ORGANISATION AND MANAGEMENT MODEL

PURSUANT TO LEGISLATIVE DECREE 231/2001

OF

C.M.C. S.P.A.

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GENERAL SECTION

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

1.1 The Administrative Liability of Legal Persons

Legislative Decree no. 231 of 8 June 2001, implementing Delegated Law no. 300 of 29 September 2000, introduced in Italy the "*Regulations on the administrative liability of legal persons, companies and associations, including those without legal status*" (hereinafter, for brevity, also "**Legislative Decree no. 231 of 2001**" or the "**Decree**"), which is part of a broad legislative process to combat corruption and brings Italian regulations on the liability of legal persons into line with certain International Conventions previously signed by Italy, in particular:

- Brussels Convention of 26 July 1995 on the protection of the European Community's financial interests;
- Brussels Convention of 26 May 1997 on the fight against corruption of officials of the European Community and its Member States;
- OECD Convention of 17 December 1997 on Combating Bribery of Foreign Public Officials in International Business Transactions.

Legislative Decree no. 231 of 2001 therefore establishes a system of administrative liability (substantially comparable to criminal liability) for legal persons[1] (hereinafter, for brevity, also "**Entity(ies)**"), which is in addition to the liability of the natural person (better identified below) who committed the offence and which aims to involve, in the punishment of the offence, the Entities in whose interest or to whose advantage the offence was committed. This administrative liability applies only to the offences listed exhaustively in the same Legislative

[1] Article 1 of Legislative Decree no. 231 of 2001 limited the scope of the recipients of the legislation to "*entities with legal status, companies and associations, including those without legal status*". In light of this, the legislation applies to:

- private entities, i.e. entities with legal status and associations "even without" legal status;
- public entities, i.e. entities with public status but without public powers (so-called "economic public entities");
- mixed public/private entities (so-called "mixed companies").

The following are excluded from the list of recipients: the State, public territorial entities (Regions, Provinces, Municipalities and Mountain Communities), non-economic public entities and, in general, all entities that perform functions of constitutional importance (Chamber of Deputies, Senate of the Republic, Constitutional Court, General Secretariat of the Presidency of the Republic, C.S.M., etc.).

Decree no. 231 of 2001.

Article 4 of the Decree also specifies that in some cases and under the conditions set out in Articles 7, 8, 9 and 10 of the Italian Criminal Code, the administrative liability of Entities having their head office in the territory of the State for offences committed abroad by natural persons (as better identified below) shall subsist, provided that the State of the place where the criminal act was committed does not take action against such Entities.

1.2 The Persons whose conduct determines the liability of the Entity in accordance with Legislative Decree no. 231 of 2001

The subjects who, by committing an offence in the interest or to the advantage of the Entity, may determine its liability are listed below:

(i) natural persons who hold top management positions (representation, administration or management of the Entity or one of its organisational units with financial and functional autonomy or individuals who exercise *de facto* management and control: hereinafter, for brevity, the "**Top Managers**"),

(ii) natural persons managed or supervised by one of the Top Managers (hereinafter, for brevity, the "**Subordinates**").

In this regard, it should be noted that it is not necessary for the Subordinates to have a subordinate working relationship with the Entity, as this notion also includes "*those employees who, although not employees of the entity, have a relationship with the latter such as to lead to the assumption of an obligation of supervision by the top management of the entity itself: for example, agents, partners in joint ventures, the so-called para-employees in general, distributors, suppliers, consultants and collaborators*"[2].

In fact, according to the prevailing doctrine, situations in which a particular task is entrusted to external collaborators, who are required to perform it under the direction or control of Top Managers, are relevant for the purposes of the entity's administrative liability.

[2] Assonime Circular no. 68 of 19 November 2002.

It is however appropriate to reiterate that the Entity is not liable, by express legislative provision (Article 5, paragraph 2, of the Decree), if the aforementioned persons have acted exclusively in their own interest or that of third parties. In any event, their conduct should be related to that "organic" relationship whereby the acts of the natural person can be ascribed to the Entity.

1.3 Predicate Offences

The Decree refers to the following types of offences (hereinafter, for brevity, also the "**Predicate Offences**"):

i) **offences against the Public Administration**, including: undue receipt of disbursements, fraud to the detriment of the State or a public body or for the attainment of public disbursements, computer fraud to the detriment of the State or a public body, extortion, undue induction to give or promise other benefits, bribery (including international bribery), incitement to bribery and trafficking in unlawful influence (Articles 24 and 25 of Legislative Decree no. 231 of 2001) introduced by the Decree, subsequently amended by Law 190 of 6 November 2012 and by Law 3 of 16 January 2019; fraud in the execution of public supply contracts (including to the detriment of the European Union), fraud for the purpose of obtaining disbursements from European Agricultural Funds, embezzlement (including by means of profit from the error of others) and abuse of office - when the act offends the financial interests of the European Union - (Articles 24 and 25 of Legislative Decree no. 231 of 2001) introduced by Legislative Decree no. 75 of 14 July 2020.

ii) **computer crimes and unlawful data processing**, introduced by Article 7 of Law no. 48 of 18 March 2008, which inserted Article 24-bis into Legislative Decree no. 231 of 2001; in 2019, crimes relating to the national cyber security perimeter were also included in Article 24-bis (Decree Law 105/2019);

iii) **organised crime offences**, introduced by Article 2, paragraph 29, of Law

no. 94 of 15 July 2009, which inserted Article 24-ter into Legislative Decree no. 231 of 2001;

iv) **offences relating to counterfeiting money, public credit cards, revenue stamps and identification instruments or signs**, introduced by Article 6 of Law no. 409 of 23 November 2001, which inserted Article 25-bis into Legislative Decree no. 231 of 2001, subsequently supplemented by Article 15, paragraph 7, letter a) of Law no. 99 of 23 July 2009;

v) **offences against industry and trade**, introduced by Article 15, paragraph 7, letter b) of Law no. 99 of 23 July 2009, which inserted Article 25-bis.1 into Legislative Decree no. 231 of 2001;

vi) **corporate offences**, introduced by Legislative Decree no. 61 of 11 April 2002, which included Article 25-ter in Legislative Decree no. 231 of 2001, subsequently supplemented by Legislative Decree no. 262 of 28 December 2005, Law no. 190 of 6 November 2012, Law no. 69 of 27 May 2015 and Legislative Decree no. 38 of 15 March 2017;

vii) **crimes with the purpose of terrorism or subversion of the democratic order**, introduced by Law no. 7 of 14 January 2003, which inserted Article 25-quater into Legislative Decree no. 231 of 2001;

viii) **crimes against physical safety**, with particular reference to the sexual integrity of women, introduced by Law no. 7 of 9 January 2006, which included Article 25-quater.1 in Legislative Decree no. 231 of 2001;

ix) **crimes against the individual**, introduced by Law no. 228 of 11 August 2003, which inserted Article 25-quinquies into Legislative Decree no. 231 of 2001, subsequently amended by Law 38 of 6 February 2006, Legislative Decree 39 of 4 March 2014 and Law 199 of 29 October 2016;

