings pursuant to Legislative Decree 231/01
- The specific remarks referred to in Article 25 of Legislative Decree 231/01
- list of respondents
- corporate structure
- process mapping
- correlation table of sensitive functions/activities
- list of annexes (documents evaluated during the Risk Assessment)
- analysis of risks by crime
- correlation tables for sensitive processes/company protocols
- correlation tables for sensitive processes / suggested preventive protocols

- activities in relation to the garrisons

The adjustments to the organisational structure and procedures resulting from the results of the "gap analysis" are documented in the summary synoptic that is attached and an integral part of this document and of the individual special parts that make it up.

Starting from the second update of the Model, for each macro activity, the attachment shows the following:

- Areas and activities at risk
- Relevant offences
- Bodies - Functions involved
- Control devices

Furthermore, all documents examined and/or drawn up during the Identification of Sensitive Processes and the gap analysis phase are attachments to the Model.

6.2 THE FUNCTION OF THE MODEL

The adoption and effective implementation of the Model not only allows the company to benefit from the exemption provided for by Legislative Decree 231/2001, but also improves, within the limits set by the same, its Organizational Structure, limiting the risk of commission of the Offences.

The purpose of the Model is to prepare a structured and organic system of procedures and control activities (preventive and *ex post*) that aims to reduce the risk of commission of Offences by identifying Sensitive Processes and their consequent proceduralisation.

The principles contained in this Model must lead, on the one hand, to determining who acts on behalf of the Company to refrain from committing unlawful conduct (the commission of which is strongly condemned and contrary to the interests of the Company, even when apparently it could gain an advantage) even by directing its actions, and, on the other hand, thanks to constant monitoring of the activity, to allowing the Company to prevent or prevent the commission of Offences, allowing it to react promptly, even on a disciplinary basis, in the event of conduct that constitutes a violation thereof.

One of the aims of the Model is, therefore, to develop awareness among Employees, Corporate Bodies, Service Companies, Consultants and Partners, who operate on behalf of or in the interest of the Company in the context of Sensitive Processes, to be able to incur, in the event of conduct that does not comply with the provisions of the Code of Conduct and other corporate rules and procedures (in addition to the law), in offences that are liable to have significant criminal consequences not only for themselves, but also for the Company.

Furthermore, it is intended to actively censure any illegal conduct through the constant activity of the Supervisory Body on the work of persons with regard to Sensitive Processes and the imposition of disciplinary or contractual sanctions.

6.3 PRINCIPLES AND ELEMENTS INSPIRING THE MODEL

In the preparation of this Model, account has been taken of the procedures and control systems (identified in the "as-is" phase) that already exist and are already widely operating in the company, where they are considered suitable also as measures for the prevention of Offences and control over Sensitive Processes.

This Model, without prejudice to its specific purpose relating to Legislative Decree 231/2001, is part of the broader control system consisting mainly of the rules of the Organizational Structure and the internal control system.

In particular, as specific tools aimed at planning the formation and implementation of the Company's decisions also in relation to the Offences to be prevented, the Company has identified the following:

- 1) The internal control system and, therefore, all company regulations (rules, manual and IT procedures, manuals, operating instructions, guidelines, policies, regulations, etc.) concerning all company systems (management control and reporting system, administrative, accounting and financial system, safety management system, etc.), documentation and provisions concerning the hierarchical-functional and organisational structure of the Company, as well as the organised system of proxies and powers of attorney.
- 2) The Code of Ethics, which also refers to the principles set out in point 1) above;
- 3) The company management system adopted by the company in accordance with the UNI EN ISO 9001:2015 standard;
- 4) The business management system adopted by the company in accordance with the IATF 1649:2016 standard;
- 5) The environmental management system adopted by the company in accordance with the UNI EN ISO 14001:2015 standard;
- 6) All management systems are TUV certified.
- 7) Communication to and training of personnel;
- 8) The disciplinary system set out in the CCNL;
- 9) In general, the Italian and foreign regulations applicable.

It should also be noted that the production plant in Casalmorano (CR) is in possession of the Single Environmental Authorisation (AUA) Decree 285 in accordance with - Presidential Decree 13 March 2013, No. 59 and promoted for the following titles:

- atmospheric emissions, art. 259 of Legislative Decree 152 of 03/04/2006
- wastewater discharges into sewerage and other deliveries, Legislative Decree 152 03/04/2006

of which in the proceedings autorizzativo prot. 201 of 21/01/2019

The principles, rules and procedures referred to in the instruments listed above are not reported in detail in this Model, but form part of the organisation and control system that it intends to integrate and have been the subject of analysis during the construction phase of the Model.

In addition to the above, the main principles that inspire the Model are as follows:

- a) The Confindustria Guidelines, on the basis of which the mapping of Sensitive Processes has been prepared;
- b) The requirements of Legislative Decree 231/2001 and in particular:
 - The assignment to a Supervisory Body (SB) within 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 activities relevant for the purposes of Legislative Decree 231/2001;
 - The allocation (and provision) to the Supervisory Board of adequate resources to support it in the tasks entrusted to it and to achieve reasonably achievable results;
 - The activity of verifying the functioning of the Model with consequent periodic updating (*ex post* control);
 - Awareness raising and dissemination to all Recipients of this Model of the rules of conduct, established procedures, guidelines and company policies;
- c) the general principles of an adequate internal control system and in particular:
 - The existence of a body of protocols and manual and IT procedures to regulate and standardise all so-called sensitive activities (*Procedures*);
 - The verifiability and documentability of each transaction relevant for the purposes of Legislative Decree 231/2001 (*Monitoring* and *Traceability*);
 - Respect for the principle of separation of functions (*segregation*);
 - The definition of authorisation powers consistent with the responsibilities assigned (*Delegations*);
 - The communication of relevant information to the SB;

Finally, in the implementation of the control system, even in the necessary work of general verification of the company's activities, priority must be given to areas where there is a significant probability of commission of the Offences and a high value/relevance of Sensitive Transactions.

6.4 STRUCTURE MODEL

In the light of the above, the Company intended to prepare a Model which, on the basis of its own experience and the indications deriving from the relevant jurisprudential pronouncements, would provide adequate protection against the possibility of committing offences, in line with the system of *governance* and the ethical values which have always inspired the Company.

The Model, as prepared following the activities described above, consists of:

- a) a **General Part**, whose function is to define the general principles that the Company sets as a reference for the management of its activities and which are, therefore, valid for the company in the broad sense and not only for the performance of risky activities. The following parts, which shall form an integral part of it, shall be summarised or attached to it:
 - 1) Corporate organization chart;
 - 2) Code of Ethics;
 - 3) Supervisory Body and its functioning;
 - 4) Disciplinary system.
- b) several **Special Parts**, which describe, with reference to the specific types of crime, the mapping of sensitive activities, the evaluation/building/adjustment of the system of preventive controls, as well as the specific protocols. They have the function of:
 - establish the regulatory sources to which the Recipients must adhere;
 - identify the behavioural principles to be implemented;
 - identify the individual crimes that can be concretely and potentially committed in the company and the relative preventive measures.

The Special Parts turn out to be:

1. **SPECIAL PART A: OFFENCES IN RELATIONS WITH THE PUBLIC ADMINISTRATION**

2. **SPECIAL PART B: CORPORATE OFFENCES AND CORRUPTION BETWEEN INDIVIDUALS**
3. **SPECIAL PART C and SPECIAL PART C-BIS: REVIEW, RECYCLING AND COMMITMENT OF DENARY, GOODS OR ILLECITED USE AND AUTHORICAL LIABILITY AND DELETES WITH A PURPOSE OF TERRORISM OR EVERSION OF THE DEMOCRATIC ORDER**
4. **SPECIAL PART D: CRIMES OF CULPABLE HOMICIDE AND SERIOUS OR VERY SERIOUS CULPABLE INJURIES, COMMITTED IN VIOLATION OF THE ACCIDENT PREVENTION AND HEALTH AND SAFETY AT WORK REGULATIONS**
5. **SPECIAL PART E: INDUSTRIAL PROPERTY AND COPYRIGHT OFFENCES OFFENCES IN THE FIELD OF DISRUPTION OF COMPETITION**
6. **SPECIAL PART F: TRANSNATIONAL CRIME**
7. **SPECIAL PART G: COMPUTER-RELATED CRIME AND UNLAWFUL PROCESSING OF DATA**
8. **SPECIAL PART H: ORGANISED CRIME OFFENCES**
9. **SPECIAL PART I: INDUCING PEOPLE NOT TO MAKE STATEMENTS OR TO MAKE FALSE STATEMENTS TO THE JUDICIAL AUTHORITY**
10. **SPECIAL PART L: ENVIRONMENTAL OFFENCES.**
11. **SPECIAL PART M: OFFENCES OF COUNTERFEITING CURRENCY AND INSTRUMENTS OR IDENTIFICATION MARKS**
12. **SPECIAL PART N: EMPLOYMENT OF ILLEGALLY STAYING THIRD-COUNTRY NATIONALS**

The Model has been structured in such a way as to guarantee a more effective and streamlined updating of the same. In fact, while the General Section contains the formulation of principles of law to be considered substantially unchanged, the Special Sections, in view of their particular content, are instead subject to periodic updates.

Moreover, the corporate dynamics and the legislative evolution - such as, for example, a possible extension of the types of crimes that are included or in any case connected to the scope of application of Legislative Decree 231/01 - may make it necessary to integrate the Model.

In consideration of the above, the Supervisory Body has the task of adopting all types of measures so that the administrative body of the Company, or one of its bodies with the necessary powers, provides for the updates and additions deemed necessary.

Moreover, given the structural and organizational peculiarity of CASTELLO ITALIA S. p.A., such that certain management activities of the Company itself are delegated through service contracts, it is specified that, for all that does not fall specifically within the operational scope of the Board of Directors of CASTELLO ITALIA S. p.A., reference is made to the principles, protocols of conduct as well as to the control systems provided for in the Code of Ethics and in the Organisational Model of the service companies.

6.4.1 THE ORGANISATIONAL AND AUTHORISATION SYSTEM

Organisational system

The organisational system is sufficiently formalised and clear, especially as regards the attribution of responsibilities, the lines of hierarchical dependence and the description of tasks, with specific provisions for control principles. The Company's organisational structure is formalised and graphically represented in an organisational chart (in the Annex), which clearly defines the lines of hierarchical dependence and the functional links between the various positions of which the structure itself is composed.

Authorisation system

As suggested by the Guidelines, the powers of authorisation and signature are assigned in line with organisational and management responsibilities, providing, when required, for a precise indication of the thresholds for the approval of expenses, especially with regard to those activities considered at risk of crime.

6.4.2 CONTROL PRINCIPLES

With this Model, the company intended to implement the control system based on the principles set out below, as required by the Confindustria Guidelines.

Within each sensitive activity at risk of crime identified, the Company must therefore verify the existence of specific safeguards.

The control principles that must inspire the management of all sensitive activities that have emerged and are contained in the so-called risk mapping, as well as in all business processes, are as follows:

- guarantee integrity and ethics in the performance of the activity, through the provision of appropriate rules of conduct aimed at regulating any specific activity considered at risk of crime;
- formally define the tasks and responsibilities of each corporate function involved in the activities at risk of crime;
- allocate decision-making responsibilities in a manner commensurate with the degree of responsibility and authority conferred;
- correctly defining, assigning and communicating authorisation and signature powers, providing, when required, for a precise indication of the thresholds for the approval of expenses, so that no person is granted unlimited discretionary powers;
- guarantee the principle of segregation of duties in the management of processes/activities, by assigning to different subjects the crucial phases of which the process/activity is composed and, in particular, those:
 - of the authorisation;
 - of the execution;
 - of control;
- to regulate the activity at risk, through specific procedures, providing for the appropriate control points (checks, reconciliations, etc.);
- ensure the verifiability, documentation, consistency and appropriateness of each operation or transaction. To this end, the traceability of the activity must be guaranteed by means of adequate documentary support on which controls can be carried out at any time. It is therefore appropriate that each operation can be easily identified:
 - who authorized the operation;
 - the person who actually did it;
 - who provided for his registration;
 - who checked it out.

The traceability of operations is ensured with a higher level of certainty through the use of computer systems;

- ensure the documentation of the controls carried out; to this end, the procedures with which the controls are implemented must guarantee the possibility of reviewing the control activities carried out, so as to allow the assessment of the consistency of the methods adopted and the correctness of the results obtained. These control principles have been taken as reference in the phase of elaboration of the company procedures.

6.4.3 THE CASH FLOW MANAGEMENT SYSTEM

Article 6, paragraph 2, letter c) of the Decree provides that the Organisation, Management and Control Models shall provide for "methods of managing financial resources suitable for preventing the commission of offences". The rationale behind this provision is that many of the predicate offences can be committed through the financial flows of companies (e.g. the creation of extra-accounting funds for bribery). The Confindustria Guidelines recommend the adoption of mechanisms for the proceduralisation of decisions which, by making the various phases of the decision-making process documented and verifiable, prevent the improper management of such financial flows. Again on the basis of the principles indicated in the Guidelines, the control system relating to administrative processes and, in particular, to the process of managing financial flows, is based on the separation of tasks in the key phases of the process, which must be adequately formalised and for which there must be good traceability of the deeds and authorisation levels to be associated with individual transactions. In particular, the specific control elements are represented below:

- existence of different subjects operating in the different phases/activities of the process;
- preparation and authorisation of the payment proposal to meet the duly formalised obligation;
- control of the execution of the payment;
- reconciliations on balance;
- existence of authorisation levels for the payment request which are broken down according to the nature of the transaction (ordinary/extraordinary) and the amount;

- systematic reconciliation of internal accounts and relations with credit institutions with accounting results;
- traceability of acts and individual stages of the process to which specific attention must be paid with regard to the exhaustion of the circulation of documents that have already given rise to a payment.

6.4.4 GENERAL PREVENTION PRINCIPLES AND PROTOCOLS

General Prevention Principles

The protocol system for the prevention of offences - perfected by the Company on the basis of the indications provided by the Guidelines, as well as *best practices* - has been implemented by applying the following General Prevention Principles to the individual sensitive activities, which inspire the General Prevention Protocols referred to in the following paragraph, as well as the Specific Prevention Protocols of the individual Special Parts:

- **Regulation:** existence of company provisions and formalised procedures suitable for providing principles of conduct and operating methods for the performance of sensitive activities, as well as methods of filing relevant documentation.
- **Traceability:** every operation relating to sensitive activity must, where possible, be adequately documented and the process of decision, authorisation and performance of sensitive activity must be verifiable *ex post*, also by means of appropriate documentary supports.
- **Segregation of duties:** application of the principle of segregation of duties between the person who authorises, the person who carries out and the person who controls. This separation is guaranteed by the intervention, within the same corporate macro-process, of several subjects in order to guarantee the independence and objectivity of the processes.
- **Powers of attorney and delegation:** the powers of attorney and signature assigned must be: consistent with the organizational and management responsibilities assigned, providing, where required, the indication of the thresholds for approval of expenditure; clearly defined and known within the Company. The company roles to which the power to commit the Company to certain expenses is assigned must be defined, specifying the limits and nature of the same. The act assigning functions must comply with any specific requirements that

may be required by law (e.g. delegation of powers in relation to the health and safety of workers).

General Prevention Protocols

In the context of the sensitive activities identified for each type of offence (see the following Special Parts of the Model), the General Prevention Protocols provide that:

- a) all operations, training and implementation of the Company's decisions comply with the principles and requirements contained in the provisions of the law, the articles of association and the Articles of Association, the Code of Ethics and the company procedures, where they already exist;
- b) the company provisions suitable for providing principles of conduct and operating methods for the performance of sensitive activities, as well as methods for filing relevant documentation, are defined and adequately communicated;
- c) for all operations:
 - the responsibilities of management, coordination and control within the company are formalised, as well as the levels of hierarchical dependence and the description of the relative responsibilities;
 - the phases of formation of the deeds and the relative authorisation levels can always be documented and reconstructed;
 - the Company adopts instruments of communication of the powers of signature conferred which guarantee their knowledge within the company;
 - the assignment and exercise of powers within a decision-making process is consistent with the positions of responsibility and with the relevance and/or criticality of the underlying economic transactions;
 - access to the Company's data complies with the New Privacy Code 2018 (Legislative Decree 196/2003 Coordinated with Legislative Decree 101/2018) and EU Regulation 2016/679 (GDPR);

- access to and intervention in the Company's data is permitted only to authorised persons;
 - confidentiality in the transmission of information is guaranteed;
 - the documents concerning the formation of decisions and their implementation are filed and stored by the competent function in such a way that they cannot be subsequently modified, unless there is appropriate evidence;
 - access to documents already archived is granted only to persons authorised in accordance with the internal rules;
- d) for each of the processes to which the sensitive activities listed in this Model belong, a Process Manager is identified in the Special Parts of the Model. In particular, the Process Manager:
- is formally recognised by the company's organisational system (e.g. internal proxies, job descriptions, procedures), in compliance with any requirements of effectiveness established by law for the attribution of functions (e.g. proxies for the health and safety of workers);
 - has all the powers necessary to pursue the internal objectives of the process itself, in compliance with the timescales and principles that govern it;
 - has full visibility of the whole process, as well as access (direct or indirect) to all relevant information.

In addition, the Process Manager has the specific responsibility to:

- ensure that the process is carried out in accordance with internal provisions (e.g. company procedures) and applicable legislation;
- ensure that the entire process is carried out in compliance with the principles of transparency and traceability, on the basis of which each operation must be provided with adequate documentary support;
- inform the Supervisory Body if anomalies are found or particular critical situations occur (e.g. violations or suspected violations of the Model and the Code of Ethics, cases of

ineffectiveness, inadequacy and difficulty in implementing control protocols);

6.5 ADOPTION OF THE MODEL AND SUBSEQUENT AMENDMENTS

With reference to the regulatory provisions contained in the Decree, although the adoption of the Model is provided for as optional and not mandatory, the Company, with a view to improving the Organizational Structure and protecting its image, the expectations of its shareholder and the work carried out by its Employees and Partners, has deemed it compliant with its corporate policies to proceed with the adoption and implementation of the "Model of organization, management and control" provided for by the Decree, in view of those activities in which there is a risk of committing the crimes provided for therein (so-called "sensitive processes").

This initiative was taken in the belief that the adoption of the Model can be a valid tool to raise the awareness of all those who work in the name and on behalf of the Company, so that they adopt, in the performance of their activities, correct and transparent conduct, such as to prevent the risk of committing the crimes covered by the Decree.

In approving this update of the Model, the Board of Directors of the Company also acquires the formal commitment of each member of the Board to comply with it, and confirms, on the part of the Supervisory Body, the assignment of the task of supervising the functioning and observance of the Model, and of ensuring that it is updated.

Since the Model is an "act of emanation of the executive body" (in compliance with the provisions of art. 6, paragraph I, letter a of Legislative Decree 231/2001), the subsequent amendments and additions of a substantial nature are left to the competence of the Board of Directors.

For other changes (Sensitive Processes and specific procedures on which the Company has full decision-making autonomy), the Board of Directors delegates one of its Directors.

The Board of Directors annually ratifies any amendments made by the Chief Executive Officer.

7. PROFILES OF ORGANISATIONAL, ADMINISTRATIVE AND ACCOUNTING STRUCTURES, ACTIVITIES AND OPERATING CONTEXTS

7.1 PRELIMINARY REMARKS

CASTELLO ITALIA S.p.A. has as its corporate purpose⁶ the following activities:

The processing, on our own behalf and on behalf of third parties, of plastics of any type and nature, for any use, as well as their marketing, including through interests.