x) **market abuse offences**, provided for by Law no. 62 of 18 April 2005, which included in Legislative Decree no. 231 of 2001 Article 25-sexies and, within the TUF, Article 187-quinquies "*Liability of the entity*";

xi) **offences of culpable homicide or serious or very serious injury**,

committed in violation of the rules on the protection of health and safety at work, introduced by Law no. 123 of 3 August 2007, which included in Legislative Decree no. 231 of 2001 Article 25-septies, subsequently amended by Legislative Decree no. 81 of 9 April 2008;

xii) **offences of receiving stolen goods, money laundering and use of money**, goods or utilities of unlawful origin, as well as **self-laundering**, introduced by Legislative Decree no. 231 of 21 November 2007, which inserted Article 25-octies into Legislative Decree no. 231 of 2001, subsequently amended by Law no. 186 of 15 December 2014 and by Legislative Decree no. 90 of 25 May 2017;

xiii) **offences relating to violation of copyright**, introduced by Article 15, paragraph 7, letter c), of Law no. 99 of 23 July 2009, which inserted Article 25-novies into Legislative Decree no. 231 of 2001, subsequently amended by Law no. 116 of 3 August 2009 and by Legislative Decree no. 121 of 7 July 2011;

xiv) **crime of inducing persons not to make statements or to make false statements to the judicial authorities**, introduced by Article 4 of Law 116 of 3 August 2009, which inserted Article 25-decies into Legislative Decree 231 of 2001[3];

xv) **environmental offences**, introduced by Legislative Decree no. 121 of 7 July 2011, which inserted Article 25-undecies into Legislative Decree no. 231 of 2001, subsequently amended by Law 68 of 22 May 2015 (so-called "Eco-crimes");

xvi) **transnational offences**, introduced by Law no. 146 of 16 March 2006, "*Law ratifying and implementing the United Nations Convention and Protocols against transnational organised crime*";

xvii) **crime of employment of third-country nationals whose stay is irregular**, introduced by Legislative Decree no. 109 of 16 July 2012, containing the "*Implementation of Directive 2009/52/EC introducing*

[3] Originally 25-novies and so renumbered by Legislative Decree 121/2011.

minimum rules on sanctions and measures against employers who employ third-country nationals whose stay is irregular", which inserted Article 25-duodecies into Legislative Decree no. 231 of 2001, subsequently amended by Law 161 of 17 October 2017*;*

xviii) offences of bribery among private individuals, introduced by Law 190 of 6 November 2012, which included in Legislative Decree no. 231 of 2001 the letter s-bis to Article 25-ter, paragraph 1, subsequently amended by Legislative Decree 38 of 15 March 2017.

xix) crimes of racism and xenophobia, introduced by Law no. 167 of 20 November 2017, which inserted Article 25-terdecies into Legislative Decree no. 231 of 2001;

xx) offences of fraud in sports competitions, abusive exercise of gaming or betting and gambling exercised by means of prohibited devices, introduced by Law no. 39 of 3 May 2019, which inserted Article 25-quaterdecies into Legislative Decree no. 231 of 2001;

xxi) tax offences, including the crime of fraudulent declaration through the use of invoices or other documents for non-existent transactions, fraudulent declaration by other means, issuance of invoices or other documents for non-existent transactions, concealment or destruction of accounting documents, fraudulent evasion of taxes **-** Articles 2, 3, 8, 10, 11 of Legislative Decree no. 74 of 2000 - introduced by Law no. 157, which inserted Article 25-quinquiesdecies in Legislative Decree no. 231 of 2001*;* untrue declaration, omitted declaration and undue compensation if the offence is committed: (*a)* as part of fraudulent cross-border systems; (*b)* in order to evade value added tax for a total amount of not less than Euro 10 million - Articles 4, 5 and 10-quater Legislative Decree no. 74 of 2000 - introduced by Legislative Decree no. 75 of 14 July 2020;

xxii) contraband offences referred to in Presidential Decree no. 43/1973, introduced by Legislative Decree no. 75 of 14 July 2020, which inserted Article 25-sexiedecies into Legislative Decree no. 231 of 2011.

1.4 Sanctions provided for in the Decree

Legislative Decree no. 231 of 2001 provides for the following types of sanctions applicable to the entities to which the legislation applies:

(a) administrative pecuniary sanctions;
(b) disqualifying sanctions;
(c) confiscation of the price or profit of the offence;
(d) publication of the judgment.

(a) The **pecuniary administrative sanction**, regulated by Articles 10 and following of the Decree, constitutes the "basic" sanction of necessary application, for the payment of which the Entity is liable with its assets or with the common fund (which, in associations, is made up of the contributions of the individual associates).

The Legislator has adopted an innovative criterion for the commensuration of the pecuniary sanction, attributing to the Judge the obligation to proceed to two different and subsequent assessments, in order to guarantee the effectiveness of the sanction to the gravity of the offence and to the economic conditions of the Entity.

The first assessment requires the Judge to determine the number of shares (in any event not less than one hundred, nor more than one thousand)[4] taking into account of:

- the seriousness of the offence;

- the degree of liability of the Entity;

- the activity carried out to eliminate or mitigate the consequences of the offence and to prevent the perpetration of further offences.

During the second assessment, the Judge determines, within the minimum and maximum values predetermined in relation to the offences sanctioned, the value

[4] With reference to market abuse offences, the second paragraph of Article 25-sexies of Legislative Decree no. 231 of 2001 states that: "*If, as a result of the perpetration of the offences referred to in paragraph 1, the product or profit obtained by the entity is of significant size, the penalty is increased up to ten times such product or profit*".

of each share, from a minimum of Euro 258.00 to a maximum of Euro 1,549.00. This amount is set "*on the basis of the economic and financial conditions of the entity in order to ensure the effectiveness of the sanction*" (Articles 10 and 11, paragraph 2, Legislative Decree no. 231 of 2001).

As stated in point 5.1. of the Report on the Decree, "*As regards the means of ascertaining the economic and financial conditions of the entity, the judge may rely on the balance sheets or other records suitable for showing such conditions. In some cases, evidence may also be obtained by taking into account the size of the entity and its position on the market.* (...) *The judge will not be able to avoid, with the help of consultants, entering into the reality of the company, where he will also be able to obtain information relating to the state of economic, financial and patrimonial solidity of the entity*".

Article 12 of Legislative Decree no. 231 of 2001 provides for a series of cases in which the financial penalty is reduced. They are schematically summarised in the following table, with an indication of the reduction made and the prerequisites for the application of the reduction itself.

Reduction	**Prerequisites**
1/2 (and cannot in any case exceed Euro 103,291.00)	• The perpetrator committed the offence in his own interest or in the interest of third parties *and* the Entity did not gain an advantage or gained a minimal advantage; ***and*** • the financial damage caused is particularly slight.
1/3 to 1/2	[Before the opening of the first instance proceedings] • The Entity has fully compensated for the damage and has eliminated the harmful or dangerous consequences of the offence or has in any case taken effective action in this sense; *or* • an organisational model suitable for preventing offences of the kind committed has been implemented and made operational.

Reduction	Prerequisites
1/2 to 2/3	[Before the opening of the first instance proceedings] • The Entity has fully compensated for the damage and has eliminated the harmful or dangerous consequences of the offence or has in any case taken effective action in this sense; ***and*** • an organisational model suitable for preventing offences of the kind committed has been implemented and made operational.

(b) The following **disqualifying sanctions** are provided for by the Decree and apply only in relation to the offences for which the following sanctions are expressly provided for:

- disqualification from carrying on business;

- suspension or revocation of authorisations, licences or concessions functional to the perpetration of the offence;

- prohibition to contract with the Public Administration, except to obtain the performance of a public service;

- exclusion from facilitations, financing, contributions and subsidies, and/or revocation of those already granted;

- ban on advertising goods or services.

In order for disqualifying sanctions to be imposed, at least one of the conditions set out in Article 13 of Legislative Decree no. 231 of 2001 shall be met, namely:

- "*the entity has gained a significant profit from the offence and the offence was committed by managers or by persons subject to the direction of others when, in this case, the perpetration of the offence was determined or facilitated by serious organisational deficiencies*";

or

- "*in the event of a repeat offence*".[5]

In addition, disqualifying sanctions may also be requested by the Public Prosecutor and applied to the Entity by the Judge as a precautionary measure, when:

- there are serious indications that the Entity is liable for an administrative offence resulting from a crime;
- there are well-founded and specific elements that suggest the existence of a concrete danger that offences of the same nature as the one in question may be committed;
- the Entity has made a significant profit.

In any case, disqualifying sanctions are not applied when the offence was committed in the main interest of the perpetrator or of third parties and the Entity obtained little or no benefit, or the financial damage caused is particularly slight.

The application of the disqualifying sanctions is also excluded by the fact that the Entity has carried out the remedial conduct provided for in Article 17, Legislative Decree no. 231 of 2001 and, more specifically, when the following conditions are met:

- "*the entity has fully compensated for the damage and has eliminated the harmful or dangerous consequences of the offence or has in any case taken effective action in this direction*";
- "*the entity has eliminated the organisational shortcomings that led to the offence by adopting and implementing organisational models suitable for preventing offences of the kind committed*";

[5] Pursuant to Article 20 of Legislative Decree no. 231 of 2001, "*a repetition occurs when an entity, which has already been definitively convicted at least once for an offence dependent on a crime, commits another offence in the five years following the final conviction*".

- "*the entity has made available the profit made for the purposes of confiscation*".

Disqualifying sanctions have a duration of no less than three months and no more than two years[6] and the choice of the measure to be applied and its duration is made by the Judge on the basis of the criteria previously indicated for the commensuration of the pecuniary sanction, "*taking into account the suitability of the individual sanctions to prevent offences of the type committed*" (Article 14, Legislative Decree no. 231 of 2001).

Finally, the Legislator has specified that the prohibition from exercising the activity has a residual nature compared to the other disqualifying sanctions.

(c) Pursuant to Article 19, Legislative Decree no. 231 of 2001, the **confiscation** - also in equivalent form - of the price (money or other economic utility given or promised to induce or determine another person to commit the offence) or profit (immediate economic utility obtained) of the offence is always ordered with the conviction, except for the part that can be returned to the damaged party and without prejudice to the rights acquired by third parties in good faith. Article 6, paragraph 5 of Legislative Decree 231 of 2001 also states that the confiscation of the profit of the offence is always ordered (also in the form of equivalent assets) even if the entity is able to prove that it was not involved in the offence committed by the Top Managers (see paragraph 1.6 below).

(d) The **publication of the sentence** in one or more newspapers, either in excerpts or in full, may be ordered by the Judge, together with posting in the municipality where the Entity has its head office, when a disqualifying sanction is applied. Publication is carried out by the Clerk of the competent Judge and at the expense of the Entity.

1.5 Attempted crimes

In cases of attempted perpetration of the predicate offences under the Decree, the pecuniary penalties (in terms of amount) and disqualifying sanctions (in terms of

[6] In the most serious cases, for the offences provided for by Article 25 of the Decree (extortion and bribery, undue induction to give or promise benefits), the Judge may apply disqualifying sanctions of up to 7 years.

time) are reduced by between one third and one half, while the imposition of penalties is excluded in cases where the Entity voluntarily prevents the action from being carried out or the event from taking place (Article 26 of the Decree).

1.6 Exempting conduct

Articles 6 and 7 of Legislative Decree no. 231 of 2001 provide for specific forms of exemption from administrative liability for the Entity for offences committed in the interest or to the advantage of the Entity both by Top Managers and Subordinates (as defined in paragraph 1.2 above).

In particular, in the case of offences committed by Top Managers, Article 6 of the Decree provides for exemption if the Entity can prove that:

a) the management body has adopted and effectively implemented, prior to the offence being committed, an organisation and management model capable of preventing offences of the kind committed (hereinafter, for brevity, the "**Model**");

b) the task of supervising the functioning of and compliance with the Model, as well as taking care of its updating, has been entrusted to a body of the Entity (hereinafter, for brevity, the "**Supervisory Board**" or the "**SB**"), endowed with autonomous powers of initiative and control;

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

d) there has been no omitted or insufficient supervision by the Supervisory Board.

As far as Subordinates are concerned, Article 7 of the Decree provides for the exemption from liability in the event that the Entity has adopted and effectively implemented, prior to the offence being committed, a Model capable of preventing offences of the type that have occurred.

However, the Entity's exemption from liability is not determined by the mere adoption of the Model, but by its effective implementation to be achieved

through the implementation of all the protocols and controls necessary to limit the risk of perpetration of the offences that the Company intends to avoid. In particular, with reference to the characteristics of the Model, the Decree expressly provides, in Article 6, paragraphs 2 and 2-bis, that the Model has to meet the following requirements:

a) identify the activities within the scope of which there is a possibility that offences may be committed (so-called activities at risk of offences);

b) provide for specific protocols aimed at planning the formation and implementation of the Entity's decisions in relation to the offences to be prevented;

c) identify the methods of management of financial resources suitable to prevent the perpetration of such offences;

d) provide for obligations to inform the Supervisory Board;

e) introduce a disciplinary system suitable for sanctioning non-compliance with the measures indicated in the Model.

f) provide for one or more channels for reporting unlawful conduct or violations of the Model (so-called whitleblowing - see paragraph 1.7 below in greater detail)

1.7 Whistleblower protection

Law no. 179/2017 for the protection of the whistleblower has inserted within Article 6 of Decree 231/2001 a new paragraph (2-bis), which provides for the inclusion in the organization and management model adopted by the Company of:

- specific channels, at least one of which is computerised, for reporting offences and violations of the organisation Model, which are suitable for guaranteeing the confidentiality of the identity of the whistleblower in the activities of managing the report (Article 6, paragraph 2-bis, lett. a) and b), Legislative Decree 231/2001);

- the prohibition of retaliatory or discriminatory acts, direct or indirect, against the whistleblower for reasons related, directly or indirectly, to the report (Article 6, paragraph 2-bis, letter c), Legislative Decree 231/2001);

- disciplinary sanctions for those who violate the confidentiality of the whistleblower and for those who, on the contrary, make unfounded reports due to fraud or gross negligence (Article 6, paragraph 2-bis, letter d) of Legislative Decree no. 231/2001) 231/2001);

- the nullity of retaliatory dismissal and other discriminatory or retaliatory measures - including the change of duties - of the whistleblower, deriving, directly or indirectly, from the report (Article 6, paragraph 2-quater of Legislative Decree 231/2001).