The company may also carry out, on a purely instrumental, occasional and in any case not prevailing basis, all commercial, industrial and financial, securities and real estate transactions that are deemed necessary or useful for the implementation of the corporate purpose, such as, by way of example:

- a) recruitment of representatives and agencies on behalf of other companies in the sector, domestic or foreign;*
- b) assumption and disposal, in compliance with current legal provisions and not in relation to the public, of shareholdings in domestic and foreign companies, incorporated or being incorporated;*
- c) purchase, exercise, sale or liquidation of domestic or foreign companies with similar or similar purposes;*
- d) leasing of domestic and foreign commercial and industrial companies, provided that they are relevant to the company's purpose, including the granting of real guarantees on the company's assets and the granting of sureties in favour and in the interest of third parties;*
- e) granting of guarantees and other guarantees, both personal and real, also in favour of third parties;*
- f) obtaining and exploiting concessions, licenses, rights and patents of all kinds and species;*
- g) borrowing and the conclusion of financial leasing contracts;*
- h) financial and/or credit transactions, in any case not with the public, aimed at achieving the corporate purpose (all in compliance with the limits set out in Legislative Decree no. 383 of 1 September 1993 - Banking and Credit Consolidation Act).*

In addition to the prohibition to carry out fiduciary activities, it is expressly forbidden to carry out activities reserved to the companies referred to in Legislative Decree no. 385 of 1 September 1993, as amended, to proceed with the purchase or sale, through the public offering of shares or bonds

⁶ Company inspection in annex.

and of "other financial assets", as well as to carry out intermediation activities.

pursuant to Legislative Decree no. 58 of 24 February 1998, without prejudice, moreover, to all the mandatory provisions in force regarding reserved activities.

7.2 THE ORGANIZATIONAL STRUCTURE

The company's organisational chart shows a structure composed of staff and business line bodies⁷.

Within this structure, the functions report hierarchically to the Chief Executive Officer.

The organisational structure of the Company is oriented towards ensuring the separation of duties, roles and responsibilities between the operational and control functions and the highest possible efficiency.

The Human Resources Manager ensures the verification of the organisational structure and formalises it in a constantly updated internal document (Organisational chart document).

The Human Resources Manager in collaboration with external legal firms verifies proxies and proxies so as to ensure current and current affairs⁸.

The Human Resources Manager elaborates and updates the Job Descriptions, with the functions of belonging, hierarchical dependence, role and responsibility.

7.2.1 THE ORGANISATIONAL STRUCTURE IN THE FIELD OF HEALTH AND SAFETY AT WORK

In terms of health and safety at work, the Company has adopted an organisational structure that complies with that provided for by current legislation on prevention, with a view to eliminating or, where this is not possible, reducing - and, therefore, managing - the occupational risks for workers and third parties.

An employer is identified in the organisational structure. The plant's organisational chart shows the presence of managers and supervisors. Then there are the persons in charge (hereinafter, 'RSPP'), the first-aiders (hereinafter, also 'APS'), the fire prevention officers (hereinafter, also 'API'), the workers' safety representative (hereinafter, also 'RLS'), the competent doctor, the workers, the subjects outside the company who carry out activities relevant to OSH, or rather: a) person to whom work is entrusted by virtue of contracts or works contracts; b) manufacturers an

⁷ Organisation chart in annex.

⁸ In application of the company protocol "management of proxies".

supplier; c) designers of workplaces and workstations and installations; (d) installers and fitters of installations, work equipment or other technical means.

The tasks and responsibilities of the persons indicated are formalised in accordance with the organisational and functional scheme of the Company, with particular reference to the specific figures operating in this field.

When defining the organisational and operational tasks of the company's management, managers, supervisors and workers, the Company specifies those relating to the safety activities for which it is responsible, as well as the responsibilities connected with the exercise of such activities, with particular regard to the tasks of RSPP, ASPP, RLS, APS, API and the competent doctor.

7.2.2 THE ENVIRONMENTAL ORGANISATIONAL STRUCTURE

In terms of the environment, the Company has set up organisational structures that are consistent with the needs expressed in current legislation, with the aim of eliminating or, where this is not possible, reducing - and therefore managing - environmental risks.

In particular, the Employer is also delegated environmental responsibility for all aspects relating to compliance with environmental legislation and the procedures adopted confirm that responsibility for the main environmental requirements lies with the Employer.

The procedures adopted in the UNI EN ISO 14001:2015 system (to which reference should be made for every detail) identify a number of specific subjects and the relative tasks in environmental matters:

- An Internal Manager is the main function of reference, assisted by an external subject whose activity is regulated by contract, with reference to the obligations provided for by environmental legislation, also carrying out tasks of organization and coordination, including, by way of example and not limited to, the management of environmental authorizations of the plant, waste management and classification, management of deposits of both waste and raw materials, management of emergencies;
- responsible for maintenance and, if necessary, other functions, assists the external party in various activities, including, for example, the management of areas for the storage of materials and waste;
- waste depot manager;
- RSPPs, especially for aspects related to possible emergencies;

- the personnel in charge of the emergency teams, who have specific tasks of intervention in case of environmental emergency.

The tasks and responsibilities of the persons indicated are formalised:

- As part of the procedures for environmental management;
- in accordance with the Company's organisational and functional scheme;
- in accordance with the contractual provisions (consultants, external operators, service companies).

In defining the organisational and operational tasks of the company's management, managers and workers, the Company specifies those relating to the environmental activities for which it is responsible.

7.3 MANUAL AND IT PROCEDURES

As part of its organisational system, the Company has developed a set of protocols/procedures, manuals and information systems to regulate the performance of corporate activities, in compliance with the principles indicated in the Confindustria Guidelines.

The protocols/procedures constitute the rules to be followed in the context of the company processes concerned, also providing for the controls to be carried out in order to guarantee the correctness, effectiveness and efficiency of the company activities.

Manual protocols/procedures are listed by sensitive activity in the annex to the Gap Analysis document.

Specifically with regard to IT systems, procedures and applications, the company has put in place an architecture of information systems, including interconnected systems, that regulate and regulate, thus guaranteeing the process, traceability, correct access by profile (i.e. the "power" to access the permitted functions) and, where applicable, segregation. The Company has summary synoptics representing all the information systems present, their interconnection.

Departmental and administrative applications

These are the solutions to support those business processes outside the management systems. Typically they are commercial packages that run on windows or web platforms. They increase individual and corporate productivity and facilitate the Company's compliance by providing document management

and approval (workflow) or integration of laboratory, production and warehouse equipment.

8. SENSITIVE PROCESSES

The risk analysis carried out for the purposes of Legislative Decree 231/2001⁹ revealed Sensitive Processes with reference to the cases referred to in the Decree relating to:

- a) Misappropriation of funds, fraud to the detriment of the State or a public body or to obtain public funds and computer fraud to the detriment of the State or a public body (Article 24 of Legislative Decree 231/01);
- b) Computer crimes and unlawful processing of data Article 24-bis of Legislative Decree 231/01;
- c) Organised crime offences (Article 24-ter of Legislative Decree 231/01) ***(this is not the event in itself of the commission of a specific offence, but the subjective element underlying the conduct which provides for an association, with at least two other persons, in the commission of the offence)***;
- d) Bribery, undue induction to give or promise benefits and corruption (Article 25 of Legislative Decree 231/01);
- e) Counterfeiting of coins, public credit cards, revenue stamps and instruments or identification marks (Article 25-bis of Legislative Decree 231/01);
- f) Crimes against industry and commerce (Article 25-bis1 of Legislative Decree 231/01);
- g) Corporate Offences and Corruption between Individuals (Article 25-ter of Legislative Decree 231/01);
- h) Crimes for the purposes of terrorism or subversion of the democratic order (Article 25-quater of Legislative Decree 231/01);
- i) Manslaughter or serious or very serious injuries committed in violation of the regulations on the protection of health and safety at work (Article 25-septies of Legislative Decree 231/01);
- j) Receiving, laundering and using money, goods or benefits of illicit origin, as well as self-laundering (Article 25-octies of Legislative Decree 231/01);
- k) Copyright infringement offences (Article 25-novies);
- l) Inducement to not make statements or to make false statements to the judicial authority (Article 25-decies of Legislative Decree 231/01);
- m) Environmental offences (Article 25-undecies of Legislative Decree 231/01);
- n) Employment of illegally staying third-country nationals (Article 25-duodecies of Legislative Decree 231/01);
- o) Transactional crimes.

⁹ See also table of risk analysis by offence in annex.

The details of the sensitive processes within each of the above-mentioned cases and their regulation are dealt with in specific and dedicated sections of this Model, called "Special Parts".

The risks concerning organised crime offences (art. 24 ter of Legislative Decree 231/01) and the crime of inducement not to make statements or to make false statements to the Judicial Authority (art. 25 decies of Legislative Decree 231/01), even though they are only theoretically conceivable, are regulated not only by the principles contained in the Code of Ethics adopted by the Company, but also in specific special parts.

With regard to the Offences of Insider Trading and Market Manipulation (Article 25-sexies of Legislative Decree 231/01), the Company is not listed on any stock exchange and, in the same way, neither the parent company nor any other company at the top of the chain of control of the Group to which the company belongs is listed.

In the same way, the company does not possess significant shareholdings, and these occur when: a natural person or a Company or Entity directly or indirectly holds shares in a company with listed shares in excess of 2% of its share capital, or when a company with listed shares holds, directly or indirectly, shares in another company with unlisted shares or in a limited liability company, including foreign companies, in excess of 10% of their capital.

It is therefore not possible, at least theoretically, to envisage the case where corporate representatives are in possession of privileged information concerning the operations of the company or of other investee companies which, if published, could significantly influence the prices of the listed financial instruments issued by the company.

For the activity carried out by the Company, the offences referred to in Art. 25-quaterdecies (Fraud in sports competitions, illegal gambling or betting and games of chance exercised by means of prohibited devices) are not conceivable.