C.M.C. has adopted a **procedure for whistleblower reports** (see paragraph 3.3 below). This procedure is an integral part of the Model.

1.8 Guidelines

On the express indication of the delegated Legislator, the Models may be adopted on the basis of codes of conduct drawn up by representative trade associations that have been communicated to the Ministry of Justice which, in agreement with the competent Ministries, may bring observations on the suitability of the models to prevent offences within 30 days.

The preparation of this Model is inspired by the Guidelines for the drafting of Organization, Management and Control Models pursuant to Legislative Decree no. 231 of 2001, approved by Confindustria on 7 March 2002 and subsequently updated (first in 2008, then in March 2014 and finally in 2021).

The path outlined by the Guidelines for the drafting of the Model can be summarised as follows:

- identification of the areas at risk, aimed at verifying in which areas/company sectors it is possible to commit the offences indicated in the Decree (so-called

"sensitive areas") or in which it is in any case possible to perform conduct instrumental to the perpetration of the offences set out in the Decree (so-called "instrumental areas"), such as, for example, the management of the Company's financial activity, potentially functional to the creation of non-accounting reserves;

- preparation of a control system capable of reducing risks through the adoption of appropriate protocols. This is supported by the coordinated set of organisational structures, activities and operating rules applied - on the instructions of the top management - by the management and consultants, aimed at providing reasonable certainty that the objectives of a good internal control system will be achieved.

  The **most relevant components of the preventive control system** proposed by the Guidelines are, as regards the prevention of intentional offences:

  - the **Code of Ethics**: consisting of the document through which the company has to circulate within the organisation, and to all stakeholders, a table of principles, commitments and ethical responsibilities to which it inspires its activities and the corresponding conduct required of recipients. In addition to the Code of Ethics, there is also the **Diversity, Equity and Inclusion Policy**, as part of the procedures adopted by the Company, in order to inspire the activities and conduct of recipients to the principles of respect for diversity, inclusion, collaboration and innovation.

  - the **organisational system**: the company has to define in formal documents (organisation chart, job description, function chart, delegations and proxies, appointments, etc.) the functions and powers of each company figure, clarifying the type of relationship (hierarchical, staff, control, reporting) between them. The procedures for access to certain roles in the company and any reward and gratification systems aimed at personnel (objectives, results, seniority increases, acquisition of new titles and skills) have to be clearly defined.

  - **manual and computerised procedures**: company provisions and formalised procedures (computerised and manual) should exist to provide principles of conduct and operating methods for carrying out sensitive and instrumental

activities, as well as methods for filing the relevant documentation. Careful observance of the procedures adopted appears to be necessary above all for the administrative-financial area (Article 6, paragraph 2, letter c, Legislative Decree no. 231/2001 explicitly states that the model has to "identify methods of managing financial resources suitable for preventing the perpetration of offences"). In this context, the internal control system can be implemented by means of widespread and recognised tools, including: signature matching, periodic and frequent meetings, sharing of tasks, provision of at least one dual control (operator and top manager), verification of compliance with the budget, verification of the existence of adequate supporting and justifying documentation (invoices, contracts, orders, documents of placement, resolutions, etc.). If, then, certain operations are carried out, by company choice or due to exceptional events, outside the system of procedures and practices adopted, it will be important to ensure absolute transparency and documentation of the activity carried out.

- **powers of authorisation and signature**: the powers of authorisation and signature have to be consistent with the responsibilities assigned, providing, where required, an indication of the limits of expenditure; they should also be clearly defined and known inside and outside the Company. It is necessary, in any case, to avoid attributing unlimited and unchecked powers to persons who are required to take decisions that could lead to the perpetration of offences.

- the **management control system**: in particular, the management control system has to be articulated in the various phases of the preparation of the annual budget, analysis of the periodic final balances and preparation of the forecasts.

  The control system has to be oriented towards the following principles:
  - verifiability, documentability, consistency and congruence of each operation;
  - segregation of duties (no one person can independently manage all stages of a process);
  - documentation of controls;
  - introduction of an adequate system of sanctions for violations of the rules and protocols provided for by the Model;
  - identification of a Supervisory Board (in detail, see chapter 4), whose

main requirements are:

- autonomy and independence,
- professionalism,
- continuity of action;

- **communication to and training of personnel**, aimed at consolidating in all Recipients the knowledge of the principles and rules to which concrete operations have to conform.

  With reference to negligent offences, the most significant components identified by the Guidelines are:
  - the Code of Ethics (or Code of Conduct) with reference to the offences considered and the Diversity, Equity and Inclusion Policy;
  - the organisational structure;
  - education and training;
  - communication and involvement;
  - operational management;
  - the security monitoring system.

➢ the **obligation**, on the part of the company functions, and in particular those identified as being most "at risk of offence", **to provide information to the Supervisory Board**, both on a structured basis (periodic information in implementation of the Model itself), and to report anomalies or atypical features found in the information available.

2. THE ACTIVITY CARRIED OUT BY C.M.C. S.P.A.

C.M.C. S.p.A. (hereinafter the "**Company**" or "**C.M.C.** ") is an Italian company, with registered office in Città di Castello (PG), Via C. Marx 13/C, incorporated on 25/09/2007 and registered in the Companies' Register of Umbria on 25 September 2007.

C.M.C. is a company specialized in the construction, maintenance, assistance and trade of industrial machines, machine parts and spare parts, including their design and engineering.

In particular, the company designs, assembles and tests high speed automatic packaging systems for the paper converting industry, including, for example, systems for traditional inserting, for paper and film wrapping, boxing, collecting systems and auxiliary connection systems for pre - and end of line.

The Company has adopted a number of procedures/policies, which are also considered suitable for preventing the perpetration of the underlying offences indicated in Legislative Decree no. 231 of 2001.

Reference is therefore made to these procedures/policies in the document summarising the results of the risk assessment, as they form an integral part of the preventive control system.

Lastly, the Company also adopted a Code of Ethics and a specific procedure called the Diversity, Equity and Inclusion Policy, which set forth the general principles that should guide it in the performance of its activities.