Following the preliminary analysis, the risks concerning Offences against the individual (articles 25 quater¹ and quinquies of Legislative Decree 231/01) and Racism and Xenophobia (article 25-terdecies of Legislative Decree 231/01) were considered theoretically conceivable, but for which a residual risk opinion was expressed from the point of view of their actual implementation within the Company.

For this reason, with respect to these types of offences, a subsequent detailed analysis was not carried out to determine the area of the Company in which the offence risks could arise and the relative levels of control.

However, it should be noted that in relation to the following types of offence and for the offence relating to the employment of third-country nationals whose stay is irregular (art. 25-duodecies of Legislative Decree 231/01), specific principles of conduct have been

included in the Code of Ethics adopted by the Company and certain general conditions for the purchase of services or in the case of subcontracting.

It is reiterated that each type of crime included in Legislative Decree 231/01 is taken into account in the Code of Ethics adopted by the Company, which establishes the values and rules of conduct that each person working on its behalf must comply with. Therefore, these values and rules of conduct are also aimed at avoiding and stigmatising the occurrence of conduct that is abstractly integral to the types of crime that are presumed to constitute the administrative liability of entities.

9. THE SUPERVISORY BOARD (SB)

9.1 IDENTIFICATION, APPOINTMENT AND REVOCATION OF THE SUPERVISORY BOARD

The body entrusted with the task of supervising the functioning and observance of the Model, as well as ensuring that it is updated, must be within the body and have autonomous powers of initiative and control (art. 6, paragraph 1, letter *b* of the Decree).

In the explanatory report to the Decree it is specified that: *"The Entity (...) shall also supervise the effective operation of the models, and therefore their observance: to this end, in order to guarantee the maximum effectiveness of the system, it is provided that the Company avails itself of a structure that must be established within it (in order to avoid easy manoeuvres aimed at pre-establishing a license of legitimacy to the work of the Company through the use of compliant bodies, and above all to establish a real fault of the entity), endowed with autonomous powers and specifically responsible for these tasks (...) of particular importance is the provision of a burden of information to the aforementioned internal control body, functional to ensure the same operational capacity (...)"*.

The Guidelines suggest that this is an internal body other than the Board of Directors or the group of non-authorized directors and is characterised by the following requirements:

- i. honourableness;
- ii. autonomy;
- iii. independence;
- iv. professionalism;
- v. continuity of action.

The requirements of autonomy and independence would require:

- a) the inclusion of the SB as a staff unit in the highest possible hierarchical position, providing for reporting to the top management (i.e. the Chairman and/or the Managing Director), but also to the Board of Directors as a whole and to the Board of Statutory Auditors;
- b) the absence, for the Supervisory Board as a whole, of operational tasks which - by involving it in decisions and activities that are precisely operational - would condition its objectivity of judgement.

In addition, the Board of Directors assigns each year an expense budget to the Supervisory Board, taking into account the requests of the latter. The allocation

of the budget allows the Supervisory Board to operate autonomously and with the appropriate tools for the effective performance of the task assigned to it by this Model, in accordance with the provisions of Decree 231/2001.

The requirement of professionalism must be understood as the baggage of theoretical and practical knowledge of a technical-specialist nature necessary to effectively carry out the functions of Supervisory Body, i.e. the technical knowledge of those who carry out inspection and consultancy activities. These are techniques that can be used:

- a. *as a preventive measure*, to suggest any changes to the Model, where necessary or appropriate to make it more responsive to the prevention needs of Offences;
- b. *on an ongoing basis*, to verify that the behaviour within the institution actually respects the codified behaviours;
- c. *a posteriori*, to ascertain how an offence of the species in question could have occurred and who committed it.

In order to further guarantee the autonomy and independence, essential for the performance of its duties, the Supervisory Board from the time of its appointment:

- (a) must meet the subjective requirements of integrity, as defined in the Regulation establishing the Supervisory Board;
- (b) must not be in the conditions provided for by Article 2382 of the Italian Civil Code (*disqualification, disqualification, personal effects of bankruptcy, disqualification, even temporary, from public office or inability to exercise managerial positions*);
- (c) must not be subject to a conflict of interest arising from family ties with the company's top management or from employment relationships, in so far as such relationships objectively compromise its independence.

They are indicated as causes of incompatibility with the office of member of the Supervisory Board:

- be an executive and/or non-independent member of the Board of Directors of CASTELLO ITALIA S.p.A.;
- be an auditor of CASTELLO ITALIA S.p.A.;
- have marital relations, kinship or affinity up to the fourth degree with the persons referred to in the preceding points;

- have had employment or self-employment relationships, in the last three years, with entities with which or in respect of which the Offences considered by the Decree may potentially be committed.

The above conditions of eligibility, incompatibility and retention of office are integrated with the specific provisions on personal and professional characteristics provided by law for members of corporate bodies, where at the same time they are also members of the Supervisory Board¹⁰.

CASTELLO ITALIA S.p.A., in consideration of the specificity of the tasks of the Supervisory Board, has decided to set up a monocratic body, composed of an external subject with recognized professionalism and specific skills in accounting, legal and business.

The composition chosen ensures the prescribed characteristics of independence and autonomy (reinforced by the presence of an external subject), professionalism, both in terms of investigation and inspection skills and technical and legal skills, continuity of action (this body being dedicated to monitoring and verifying the application of the Model on the basis of an annual plan agreed within the same body and shared with the Company) to be documented in the Board resolution of appointment, so as to be appropriate in the light of the regulatory provisions and the interpretation given to it by the Guidelines and by the Law.

In order to ensure a better knowledge and correct supervision of the company context, the Supervisory Board may request the presence (also on a permanent basis) at its meetings of persons such as, for example, members of the Board of

¹⁰ In particular, Article 2399 of the Italian Civil Code, concerning the causes of ineligibility and forfeiture of auditors, provides that. "They may not be elected to the office of mayor and, if elected, shall forfeit their office: b) the spouse, relatives and in-laws up to the fourth degree of the company's directors, the directors, the spouse, relatives and in-laws up to the fourth degree of the directors of the companies controlled by the company, of the companies that control it and of those subject to common control; c) those who are linked to the company or to its subsidiaries or to the companies that control it or to those subject to common control by an employment relationship or by an ongoing consultancy or paid work relationship, or by other relationships of a financial nature that compromise their independence. The removal or suspension from the register of auditors and the loss of the requirements set out in the last paragraph of Article 2397 shall result in the forfeiture of the office of auditor. The Staff Regulations may provide for other grounds for ineligibility or disqualification, as well as grounds for incompatibility and limits and criteria for the accumulation of posts. With regard to the requirements of independent directors, art. 2409-septiesdecies of the Italian Civil Code refers to art. 2399 of the Italian Civil Code, to the articles of association or codes drawn up by trade associations or by companies that manage regulated markets (i.e. the so-called Preda Code).

Statutory Auditors and the heads of those company functions related to control issues. They participate in the meetings only as guests.

The continuity of action of the Supervisory Board is also guaranteed by the fact that it operates within the Company.

The SB must draw up a set of Regulations to be sent to the Company's Board of Directors and the Board of Statutory Auditors.

The Regulations establishing the SB must provide for the powers that can be exercised by the SB and be inspired by the following general principles:

- the SB is entrusted with the task of defining, on the basis of the results of the operational activity carried out by the office and in agreement with the management body, the objectives and periodic plans for checking and aligning/updating the Model, as well as modifying certain profiles of the Model, proposing disciplinary procedures and/or sanctioning measures;
- the Supervisory Board, is also entrusted with the operational task of prior analysis of risks and controls, verification of the correct implementation of the Model and its updates and *auditing* activities.

In order to monitor the autonomy and independence of the Supervisory Board in the performance of its control activities, the Regulation establishing the Supervisory Board must contain at least the following rules

- a. appointment and revocation procedures. In any case, the revocation of the Supervisory Body is legitimate if there is a just cause, or if, for example:
 - i. the person has been guilty of or has participated in one of the offences to which the Model refers;
 - ii. one of the essential conditions for the preservation of the charge has ceased to exist;
 - iii. any other event has occurred which makes it impossible to continue the activity;
- b. duration of office;
- c. planning and carrying out of checks;
- d. obligation to record the activities of the body;
- e. definition of the modalities of reporting to the top.

In compliance with the principles set out in the Decree, it is not permitted to *outsource* the function of the Supervisory Board; on the other hand, it is possible to outsource (*i.e. to third parties who possess specific skills deemed useful or necessary*) tasks of a technical nature, while the Supervisory Board retains overall responsibility for supervising the Model.

The appointment of the Supervisory Board and the revocation of its mandate are the exclusive responsibility of the Board of Directors.

With the same resolution of appointment, the Board must also indicate the duration of the mandate and define the characteristics and functioning of the Supervisory Body and the subjective requirements for the election as its member, approving for this purpose a specific Statute.

The member of the Supervisory Board may be revoked only for just cause. The member of the SB may withdraw at any time from the office, by giving at least 1 (one) month's notice, without having to give any reason.

The remuneration of the member of the Supervisory Board is decided by the Board of Directors

9.2 FUNCTIONS AND POWERS OF THE SUPERVISORY BOARD

The SB is generally entrusted with the task of supervising:

- On the observance of the Model by Employees, Corporate Bodies, Service Companies, Consultants and Partners;
- The effectiveness and adequacy of the Model with regard to the corporate structure and the effective capacity to prevent the commission of the Offences;
- The opportunity to update the Model, where there is a need to adapt it in relation to changed company and/or regulatory conditions.

To this end, the SB is also entrusted with the tasks of:

1. Periodically carry out targeted checks, including on a sample basis, on specific operations and/or specific acts carried out by the Company, especially in the context of Sensitive Processes or areas at risk of commission of Offences, the results of which must be summarised in a special report to be presented to the corporate bodies responsible for reporting;
2. Coordinate with company management (in particular with the Human Resources Manager) to assess the adoption of any disciplinary sanctions, without prejudice to the latter's competence to impose the sanction and the related disciplinary procedure (in this regard, please refer to the next chapter on the treatment of the disciplinary sanction system);
3. Coordinate with the Human Resources Manager for the definition of training programs for personnel and the content of periodic communications to be made to Employees and Corporate Bodies, aimed at

- providing them with the necessary awareness and basic knowledge of the legislation referred to in Legislative Decree 231/2001;
4. Monitor initiatives for the dissemination of knowledge and understanding of the Model, and prepare the internal documentation necessary for the functioning of the Model, containing instructions for use, clarifications or updates of the same;
 5. Collect, process and store relevant information regarding compliance with the Model, as well as update the list of information that must be transmitted to him or kept at his disposal;
 6. Coordinate with other corporate functions (including through special meetings) to better monitor activities in relation to the procedures established in the Model. To this end, the SB has a general inspection power and has free access to all company documentation that it considers relevant and must be constantly informed by management: a) on the aspects of company activity that may expose the Company to the risk of commission of one of the Offences; b) on relations with Service Companies, Consultants and Partners who work on behalf of the Company in the context of Sensitive Operations; c) on extraordinary operations of the Company;
 7. Interpret the relevant legislation and verify the adequacy of the Model to these regulatory requirements;
 8. Coordinate with company departments (including through special meetings) to assess the adequacy and updating needs of the Model;
 9. Activate and carry out internal investigations, liaising from time to time with the company departments concerned, in order to acquire new elements of investigation (e.g. with the Human Resources department for the application of disciplinary sanctions, etc.);
 10. Indicate to the management, in coordination with the Administration and Finance Manager, the appropriate additions to the financial resources management systems (both incoming and outgoing) already present in the Company, in order to introduce some suitable measures to detect the existence of any atypical financial flows with higher margins of discretion than those normally provided for;
 11. Coordinate with the Administration and Finance Manager for the monitoring of corporate compliance that may be relevant for the purpose of committing corporate crimes.
 12. request information and documentation from company departments and divisions regarding the operations and acts carried out in the areas at risk of commission of the Offences;

13. promote and/or develop, together with the company departments responsible for this, appropriate initiatives for the dissemination, knowledge and understanding of this Model;
14. provide clarifications and instructions for compliance with this Model;
15. consult with other company functions and/or external consultants in order to guarantee the effectiveness of the Model;
16. collect, process and store information relating to this Model;
17. periodically report to the Board of Directors on the state of implementation and operation of the Model;
18. assessing and proposing to the Board of Directors the amendments and/or updates to be made to this Model;
19. have the appropriate resources for the development, monitoring and evaluation of the effectiveness of the Model.
20. Verify the implementation of the control procedures provided for by the Model;
21. Conduct reconnaissance and Sensitive investigations on the company's activities in order to identify and update the mapping of sensitive processes in which there is a risk of commission of the Offences;

The autonomy and independence that must necessarily characterise the activities of the Supervisory Board have made it necessary to introduce certain forms of protection in its favour, in order to guarantee the effectiveness of the Model and to prevent its control activities from generating forms of retaliation to its detriment (for example, the hypothesis in which the investigations carried out by the Supervisory Board may reveal elements that trace the crime or the attempt to commit the offence or the violation of this Model back to the top management of the company).

To this end, the Managing Director of the Board of Directors will be adequately informed about the evaluation of the overall professional performance and about any remuneration and/or organisational intervention concerning the members of the Supervisory Board and will verify the consistency with the internal company policies.

For any financial requirement, the SB in the performance of its mandate may request all the resources necessary for this purpose.

9.3 REPORTING BY THE SUPERVISORY BOARD TO TOP MANAGEMENT

The SB reports on the implementation of the Model and the emergence of any critical issues.

The SB has two lines of *reporting*:

1. The first, on a continuous basis, to the Chairman, to whom the SB will promptly address itself whenever a problem or criticality relating to a sensitive area pursuant to Legislative Decree 231/2001 should arise;
2. The second, on an annual basis to the Board of Directors, to which the SB will send a written report on the activity carried out (indicating in particular the controls carried out and the outcome of the same, the specific checks referred to in the following and the outcome of the same, any updating of the mapping of Sensitive Processes, etc.);

In addition, each year the Supervisory Board will present to the aforementioned corporate bodies the plan of activities planned for the following year.

If the SB detects critical issues relating to any of the reporting parties, the corresponding report should be promptly addressed to one of the other parties indicated above.

The purpose of the report is to:

- a) The activity carried out by the SB;
- b) Any criticalities (and suggestions for improvement) that emerge both in terms of internal behaviour or events and in terms of the effectiveness of the Model.

Meetings with the bodies to which the SB refers must be recorded in minutes and a copy of the minutes must be kept by the SB in accordance with the provisions of the Articles of Association and the Regulations.

The Chairman of the Board of Directors has the right to convene the SB at any time through its Chairman, who, in turn, has the right to request, through the competent functions or persons, the convening of the aforementioned bodies for urgent reasons.

9.4 INFORMATION FLOWS TO THE SB: GENERAL INFORMATION AND SPECIFIC MANDATORY INFORMATION

The SB must be informed, by means of reports from Employees, Corporate Bodies, Service Companies, Consultants and Partners on events that could give rise to responsibilities of the Company pursuant to Legislative Decree 231/2001.

In particular, any Addressee who knows of obvious violations of the Code of Conduct or, in any case, witnesses conduct in general not in line with the rules prescribed by the Model, must immediately report it to the Supervisory Board or, alternatively, if the reporter is an Employee, to his hierarchical superior who will forward it to the Supervisory Board.

The following general requirements apply in this respect:

- Any reports concerning conduct that is generally not in line with the rules of conduct set out in this Model must be collected;
- If an employee intends to report a violation (or alleged violation) of the Model, he or she must contact his or her direct superior. If the report is unsuccessful, or if the employee feels uncomfortable contacting his direct superior to submit the report, the employee reports it to the SB. The members of the Corporate Bodies and, with regard to their activity towards the Company, the Service Companies, the Consultants and the Partners, report directly to the SB;
- The SB evaluates the reports received; any consequent measures are applied in accordance with the provisions of the following chapter on the Disciplinary System;
- Good faith whistleblowers will be guaranteed against any form of retaliation, discrimination or penalisation and in any case the confidentiality of the whistleblower's identity will be ensured, without prejudice to legal obligations and the protection of the rights of the Company or of persons accused wrongly and/or in bad faith;
- The report should preferably be in non-anonymous form and may be forwarded through various channels including e-mail to the dedicated e-mail address **odv.castelloitalia@castelloitalia.it**.
- Any detailed anonymous reports (and, therefore, containing all the objective elements necessary for the next stage of verification) will be taken into account for further details.

In addition to the reports of general breaches described above, information on these breaches must also be provided immediately to the Supervisory Board:

- Measures and/or information from the judicial police, or any other authority, from which it is clear that investigations are being carried out, even against unknown persons, for the Offences;
- Requests for legal assistance made by Employees in the event of initiation of legal proceedings for the Offences;
- Reports prepared by the heads of other corporate functions as part of their control activities and from which facts, acts, events or omissions could emerge with critical profiles with respect to compliance with the provisions of Legislative Decree 231/2001;
- Information relating to the disciplinary proceedings carried out and any sanctions imposed (including measures against Employees) or measures to close these proceedings with the reasons for them;
- The evidence of any criticality or conflict of interest arising in the context of the relationship with the PA;

- Any situations of irregularity or anomaly found by those who carry out a function of control and supervision of obligations related to the performance of sensitive activities (payment of invoices, destination of funding obtained from the State or Community bodies, etc.);
 - Judicial, tax and administrative inspections (e.g. relating to regulations on the protection of safety and hygiene in the workplace, tax audits, INPS, etc.) in the event that the final report highlights critical issues for the company (transmission by the head of the department involved);
 - Significant events relating to the protection of safety and hygiene in the workplace, as provided for in the relevant "Special Section" (accident list, accident report, new appointments, special inspections, budget and progress plan, etc.);
- Significant events relating to environmental protection, as provided for in the relevant "Special Section" and, by way of example:
 - inspections by environmental control authorities and their results;
 - violations of tabular limits,
 - granting of authorisations,
 - emergency situations, including the measures taken to deal with them,
 - situations of non-compliance with the procedures,
 - significant changes in the production system,
 - reports of periodic audits of the management system carried out by third-party certification bodies,
 - etc.

Further mandatory information flows are provided for by a specific protocol¹¹ and may be defined by the SB in agreement with the company functions responsible for their transmission.

9.4.1 WHISTLEBLOWING

"Whistleblowing" means a report to the SB by a Company worker who, during his or her work activity, detects a possible fraud, danger or other serious risk that

¹¹ "Protocol for the management of information flows to the Supervisory Body".

could damage colleagues, member companies, accredited training bodies or the reputation of the Company, which therefore entails a violation of the Model. This tool allows the creation of a system of reporting of real facts and/or behaviour that does not follow the hierarchical line and that allows staff to report cases of violation of rules by others within the institution, without fear of retaliation. The obligations to provide information on any conduct contrary to the provisions contained in the Model fall within the broader duty of care and duty of loyalty of the employee as per articles 2104 and 2105 of the Italian Civil Code.

The Company, in consideration of the most recent regulatory developments¹², has taken steps to comply with the *whistleblowing* provided for by law, as an effective tool to prevent corruption and illegality in general, available to the entire internal organisational structure of the Company, making the personnel responsible for taking action to combat illegality, reporting the facts and/or events of which they are aware that are potentially illegal or irregular.

A specific procedure has been drawn up to regulate the provisions of Italian law.

The Supervisory and Control Body will act in such a way as to ensure that whistleblowers are protected against any form of retaliation, discrimination or penalisation, while also ensuring the confidentiality of the identity of the whistleblower, without prejudice to legal obligations and the protection of the rights of the Company or of the persons involved, as well as the reputation of the whistleblower(s).

In addition to the reporting channels, one of which is computerised, which has an absolute value, anyone who comes into possession of information relating to the commission of crimes or conduct deemed not to be in line with the provisions of this model must in any case immediately inform the Supervisory Board.