3. THE MODEL

3.1 The aims of the Model

The Model prepared by the Company on the basis of the identification of the areas of possible risk in the company's activities within which the likelihood of offences being committed is deemed to be higher, has the following aims:

- prepare a prevention and control system aimed at reducing the risk of committing offences related to the company's activities;
- make all those who work in the name and on behalf of the Company, and in particular those involved in the "areas of activity at risk", aware that they may incur disciplinary sanctions, up to dismissal, in the event of violation of the provisions contained therein, and that the perpetration of any offences in the apparent interest or to the advantage of C.M.C. also exposes the Company to serious financial and disqualifying sanctions;
- inform all those who work with the Company that violation of the provisions contained in the Model will result in the application of appropriate sanctions, up to and including termination of the contractual relationship;
- confirm that the Company does not tolerate unlawful conduct of any kind and for any purpose whatsoever and that, in any case, such conduct (even if the Company were apparently in a position to gain an advantage from it) is in any case contrary to the principles that inspire the Company's business activities.

3.1.1 The drafting of the Model

On the basis also of the indications contained in the reference Guidelines, the drafting of the Model (and the subsequent drafting of this document) was divided into the phases described below:

(i) preliminary examination of the company context through the analysis of the relevant corporate documentation and the carrying out of interviews with the managers of the Company, informed about the structure and activities of the same, in order to define the organisation and the activities carried out by the various organisational units/company functions, as well as the Company processes into which the activities are divided and their concrete and effective implementation;

(ii) identification of the areas of activity and of the Company processes "at risk" or "instrumental" to the perpetration of offences, carried out on the basis of the aforementioned preliminary examination of the Company context (hereinafter, for brevity, referred to cumulatively as the "**Areas at Risk of Offences**");

(iii) description by way of example, also in order to facilitate the understanding of the Model by its recipients, of the main possible ways in which the Predicate Offences may be committed within the individual Areas at Risk of Offences;

(iv) detection and identification of the entity's control system aimed at preventing the perpetration of the Predicate Offences, with possible indication of the protocols governing company operations;

(v) implementation of the behavioural principles and procedural rules laid down by the Model, as well as verification of the concrete suitability and operativeness of the control instruments, continuously monitoring the effective compliance with the Model.

3.1.2. The concept of risk

When preparing an organisation and management model such as this one, the concept of risk cannot be overlooked. In fact, it is essential to establish, for the purposes of compliance with the provisions introduced by Legislative Decree no. 231 of 2001, what is the standard of adequacy of the protocols that the company is required to adopt in order to minimise the risk of offences being committed. With specific reference to the provisions of the Decree, and as clarified by criminal case law, it is necessary to effectively implement an adequate preventive system that cannot be circumvented except fraudulently, i.e. through the adoption of artificial conduct aimed at circumventing the rules established by the Company (e.g. the forging of signatures to show that authorisation has been given by a different company function).

3.1.3 The structure of the Model and the Predicate Offences relevant to its drafting

The Company intended to prepare a Model that would take into account its own peculiar corporate reality, in line with its own governance system and able to enhance the existing controls and bodies.

The Model, therefore, represents a coherent set of principles, rules and provisions that:

- affect the internal functioning of the Company and the ways in which it relates to the outside world;
- regulate the diligent management of a control system of the Areas at Risk of Offences, aimed at preventing the perpetration, or attempted perpetration, of the offences referred to in the Decree.

In particular, the Model is made up of a "**General Section**", which contains its basic principles and of several "**Special Sections**", in relation to the different categories of offences provided for by Legislative Decree no. 231 of 2001.

The Special Sections contain - for each category of predicate offence - a brief description of the offences that may result in administrative liability for the Company, an indication of the identified Areas at Risk of Offences, an example of the possible ways in which the indicated offences may be committed and a description of the main rules of conduct implemented by the Company, which the Recipients of the Model (as defined below) have to comply with in order to prevent these offences from being committed.

In light of the Company's specific operations, it was decided to focus attention, insofar as they are considered more relevant, on the risks of perpetration of the offences indicated in the following Articles of the Decree:

- 24, 25 (offences against the Public Administration), 25-ter (bribery and incitement to bribery among private individuals) and 25-decies (inducement not to make statements or to make false statements to the judicial authority);
- 24-bis (computer crimes and unlawful data processing);
- 25-bis1 (offences against industry and trade);
- 25-ter (corporate offences);
- 25-septies (culpable homicide or serious or very serious injury resulting from violations of health and safety at work);

- 25-octies (receiving stolen goods, money laundering and use of money, goods or benefits of unlawful origin, as well as self-laundering);
- 25-undecies (environmental offences);
- 25-quinquiesdecies (tax offences).

The **general principles** of control described in the General Section and in the **Code of Ethics,** as well as the general principles of conduct and preventive control described in **each Special Section,** apply to these types of offences.

With regard to the offences referred to in Articles 24-ter (organised crime offences), 25-duodecies (employment of third country nationals whose stay is irregular), 25-terdecies (racism and xenophobia), 25-nonies (offences related to violation of copyright), the outcome of the risk assessment activities has led to the conclusion that the concrete possibility of committing these offences **is not significant** in view of the activities performed by the Company and the prevention measures adopted in this regard by the competent company structures. Therefore, in relation to these types of offences the **general control principles** described in the General Section and the behavioural principles described in the **Special Section I** and in the **Code of Ethics** apply.

Also in consideration of the number of types of offences that currently constitute a prerequisite for the administrative liability of Entities pursuant to the Decree, some of them **were not considered relevant** for the purposes of drafting this Model, as it was considered that the **risk relating to the perpetration of such offences was only abstractly and not concretely conceivable**. In particular, following a careful assessment of the activity actually carried out by the Company and its history, the following cases were considered as not relevant: 25-bis (offences related to counterfeiting money, public credit cards, revenue stamps and identification instruments or signs), 25-quater (offences with the purpose of terrorism or subversion of the democratic order), 25-quater1 (offences against the sexual integrity of women) 25-quinquies (offences against the individual), 25-sexies (market abuse), 25-quaterdecies (fraud in sporting competitions, unlawful gaming or betting and gambling by means of prohibited devices), 25-sexiesdecies (smuggling).

In any case, the ethical principles on which the Company's Model and its governance structure are based are aimed at preventing, in general terms, also

those types of offence which, due to their insignificance, are not specifically regulated in the Special Sections of this Model.

3.1.4. Adoption of the Model

The adoption of this Model is delegated by the Decree itself to the management body (and in particular to the Board of Directors), which is also assigned the task of integrating this Model with further Special Sections relating to other types of alleged offences newly introduced in Legislative Decree no. 231 of 2001.

3.2. Documents related to the Model

The following documents form an integral and substantial part of the Model:

- the Code of Ethics containing the set of rights, duties and responsibilities towards the recipients of the Model itself (hereinafter, for brevity, the "**Code of Ethics**");

- disciplinary system and related sanctioning mechanism to be applied in case of violation of the Model (hereinafter, for brevity, the "**Sanctioning System**");

- system of delegation and proxies, as well as all the documents aimed at describing and assigning responsibilities and/or duties to those who operate within the Entity in Areas at Risk of Offences (i.e. organisation charts, service orders, job profiles, job descriptions, function charts, etc.);

- system of procedures, protocols and internal controls, the purpose of which is to guarantee adequate transparency and knowledge of the decision-making and financial processes, as well as of the conduct that has to be adopted by the recipients of this Model operating in Areas at Risk of Offences.
  (Hereinafter, for brevity, the system of delegation and proxies, the procedures, protocols and internal controls mentioned above will be cumulatively referred to as the "**Procedures**").