¹² Law "Provisions for the protection of authors of reports of crimes or irregularities of which they have become aware in the context of a public or private employment relationship", approved by the Chamber of Deputies on 15 November 2017. Article 2 of this Law, "Protection of employees or collaborators who report offences in the private sector", integrates Article 6 of Decree 231 with a paragraph 2-bis aimed at specifying the characteristics of the Model with regard to the collection of reports of unlawful conduct (i.e., the "Model").: a) detailed reports of unlawful conduct, relevant pursuant to the Decree, and based on precise and consistent factual elements, or violations of the organization and management model of the entity, of which they have become aware by reason of the functions performed; these channels ensure the confidentiality of the identity of the reporter in the activities of management of the report; b) provide at least for an alternative reporting channel capable of guaranteeing, by electronic means, the confidentiality of the identity of the reporter; c) provide for the prohibition of acts of retaliation or discrimination, direct or indirect, against the reporter for reasons directly or indirectly related to the report; d) provide in the disciplinary system sanctions against those who violate the measures for the protection of the reporter, as well as those who intentionally or with gross negligence make reports that prove unfounded

9.5 COLLECTION AND STORAGE OF INFORMATION

All information, reports and reports provided for in this Model are kept by the SB in a special database (computer or paper) for a period of 10 years.

Access to the database, in addition to members of the Supervisory Board, is permitted only to the Chairman of the Board of Directors, the Managing Director and the Chairman of the Board of Statutory Auditors and members of the Board of Directors and the Board of Statutory Auditors who are specifically authorized by their respective corporate bodies.

Below is a sample list of the particular information to be stored in the database:

- Any useful information concerning decisions regarding the application, disbursement and use of public funds;
- The summary schedules of the contracts for which the Company was awarded following tenders at national and international level, or by private treaty;
- News and documentation relating to contracts awarded by public bodies or persons performing public utility functions;
- Requests for legal assistance made by managers, employees or other persons entitled to do so, against whom the judiciary has initiated proceedings for the offences provided for by Legislative Decree 231/2001;
- Measures and/or information from the judicial police, or 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 Legislative Decree 231/2001;
- Information regarding compliance, at all levels of the company, with the Model or the Code of Ethics, with evidence of the disciplinary proceedings initiated and any sanctions imposed or the measures of filing, with the relative reasons;
- Reports prepared by the heads of other corporate functions as part of their control activities and from which facts, acts, events or omissions may emerge that are relevant for the purposes of compliance with the provisions of Legislative Decree 231/2001;
- The updated system of proxies and powers of attorney;
- With regard to the protection of safety and hygiene in the workplace, relevant documents and significant events such as, by way of example but not limited to: risk assessment documents, budget and progress plan, appointments of RSPPs and competent doctors, new appointments, list of accidents, accident reports, special inspections, emergency procedures, etc..
- The documents of the Environmental Management System.

10. TRAINING OF RESOURCES AND DISSEMINATION OF THE MODEL

10.1 TRAINING AND INFORMATION FOR EMPLOYEES AND CORPORATE BODIES

For the purposes of the effectiveness of this Model, it is the Company's objective to guarantee a correct knowledge, both to the resources already present in the company and to those to be included, of the rules of conduct contained therein, with a different degree of detail in relation to the different level of involvement of the same resources in the Sensitive Processes.

The information and training system is supervised and integrated by the activities carried out in this field by the Supervisory Board in collaboration with the Human Resources manager and with the managers of the other functions involved in the application of the Model from time to time.

- **Initial communication**

The adoption of this Model is communicated to all the resources present in the company at the time of adoption.

New employees and persons who hold a company position for the first time, on the other hand, are given an information set (e.g. Code of Conduct, National Collective Labour Agreement, Model, Legislative Decree 231/2001, etc.), with which to ensure that they have the knowledge considered of primary importance.

- **Training**

The training activity aimed at disseminating knowledge of the regulations set out in Legislative Decree 231/2001 is differentiated, in terms of content and delivery methods, according to the qualification of the recipients, the level of risk of the area in which they operate, and whether or not they have representative functions of the Company.

In particular, the Company provides for different levels of information and training through appropriate dissemination tools for:

1. Top management, members of the Supervisory Board and Corporate Bodies;
2. Employees operating in sensitive areas;
3. Employees who do not operate in sensitive areas.

All training programmes have a minimum common content consisting in the illustration of the principles of Legislative Decree 231/2001, the elements constituting the Organisation, Management and Control Model, the individual types of offences provided for by Legislative Decree 231/2001 and the behaviours considered sensitive in relation to the performance of the aforementioned offences.

In addition to this common matrix, each training program is modulated in order to provide its users with the tools necessary for full compliance with the Decree in relation to the scope of operation and tasks of the recipients of the program itself.

Participation in the training programmes described above is compulsory and the SB is responsible for monitoring actual attendance.

The Supervisory Board is also responsible for monitoring the quality of the contents of the training programmes as described above.

The provider is required to collect in a special file, by the same archived, the objective evidence of the training provided.

10.2 INFORMATION FOR CONSULTANTS AND PARTNERS

Consultants and Partners are informed of the content of the Model and of the Company's need for their conduct to comply with the provisions of Legislative Decree 231/2001 on the basis of procedural rules.

11. DISCIPLINARY SYSTEM

11.1 FOREWORD.

In order for the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 to have exempting effect for the Company, it must provide, as indicated by art. 6, paragraph 2, letter e), art. 6, paragraph 2-bis, letter d) and art. 7, paragraph 4, letter b), for a *disciplinary system suitable for sanctioning non-compliance with the measures indicated in the Model itself*.

The requirements to which the system of sanctions must respond can be inferred from the existing doctrine and jurisprudence that identify them in:

- **Specificity and autonomy:** the *specificity* is expressed in the preparation of a sanction system within the Company aimed at sanctioning any violation of the Model, regardless of whether or not it results in the commission of a crime; the requirement of *autonomy*, however, is expressed in the self-sufficiency of the functioning of the internal disciplinary system with respect to external systems (e.g. criminal proceedings), or, the Company is required to sanction the violation independent of the criminal proceedings established and this in view of the type of violation relating to the protocols and procedures provided for in the Model;
- **Compatibility:** the procedure for ascertaining and imposing the sanction, as well as the sanction itself, cannot be in conflict with the provisions of the law and with the contractual provisions governing the employment relationship with the Company;
- **Suitability:** the system must be efficient and effective in preventing the commission of offences;
- **Proportionality:** the sanction applicable or applied must be proportionate to the violation detected;
- **Written drafting and appropriate dissemination:** the system of sanctions must be drawn up in writing and subject to timely information and training for the recipients.

A substantial prerequisite of the Company's disciplinary power is the attribution of the violation to the worker (whether subordinate or in a senior position or collaborator), and this regardless of the circumstance that such conduct constitutes a violation from which criminal proceedings arise.

The basic requirement for sanctions is their proportionality to the infringement found, which will have to be assessed in accordance with two criteria:

- the gravity of the violation;

- the type of employment relationship established with the employee (subordinate, quasi-subordinate, executive, etc.), taking into account the specific legislative and contractual regulations in force.

In any case, the **right of defence** of the person against whom the complaint has been made must be guaranteed.

The Company has therefore adopted a disciplinary system (hereinafter also referred to as the 'Disciplinary System') aimed at sanctioning the violation of the principles, rules and measures provided for in the Model and the relative Protocols, in compliance with the rules provided for by national collective bargaining, as well as with the laws or regulations in force.

The Company, aware of the need to comply with the law and the provisions in force on the subject, ensures that the sanctions that can be imposed under this Sanctions System are in compliance with the provisions of the national collective labour agreements applicable to the sector; it also ensures that the procedural procedure for the notification of the offence and for the imposition of the relative sanction is in compliance with the provisions of art. 7 of Law no. 300 of 30 May 1970 (Workers' Statute).

For recipients who are bound by contracts of a nature other than an employment relationship (Directors, members of the Board of Statutory Auditors of the Supervisory Body and, in general, the External Parties), the applicable measures and sanctioning procedures must be in compliance with the law and contractual conditions.

11.2 FUNCTION OF THE DISCIPLINARY SYSTEM.

Violations of the Model and the related Protocols committed by persons in a "top management" position and by persons subject to the direction of others or operating in the name and/or on behalf of the Company are punishable.

The application of the disciplinary system and the related sanctions is independent of the course and outcome of any criminal proceedings initiated by the judicial authorities in the event that the conduct to be censured is also valid to constitute a type of crime pursuant to Legislative Decree 231/2001.

This is without prejudice to the Company's right to apply the sanctions provided for by the relevant laws and company practices with reference to conduct that is not relevant for the application of Legislative Decree 231/2001.

11.3 STRUCTURE, ELABORATION AND ADOPTION OF THE DISCIPLINARY SYSTEM

Without prejudice to the fact that a separate document has been drawn up for the complete discipline, the content of which, in its entirety, coincides with this chapter and which forms an integral part of the Model, the Disciplinary System,

in addition to being delivered, also by electronic means or on an IT support, to top management and employees, as well as published on the company intranet, is posted in a place accessible to all so that full knowledge of it is guaranteed by all Recipients.

11.4 THE RECIPIENTS OF THE DISCIPLINARY SYSTEM

The recipients of this disciplinary system correspond to the recipients of the Model pursuant to Legislative Decree 231/01 itself.

Recipients are required to conform their conduct to the principles set out in the Code of Ethics and to all the principles and measures of organisation, management and control of company activities defined in the Model itself.

11.4.1 THE ADMINISTRATORS

The rules and principles contained in the Model and in the related Procedures must be respected, in the first place, by those who hold a so-called "top position". This category includes persons "who hold positions of representation, administration or management of the entity or one of its organisational units with financial and functional autonomy", as well as persons who "exercise, even de facto, the management and control" of the entity (see art. 5, paragraph 1, letter a), of the Decree). In this context, the position of the members of the Company's administrative and control bodies is of *primary* importance. All the members of these bodies are liable to the sanctions provided for in this Disciplinary System in the event of violation of the provisions of the Model.