It follows that the term Model should be understood as meaning not only this document, but also all further documents and Procedures that will subsequently be adopted in accordance with its provisions and that will pursue the purposes indicated therein.

3.3. The whistleblowing procedure

As already mentioned (see paragraphs 1.7. and 2. above), C.M.C. has adopted a procedure for the reporting of whistleblowers.

This procedure provides that:

- employees of the Company may report any illegal conduct, suspected violations of the Code of Ethics, Procedures, laws, rules or regulations, to the Supervisory Board (SB);

- there are two channels for submitting a report, even anonymously; in particular, employees can send the report (i) to a dedicated e-mail address at odv@cmcmachinery.com, (ii) by paper mail, to the address of the Company, Via C. Marx no. 13/C, Città di Castello (PG), indicating "*Supervisory Board*" as the addressee and specifying that the correspondence is "*confidential*";

- the report be handled in a private and confidential manner and may also be anonymous;

- the report be accompanied, if possible, by documentary evidence useful to support the fact(s) reported;

- once the report has been received, the SB examines it, assessing its significance and completeness; it may also request clarifications from the whistleblower, if necessary (if the latter has disclosed his identity);

- the SB can carry out investigations to determine the truthfulness of what is stated in the report and request all the necessary documentation from the competent Functions;

- the assessment of the SB be carried out within a reasonable time and in any case within 45 days;

- in the event that the report concerns particularly serious facts, such as to require prompt action, even of a precautionary nature, the SB will immediately inform the Managing Director for the adoption of contingency measures. The Managing Director will then inform the Board of Directors, the Board of Statutory Auditors and the SB of the measures taken at the first available opportunity;

- in the event that, at the end of the preliminary investigation, the SB deems the report to be unfounded, the procedure be closed;

- if, on the other hand, the SB considers the report to be well-founded, it immediately notifies the Chairman of the Board of Directors and the Board of Statutory Auditors and sends them the report together with all the relevant documentation, so that they can carry out the necessary evaluations and adopt the necessary measures;

- any act or behaviour which is retaliatory or discriminatory, whether direct or indirect, towards the whistleblower for reasons connected, directly or indirectly, to the report is strictly prohibited. The adoption of discriminatory measures can be reported to the SB or to the National Labour Inspectorate (pursuant to Article 6, paragraph 2-ter, of the Decree);

- retaliatory dismissals and other discriminatory or retaliatory measures - including changes in duties - taken against the whistleblower as a direct or indirect consequence of the report be null and void.

- any violation of the confidentiality of the whistleblower shall be assessed by the Board of Directors, which shall apply the sanctions provided for in the Model in relation to the seriousness of the facts.

- all paper and computer documentation relating to the report and any investigation carried out by the SB be stored in such a way as to ensure the confidentiality of the whistleblower;

- the SB prepares a six-monthly report for the Board of Directors on the reports received (without indicating the identity of the whistleblowers).

The whistleblowing procedure is an **integral part of the Model itself**.

3.4. Management of financial resources

Without prejudice to what is indicated in the previous paragraph, taking into account that pursuant to Article 6, letter c) of Legislative Decree no. 231 of 2001, one of the requirements to which the Model has to respond is the identification of the methods of managing financial resources suitable for preventing the perpetration of offences, the Company has adopted specific operating instructions on cash management.

3.5. Circulation of the Model

3.5.1. Recipients

This Model takes into account the particular business reality of the Company and represents a valuable tool for raising awareness and providing information to Top Managers and Subordinates (hereinafter, for brevity, the "**Recipients**").

All this so that the Recipients follow, in the performance of their activities, correct and transparent behaviours in line with the ethical-social values that inspire the Company in the pursuit of its corporate purpose and such, in any case, as to prevent the risk of committing the offences provided for by the Decree.

In any case, the competent company departments ensure that the principles and rules of conduct contained in the Model and in the Company's Code of Ethics are transposed into the Company's Procedures.

3.5.2. Staff Training and Information

It is the Company's objective to ensure that the Recipients are fully aware of the

contents of the Decree and the obligations arising therefrom.

For the purposes of the effective implementation of this Model, training and information to the Recipients is managed by the Supervisory Board with the heads of the company departments involved in the application of the Model (in particular, Human Resources).

The main methods of carrying out the training/information activities necessary also for the purposes of compliance with the provisions contained in the Decree, concern the specific information at the time of hiring and the additional activities considered necessary in order to guarantee the correct application of the provisions contained in the Decree. In particular, the following is provided for:

- an initial communication. In this regard, the adoption of this Model is communicated to all the resources present in the Company. New employees are given a copy of the Code of Ethics and the Model - General Section. They are also asked to sign a form in which they acknowledge that the Model, complete with all its parts, and the Code of Ethics are available at the Company's Human Resources Department (and the General Section and the Code of Ethics are also available on the Company's website) and undertake to comply with the contents of the aforementioned regulations. In addition, Top Managers and/or Subordinates working in Areas at Risk of Offences are informed of the Special Section concerning the relevant Area;
- a specific training activity. This "continuous" training activity is mandatory and developed by means of IT tools and procedures (e-mail updates, company website, self-assessment tools), as well as periodic training and updating meetings and seminars. This activity is differentiated, in terms of content and delivery methods, according to the Recipients' qualifications, the risk level of the area in which they operate, whether or not they have a representative function for the Company.

3.5.3. Information to Third Parties and circulation of the Model

The Company also provides for the circulation of the Model to the persons who have a collaborative relationship with the Company, without any subordination obligation, consultancy relationships, agency relationships, commercial representation relationships and other relationships resulting in a professional

service, not of a subordinate nature, whether continuous or sporadic (including persons acting for suppliers and partners, also in the form of a temporary association of companies, as well as joint ventures) (hereinafter, for brevity, also "**Third Parties**").

In particular, the company departments involved from time to time provide Third Parties in general and the service companies with which they come into contact with suitable information in relation to the adoption of the Model pursuant to Legislative Decree no. 231 of 2001. The Company also invites Third Parties to read the contents of the Code of Ethics and the General Section of the Model on its website.

The relevant contractual texts include specific clauses aimed at informing Third Parties of the adoption of the Model by C.M.C.. They declare that they have read the Model and are aware of the consequences deriving from failure to comply with the precepts contained in the Model and in the Code of Ethics, and they undertake not to commit and to ensure that their top managers or subordinates refrain from committing the alleged offences.

4. DETAILS OF THE COMPANY'S GOVERNANCE MODEL AND GENERAL ORGANISATIONAL STRUCTURE

4.1. The Company's Governance Model

The Board of Directors consists of three directors, vested with the broadest powers for the ordinary and extraordinary management of the Company, including the power to take all the actions considered appropriate to achieve the corporate purpose, excluding only those actions that the law or the Bylaws reserve to the Shareholders' Meeting.

The Board of Directors may delegate its powers to one or more of its members or to an executive committee, determining the limits of the delegation.

The following are members of the Board of Directors:

- Mr. Francesco Ponti, Chairman of the Board of Directors and Managing Director;
- Mr. Lorenzo Ponti, Vice Chairman of the Board of Directors;
- Mr. Alessandro Dubini, Director.

4.2. The Company's internal control system

The Company has adopted the following instruments of a general nature, aimed at planning the formation and implementation of decisions as well as in relation to the offences to be prevented:

- the ethical principles by which the Company is inspired, also on the basis of what is laid down in the Code of Ethics and the Diversity, Equity and Inclusion Policy;
- the documentation and provisions relating to the company's hierarchical-functional and organisational structure;
- the internal control system and therefore the structure of company procedures;

- the procedures relating to the administrative, accounting and reporting system;
- compulsory, appropriate and differentiated training for all staff;
- the system of sanctions set out in the national collective bargaining agreements;
- the body of national laws and regulations.

4.3. General principles of control in all Areas at Risk of Offences

In addition to the specific controls described in each Special Section of this Model, the Company has implemented specific general controls applicable in all Areas at Risk of Offences.

These are, specifically, the following:

- **Transparency**: every operation/transaction/action must be justifiable, verifiable, consistent and congruent;

- **Segregation of duties/Powers**: no one can autonomously manage an entire process and be granted unlimited powers; authorisation and signature powers must be defined in a manner consistent with the organisational responsibilities assigned;

- **Adequacy of internal rules**: the set of company rules must be consistent with the operations carried out and the level of organisational complexity and such as to guarantee the controls necessary to prevent the commission of the offences provided for by the Decree;

- **Traceability/Documentability**: each operation/transaction/action, as well as the related verification and control activity, must be documented and the documentation must be adequately filed.

5. THE SUPERVISORY BOARD

5.1. Characteristics of the Supervisory Board

According to the provisions of Legislative Decree no. 231 of 2001 (Articles 6 and 7), as well as the indications contained in the Guidelines, the characteristics of the Supervisory Board, such as to ensure an effective and efficient implementation of the Model, have to be:

(a) autonomy and independence;
(b) professionalism;
(c) continuity of action.

Autonomy and independence

The requirements of autonomy and independence are fundamental so that the SB is not directly involved in the management activities that are the subject of its control activities and, therefore, is not subject to conditioning or interference by the management body.

These requirements can be achieved by guaranteeing the highest possible hierarchical position for the Supervisory Board, and by providing for reporting to the company's highest operational management, or to the Board of Directors as a whole. For the purposes of independence, it is also essential that the Supervisory Board is not assigned operational tasks, which would compromise its objectivity of judgement with reference to checks on conduct and the effectiveness of the Model.

Professionalism

The Supervisory Board must have technical and professional skills adequate to the functions it is called upon to perform. These characteristics, together with independence, guarantee objectivity of judgement[7].

[7] This refers, among other things, to: techniques for analysing and assessing risks; measures for containing them (organisational procedures, mechanisms for juxtaposing tasks, etc.); flow charting of procedures and processes for identifying weaknesses, interview techniques and questionnaire processing; methodologies for identifying fraud, etc. The Supervisory Board must have inspection skills (to ascertain how an offence of the type in question could have occurred and who committed it); consulting skills (to adopt - at the time of drawing up the Model and subsequent amendments - the most suitable measures to prevent, with reasonable certainty, the perpetration of such offences or, again, to verify that everyday behaviour actually complies with those codified) and legal skills. Legislative Decree no. 231 of 2001 is a criminal law regulation and since the activity of the Supervisory Board is aimed at preventing the perpetration of offences, it is therefore essential that it has knowledge of the structure and the ways in which offences are committed (which may be ensured through the use of company resources or external consultancy).

Continuity of action

The Supervisory Board must:

- continuously carry out the activities necessary for the supervision of the Model with adequate commitment and with the necessary powers of investigation;
- be a structure referable to the Company, so as to guarantee due continuity in the supervisory activity.

In order to ensure that the requirements described above are effectively met, it is appropriate that such persons should possess, in addition to the professional skills described above, the formal subjective requirements that further guarantee the autonomy and independence required by the task (e.g. honourability, absence of conflicts of interest and family relationships with corporate bodies and top management, etc.).

5.2. Designation of the Supervisory Board

In compliance with the provisions of the Decree, in implementation of the indications provided by the Guidelines and in accordance with the provisions of Article 6, paragraph 4-bis, of Legislative Decree no. 231 of 2001, the Company has entrusted the functions of the Supervisory Board to a one-man body.

The same resolution appointing the SB also set the remuneration due to this body for the task assigned to it.

Once established, the Supervisory Board will adopt its own internal regulations, as well as establish and update the plan of activities to be carried out.

5.3. Duration of assignment and causes of termination

The Supervisory Board remains in office for the duration indicated in the deed of appointment and may be renewed.

Neither the Legislative Decree 231/2001 nor the Confindustria Guidelines

establish a minimum or maximum duration for the SB. However, the doctrine has clarified that - in order to better guarantee the independence of the Supervisory Board and to promote continuity of action - it is preferable to provide for a maximum duration of the mandate with the right of withdrawal by the entity or the SB. This maximum limit is usually made to coincide with the duration of other corporate bodies (generally 3 years).

The termination of the appointment of the SB may occur for one of the following reasons:

- expiration of the assignment;
- revocation of the Board by the Board of Directors;
- waiver, formalized by means of a specific written communication sent to the Board of Directors;
- occurrence of one of the causes of forfeiture referred to in paragraph 4.4 below.

The revocation of the SB can only be ordered for just cause and such cases should be understood, by way of example, as the following:

- the case in which the member of the SB is involved in criminal proceedings concerning the perpetration of a crime;
- the case in which a breach of the confidentiality obligations imposed on the SB is found;
- gross negligence in the performance of duties related to the assignment;
- the possible involvement of the Company in criminal or civil proceedings that are connected to an omitted or insufficient supervision of the SB, even if culpable.

Revocation is ordered by resolution of the Board of Directors.

In the event of expiry, revocation or waiver, the Board of Directors shall appoint a new member of the SB without delay, while the outgoing member shall remain in office until he is replaced.