11.4.2 THE OTHER SUBJECTS IN THE "APICAL" POSITION

In addition to the Directors, "top management" includes General Managers and Directors with financial and functional autonomy.

11.4.3 EMPLOYEES

As already specified, the Decree provides for the adoption of a suitable Disciplinary System that sanctions any violations of the measures provided for in the Model subject to the management or supervision of a "top" subject.

In this sense, it is necessary to consider the position of all employees linked to the Company by a subordinate employment relationship, regardless of the contract applied, the qualification and/or the company classification recognized or even subject to the employer power of the company by virtue of an employment relationship (e.g. executives not "senior", managers, employees,

workers, fixed-term workers, workers with employment contracts, workers in administration etc.; hereinafter, also the "**Employees**").

11.4.4 MEMBERS OF THE BOARD OF STATUTORY AUDITORS AND THE SUPERVISORY BOARD

This Disciplinary System also has the function of sanctioning violations of the Model committed by so-called members of the control bodies.

The following persons may be included in this category

- the members of the Board of Statutory Auditors;
- the members of the Supervisory Board pursuant to Legislative Decree 231/2001.

11.4.5 OTHER SUBJECTS REQUIRED TO COMPLY WITH THE MODEL

This Disciplinary System also has the function of sanctioning violations of the Model committed by persons other than those indicated above.

In particular, these are all the subjects who are in any case required to comply with the Model by virtue of the function performed on behalf of the Company (hereinafter collectively referred to as "**Third Party Recipients**").

The following persons may be included in this category

- all those who have an employment relationship with the Company of a non-subordinate nature (project workers, consultants, etc.);
- collaborators in any capacity, including those who work on a continuous basis for the Company (so-called "professional assignments");
- attorneys, agents and all those who act in the name and/or on behalf of the Company;
- suppliers and partners.

11.5 RELEVANT PIPELINES

For the purposes of this Disciplinary System, and in compliance with the provisions of collective bargaining or contractual conditions, where applicable, the actions or behaviours carried out in violation of the Model adopted by the Company and its constituent elements are subject to sanctions.

Possible violations.

The following are the violations that are disciplinarily relevant:

- A) Violation of the Company's internal procedures or of the procedures/protocols provided for by the Model (e.g. failure to comply with the prescribed procedures, failure to notify the

- Supervisory Body of prescribed information, failure to carry out controls, etc.) or adoption, in the performance of activities connected with Sensitive Processes, of conduct that does not comply with the Company's procedures or operating instructions or with the requirements of the Model or the Code of Conduct;
- B) Violation of the Company's internal procedures or of the procedures/protocols provided for by the Model or adoption, in the performance of activities connected with Sensitive Processes, of conduct that does not conform to the procedures or operating instructions of the Company or to the prescriptions of the Model itself or of the Code of Conduct that exposes the Company to an objective situation of risk of commission of one of the Offences;
 - C) the violation and/or circumvention of internal control systems, carried out by removing, destroying or altering the documentation of the procedure or by preventing the control or access to information and documentation from the persons in charge, including the Supervisory Board;
 - D) Adoption, in the performance of activities related to Sensitive Processes, of behaviours that do not comply with the procedures or operating instructions of the Company or with the provisions of this Model or the Code of Conduct and are unambiguously directed towards the performance of one or more Offences;
 - E) Adoption, in the performance of activities related to Sensitive Processes, of behaviours that are clearly in violation of the procedures or operating instructions of the Company or of the provisions of this Model or of the Code of Conduct, such as to determine the concrete application to the Company of sanctions provided for by Legislative Decree 231/2001;
 - F) non-compliance with the rules contained in the Code of Ethics;
 - G) failure to comply with the obligations to report to the Supervisory Board and/or to the direct hierarchical superior;
 - H) failure to supervise, as "hierarchical manager", the observance of the procedures and prescriptions of the Model by their subordinates in order to verify their conduct within the areas at risk of crime and, in any case, in the performance of activities instrumental to operational processes at risk of crime;
 - I) Commission of one of the Offences.

In addition, the violations in terms of health and safety at work and the environment, which are disciplinarily relevant, are listed according to an increasing order of seriousness:

- J) failure to comply with the Model, if the violation results in a situation of real danger to the physical integrity of one or more persons, including the author of the violation, and provided that one of the conditions provided for in the following points is not met; K, L and M;
- K) failure to comply with the Model, if the violation results in an injury to the physical integrity of one or more persons, including the author of the violation, and provided that one of the conditions provided for in points L and M below is not met;
- L) failure to comply with the Model, if the violation results in an injury, qualifying as "serious" pursuant to art. 583, paragraph 1, of the Italian penal code, to the physical integrity of one or more persons, including the perpetrator of the violation, and provided that one of the conditions provided for in point M below is not met;
- M) failure to comply with the Model, if the violation results in an injury to the physical integrity or death of one or more persons, including the perpetrator of the violation, which can be qualified as "very serious" pursuant to art. 583, paragraph 1, of the Italian penal code.
- N) Infringement or omission as a result of gross negligence, inexperience or recklessness of any requirement aimed at preventing pollution or environmental damage.

In addition, the violation of the provisions of Article 6, paragraph 2-bis, letter d) of Legislative Decree no. 231/01 concerning reports of unlawful conduct, relevant pursuant to Legislative Decree no. 231/01 itself, or violations of the Model, i.e. violation of the provisions and company policy on how to submit reports pursuant to Law 179/2017 (Law on Whistleblowing), constitutes a reason for the application of the sanctioning measures provided for by this disciplinary system.

In particular, they are subject to disciplinary sanctions:

- failure to set up and/or maintain the reporting channels pursuant to Article 6, paragraph 2 bis letter d) of Legislative Decree 231/2001 or their inadequacy for the prescribed purposes;
- the conduct of persons who intentionally or grossly negligently report violations that prove to be unfounded;
- failure to comply with the prohibition of retaliatory or discriminatory acts, direct or indirect, against the reporter for reasons directly or indirectly related to the reporting and/or failure to provide appropriate means to avoid such acts;

- violations of the measures for the protection of the whistleblower with reference to the right of confidentiality; the disclosure of the identity of the whistleblower pursuant to Law 179/2017, unless it constitutes an act required by law and/or by contract, or the fulfilment of a duty and/or a legitimate order of the public authority, must be subject to disciplinary sanctions;
- the persons reported who are held responsible as a result of the investigative activity carried out by the Supervisory Body, which is the recipient of the report.

It also constitutes a reason for the application of the sanctioning measures in violation of the provisions on the processing and protection of personal data pursuant to the New Privacy Code 2018 (Legislative Decree 196/2003 Coordinated with Legislative Decree 101/2018) and the EU Regulation 2016/679 (GDPR) and the provisions contained in the Company Regulations for the use of electronic corporate tools.

11.6 PENALTIES AND CATEGORIES OF RECIPIENTS.

With regard to each of the relevant conducts, the sanctions that may theoretically be imposed for each category of Recipients are indicated.

In any case, the identification and imposition of sanctions must take into account the principles of proportionality and adequacy with respect to the alleged breach.

In this respect, the **gravity of** the infringement will be assessed on the basis of the following circumstances

- the time frame and the concrete modalities for the implementation of the infringement;
- the presence and intensity of the intentional element;
- the extent of the damage or danger as a consequence of the infringement for the Company and for all employees and stakeholders of the Company itself;
- the predictability of the consequences;
- the circumstances in which the infringement took place.

Recidivism is an aggravating circumstance and involves the application of a more serious penalty, within the limits of the provisions of collective bargaining, where applicable.

In any case, the sanctions and any claim for damages are commensurate with the level of responsibility and autonomy of the recipient, the possible existence of previous disciplinary measures against him, the intentionality of his conduct and the seriousness of the same, meaning the level of risk to which the Company can reasonably be considered exposed, pursuant to and for the purposes of Legislative Decree 231/2001, following the conduct censured.

The application of the sanctions indicated below does not prejudice in any case the right of the Company to take action against the person responsible in order to obtain compensation for all damages suffered due to or as a result of the conduct ascertained.

This is without prejudice to any claim for compensation if such conduct causes concrete damage to the Company, as in the case of application to it by the judge of the measures provided for by Legislative Decree 231/2001.

11.6.1 DISCIPLINARY PROCEEDINGS.

The procedure for the imposition and application of the sanction is regulated with regard to each category of recipients, regulating, for each:

- 1) the stage of notification of the violation to the person concerned;
- 2) The related counterdeduction by the person on whom the sanction was imposed
- 3) the phase of determination and subsequent application of the penalty.

The disciplinary system is subject to constant monitoring and evaluation by the Supervisory Board and the Human Resources Manager, the latter remaining responsible for the concrete application of the disciplinary measures outlined herein on any report from the Supervisory Board and having consulted the hierarchical superior of the perpetrator of the conduct censured.

With regard to the investigation of offences, disciplinary proceedings and the imposition of sanctions, the powers already conferred, within the limits of their respective competences, on company management remain unchanged.

The provisions contained in the Disciplinary System do not preclude the right of the addressees to exercise all their rights, including those of contestation or opposition against the disciplinary measure or the establishment of an Arbitration Board, recognised to them by law or regulation, as well as by collective bargaining or by the applicable company regulations.

11.7 MEASURES AGAINST EMPLOYEES

Violation by employees subject to the CCNL applied by the Company of the individual rules of conduct set out in this Model and the Code of Ethics constitutes a disciplinary offence.

The sanctions that can be imposed on the Company's employees, in accordance with the provisions of Article 7 of Law 300/1970 (the so-called Workers' Statute) and any special rules that may be applicable and subsequent amendments and/or additions, are those provided for by the system of sanctions referred to in the national collective bargaining agreement of reference and, more specifically:

- a) verbal recall;
- b) written warning;
- c) fine of up to 4 hours' salary;
- d) suspension for up to 10 (ten) days from service and pay, and in any case within the limits of the collective agreement applicable to the specific case;
- e) dismissal with notice for significant breach of the contractual obligations of the employee (justified subjective reason, pursuant to art. 7 of Law 300 of 20 May 1970 and the current CCNL);
- f) dismissal without notice for such a serious failure that the relationship cannot be continued, even temporarily, (just cause).

When required by the nature of the absence or need for investigation as a result of the same, the company - pending a final disciplinary measure - may order the temporary removal of the worker from the service for the time strictly necessary.

The applicability of all the provisions and guarantees provided for by art. 7 of Law 300/1970 and subsequent amendments and/or additions to the disciplinary procedure is understood to be understood. With regard to the investigation of offences, disciplinary proceedings and the prescription of sanctions, the powers already conferred within the Company remain valid, within the limits of their respective mandates and powers.

The behaviors that constitute violations are as follows:

1. **verbal warning:** in cases of culpable violation of the procedures and prescriptions indicated in this Section, in the previous chapter "Significant Conduct" and/or procedural errors due to negligence of the worker having external relevance;

2. **written warning:** in cases where the worker has repeatedly violated the procedures provided for with a repetition of failures punishable by verbal reprimand. The same measure shall be taken if, in the exercise of his activities, the worker adopts behaviour that does not comply with the requirements, with minor non-compliance with the contractual rules or directives or instructions given by management or superiors, or adopts negligent behaviour that is not serious, or omits to report or tolerates minor irregularities committed by others belonging to the staff or by third parties;
3. **monetary fine** not exceeding 4 hours of hourly pay calculated on the basis of the minimum scale, when the worker is repeat offender in violating the procedures provided for with a repetition of failures punishable by verbal reprimand and with the subsequent written reprimand.
4. **suspension from service and pay for a period not exceeding 10 days** when the worker who engages in conduct which, due to objective circumstances, specific consequences or recidivism, is of greater importance than the punishability with lower penalties. The same measure applies to workers who, in the exercise of their activities, adopt a conduct that does not comply with the provisions, with negative repercussions for the company or for third parties, with repeated or serious non-compliance with the contractual rules or directives or instructions given by senior management or superiors, as well as adopt a serious negligent conduct or that has had negative repercussions for the company or for third parties or omits to report or tolerate serious irregularities committed by others belonging to staff or by third parties;
5. **dismissal with notice for significant breach of contractual obligations (justified reason)** when the worker who carries out a violation of internal provisions and rules of conduct, contractual rules or duties relating to the disciplinary sphere, company directives, performance at work, such as to constitute, or by the particular nature of the absence or its recidivism, a "significant" breach of the obligations relating;
6. **dismissal without notice (for just cause)** when the worker who adopts a conduct of such seriousness (or for painfulness of the fact, or for the criminal or pecuniary consequences, or for recidivism, or for its particular nature) as to make the trust on which the employment relationship is based no longer exist, and

in any case not to allow the continuation of the relationship even temporarily.

The type and extent of each of the above-mentioned sanctions, with specific reference to the provisions of Legislative Decree 231/2001, will be applied taking into account the provisions of the relevant laws and company practices, as well as taking into account:

- a) intentionality of the behaviour or degree of negligence, imprudence or inexperience with regard also to the predictability of the event;
- b) the overall conduct of the worker with particular regard to the existence or otherwise of previous disciplinary measures of the same, within the limits permitted by law.
- c) the worker's duties;
- d) functional position of the persons involved in the facts constituting the deficiency;
- e) other particular circumstances accompanying the disciplinary offence.

This is without prejudice to the Company's right to apply the sanctions provided for by the relevant laws and company practices with reference to conduct that is not relevant for the application of Legislative Decree 231/2001.

For the purposes of determining recidivism, with specific reference to the relevant conduct pursuant to Legislative Decree 231/2001, only the disciplinary sanctions imposed during the last two years are considered.

This is without prejudice to the prerogative of the Company to claim compensation for damages resulting from the violation of internal provisions and policies and the rules of conduct by an employee.

The compensation for any damages requested will be commensurate with:

- a) level of responsibility and autonomy of the employee, author of the disciplinary offence;
- b) the existence, if any, of any disciplinary precedents against the same;
- c) the degree of intentionality of his behavior;

- d) seriousness of its effects, meaning the level of risk to which the company reasonably believes it has been exposed as a result of the conduct censured.

With regard to the investigation of offences, disciplinary proceedings and the imposition of sanctions, the powers already conferred, within the limits of their respective competences, on company management remain unchanged.

The ultimate responsibility for the concrete application of the disciplinary measures described above, for conduct relevant for the purposes of Legislative Decree 231/2001, lies with the Human Resources Manager together with the Managing Director, who will establish the sanctions also taking into account any reports made to the Supervisory Board, on the basis of what is defined by the individual provisions of the law (for example, Legislative Decree 231/2001, Legislative Decree 81/2008).

All the provisions in terms of compliance with the Disciplinary procedure provided for by law, national collective bargaining agreement and company practice remain unchanged.

In any case, for all the cases described above, in compliance with the provisions of art. 6 of Legislative Decree no. 231, paragraph 2-quater of 8 June 2001, the retaliatory or discriminatory dismissal of the person who reports illegal conduct, relevant under Legislative Decree no. 231/01 or violations of the organization model, is null and void. Any change of duties pursuant to Article 2103 of the Italian Civil Code, as well as any other retaliatory or discriminatory measure adopted against the reporter, shall also be null and void. It is the employer's responsibility, in the event of disputes related to the imposition of disciplinary sanctions, or to demergers, dismissals, transfers, or submission of the whistleblower to another organisational measure having direct or indirect negative effects on working conditions, following the submission of the whistleblower, to prove that such measures are based on reasons unrelated to the whistleblower.

11.8 MEASURES AGAINST MANAGERS

In the event of violation, by managers, of the procedures provided for by this Model or of adoption, in the performance of activities connected with Sensitive Processes, of a conduct that does not comply with the provisions of the Model itself or the Code of Conduct, the Company applies the most appropriate measures to those responsible in compliance with the provisions of the current National Collective Labour Agreement for managers and the relevant case law.

For Executives with a senior position, any disputes to be raised with related penalties to be imposed following a violation of the provisions of the Model pursuant to Legislative Decree 231/2001, must be decided by the Board of Directors, after consulting the Managing Director, informing the Chairman of the supervisory body and the Chairman of the Board of Directors, taking care to protect the interests of the company without compromising its image.

11.9 MEASURES AGAINST DIRECTORS

If an administrator is found to have committed any of the violations provided for in this specification, the following penalties will apply:

- the written recall;
- the warning that the provisions of the Model must be strictly complied with;
- removal from office

If the violation is alleged against a director linked to the Company by an employment relationship, the sanctions provided for senior managers or employees, described in the preceding paragraphs, will be applied

In this case, if the sanction of dismissal is imposed, with or without notice, the director must also be removed from office.

In the event of a violation of the Model or Code of Conduct by one or more members of the Board of Directors, the SB informs the Board of Statutory Auditors and the entire Board of Directors, which shall take the appropriate measures, including, for example, calling a shareholders' meeting in order to adopt the most appropriate measures provided for by law.

11.10 MEASURES AGAINST STATUTORY AUDITORS

In the event of a violation of this Model or the Code of Conduct by one or more Statutory Auditors, the SB informs the entire Board of Statutory Auditors and the Board of Directors, which will take the appropriate measures, including, for example, calling a shareholders' meeting in order to adopt the most appropriate measures provided for by law.

11.11 MEASURES AGAINST SB MEMBERS

In the event of a violation of this Model or the Code of Conduct by one or more members of the Supervisory Board, the other members of the Supervisory Board

or any of the Statutory Auditors or Directors shall inform the Board of Statutory Auditors and the Board of Directors, which shall take appropriate measures, including, for example, the revocation of the appointment of members of the Supervisory Board who have violated the Model and the consequent appointment of new members to replace them, or the revocation of the appointment of the entire body and the consequent appointment of a new Supervisory Board.

11.12 MEASURES AGAINST SERVICE COMPANIES, CONSULTANTS, PARTNERS AND THIRD PARTY RECIPIENTS IN GENERAL

Any violation by the Service Companies, Consultants or Partners of the rules set out in this Model or of the Code of Conduct applicable to them or of the commission of the Offences is sanctioned in accordance with the provisions of the specific contractual clauses included in the relevant contracts. This is without prejudice to any claim for compensation if such conduct causes concrete damage to the Company, as in the case of application to it by the judge of the measures provided for by Legislative Decree 231/2001.

In the event that the violations are committed by workers administered or in the context of works or service contracts, the sanctions will be applied, upon positive assessment of the violations by the worker, against the administrator or contractor.

In the context of relations with Third Party Recipients, the Company inserts, in the letters of appointment and/or in the relative negotiating agreements, specific clauses aimed at providing, in the event of violation of the Model, for the application of the measures indicated above.

12. VERIFICATION OF THE ADEQUACY OF THE MODEL

In addition to the supervisory activity that the SB continuously carries out on the effectiveness of the Model (and which takes the form of checking the consistency between the concrete behaviour of the recipients and the Model itself), it periodically carries out specific checks on the real capacity of the Model to prevent the Offences (if necessary, if it deems it appropriate, assisting itself with third parties).

This activity takes the form of a sample check of the main corporate deeds and the most important contracts concluded by the Company with regard to the Sensitive Processes and their compliance with the rules set out in this Model.

In addition, an analysis is carried out of all the reports received during the year, of the actions taken by the Supervisory Board, of the events considered risky and of the awareness of the Employees and Corporate Bodies with regard to the problem of the criminal liability of the company with random checks.

The checks are carried out by the SB, which normally avails itself of the support of other internal functions which, from time to time, are necessary for this purpose and/or also of external subjects with recognised professionalism and specific skills in the field.

The audits and their outcome are reported annually to the Board of Directors and the Board of Statutory Auditors. In particular, in the event of a negative outcome, the SB will set out, in the plan for the year, the improvements to be implemented.