5.4. Cases of ineligibility and forfeiture

The following constitute reasons for ineligibility and/or forfeiture of the member

of the SB:

a) the lack, or unexpected loss, of the requirements of professionalism, autonomy, independence and continuity of action;
b) disqualification, incapacitation, bankruptcy or criminal conviction, even if not final, for one of the crimes provided for in the Decree or, in any case, to a punishment that entails disqualification, even temporary, from public offices or the inability to exercise executive offices;
c) the existence of relationships of kinship, marriage or affinity up to the fourth degree with members of the Board of Directors, or with external auditors;
d) the existence of financial relationships between the member and the Company such as to compromise the member's independence;
e) being subject to preventive measures ordered by the judicial authorities, i.e. disqualification, incapacitation, declaration of bankruptcy, disqualification, even temporary, from public offices or the inability to exercise executive offices;
f) the pending of criminal proceedings, or a conviction or application of the penalty pursuant to Articles 444 and following of the Italian Code of Criminal Procedure, even if not final, in relation to the offences provided for by the Decree or other offences of the same nature;
g) a sentence of conviction or application of the penalty pursuant to Articles 444 *et seq.* of the Italian Code of Criminal Procedure in a criminal court, or a sentence of conviction in an administrative court, even if not final, issued against the Company in relation to the offences provided for by the Decree, which shows the omitted or insufficient supervision by the Board, according to the provisions of Article 6, paragraph 1, letter d) of the Decree;
h) a serious breach of one's duties as defined in the Model (including confidentiality obligations), or serious reasons of convenience, such as to prevent one from carrying out one's duties diligently and effectively or to prejudice one's autonomy of judgement in the exercise of the functions assigned;
i) failure to attend at least 80% (eighty percent) of the meetings of the Board, or the impossibility of carrying out the assignment for a period of time exceeding 6 months.

If, during the course of the assignment, a cause for forfeiture should arise, the member of the Supervisory Board shall immediately inform the Board of Directors.

5.5. Functions, tasks and powers of the Supervisory Board

In accordance with the indications provided for by the Decree and the Guidelines, the function of the Supervisory Board consists, in general, in:

- supervising the effective application of the Model in relation to the different types of offences taken into consideration by the same;
- verifying the effectiveness of the Model and its actual ability to prevent the perpetration of the offences in question;
- identifying and proposing to the Board of Directors updates and amendments to the Model itself in relation to changes in legislation or changes in company needs or conditions;
- verifying that the updating and modification proposals formulated by the Board of Directors have been effectively implemented in the Model.

In the context of the function described above, the Supervisory Board is responsible for the following tasks:

- periodically check the map of Areas at Risk of Offences and the adequacy of the control points in order to allow their adaptation to changes in the activity and/or company structure. To this end, the recipients of the Model, as better described in its special sections, shall report to the SB any situations that may expose the Company to the risk of offence. All notifications shall be in writing and sent to the specific e-mail address activated by the SB;
- periodically carry out, on the basis of the activity plan of the SB previously established, checks and inspections focused on specific operations or acts, carried out within the Areas at Risk of Offences;
- collect, process and store information (including the reports referred to in the following paragraph) relevant to compliance with the Model, as well as update the list of information that shall be compulsorily transmitted to the SB;

- conduct internal investigations to ascertain alleged violations of the provisions of this Model brought to the attention of the SB by specific reports or which have emerged during the supervisory activities of the same;
- verify that the elements laid down in the Model for the different types of offences (standard clauses, procedures and relevant controls, delegation system, etc.) are effectively adopted and implemented and meet the requirements of compliance with Legislative Decree no. 231 of 2001, and if not, propose corrective actions and updates of the same;
- implement, in compliance with the Model, an effective information flow to the Administrative Body that allows the Board to report to the same on the effectiveness of and compliance with the Model;
- promote, through the competent company structures, an adequate training process for personnel by means of suitable initiatives for the dissemination of knowledge and understanding of the Model;
- periodically verify, with the support of the other competent structures, the validity of the clauses aimed at ensuring compliance with the Model by the Recipients;
- communicate any violations of the Model to the competent bodies according to the Disciplinary System, for the purpose of adopting any sanctioning measures and monitor the outcome.

In order to carry out the functions and tasks indicated above, the SB is granted the following powers:

- have wide and extensive access to the various company documents and, in particular, to those concerning relationships of a contractual and non-contractual nature established by the Company with third parties;
- avail itself of the support and cooperation of the various company structures and bodies that may be interested, or in any case involved, in control activities;
- confer specific consultancy and assistance tasks on professionals, including those external to the Company.

5.6. Resources of the Supervisory Board

The Board of Directors allocates to the Supervisory Board the human and financial resources deemed appropriate for the purposes of carrying out the task assigned. In particular, the Supervisory Board is vested with autonomous spending powers, as well as the power to enter into, amend and/or terminate professional assignments with third parties having the specific skills necessary for the best execution of the assignment.

5.7. Information flows to the Supervisory Board

5.7.1. Information obligations *vis à vis* the Supervisory Board

In order to facilitate the supervisory activity on the effectiveness of the Model, the Supervisory Board shall be informed, by means of special reports from the Recipients (and, where applicable, Third Parties) about events that could involve the responsibility of C.M.C. in accordance with Legislative Decree no. 231 of 2001.

Information flows to the SB are divided into general information and specific mandatory information.

In the first case, the following requirements apply:

- the Recipients are required to report to the Supervisory Board any information relating to the perpetration, or reasonable belief that offences have been committed or practices that are not in line with the procedures and rules of conduct issued or to be issued by the Company;
- Third Parties are required to make reports on the perpetration, or reasonable belief of the perpetration, of offences within the limits and according to the procedures provided for in the contract;
- Third Parties are required to make any reports directly to the SB.

In addition to reports relating to violations of a general nature described above, it is mandatory to promptly send information to the Supervisory Board concerning:

- measures and/or news coming from the judicial police, or any other authority, concerning the carrying out of investigations involving the Company and/or members of the corporate bodies;
- reports that may be prepared by the heads of other bodies as part of their control activities and from which facts, acts, events or omissions may

emerge that are critical with respect to compliance with Legislative Decree no. 231 of 2001;
- news relating to disciplinary proceedings as well as any sanctions imposed or measures to dismiss such proceedings with the relevant reasons, if they are related to the perpetration of offences or violation of the rules of conduct or procedures of the Model;
- commissions of inquiry or internal reports/communications from which it emerges that the Company is responsible for the offences referred to in Legislative Decree no. 231 of 2001;
- organizational changes;
- updates to the system of delegations and powers;
- the particularly significant operations carried out within the Areas at Risk of Offences;
- changes in the Areas at Risk of Offences or potentially at risk;
- any communications from the Board of Statutory Auditors (if this board does not coincide with the SB) regarding aspects that may indicate shortcomings in the internal control system, reprehensible facts, observations on the Company's financial statements;
- the declaration of truthfulness and completeness of the information contained in corporate communications.

The Company adopts specific dedicated information channels in order to guarantee the confidentiality referred to above and facilitate the flow of reports and information to the Board.

The SB assesses the reports received with discretion and responsibility. To this end, it may hear the whistleblower and/or the person responsible for the alleged violation, explaining in writing the reason for any independent decision not to proceed. In any case, *bona fide* whistleblowers will be protected from any form of retaliation or penalisation and will be assured the utmost confidentiality, without prejudice to legal obligations and the need to protect the Company or persons wrongly accused or in bad faith.

5.7.2. Information obligations of the Supervisory Board

Given that the responsibility for adopting and effectively implementing the

Model remains with the Company's Board of Directors, the Supervisory Body reports on the implementation of the Model and the occurrence of any critical issues.

In particular, the Supervisory Board is responsible for:

- communicating, at the beginning of each financial year, the plan of activities it intends to carry out in order to fulfil the tasks assigned;
- communicating periodically the progress of the programme together with any changes made to it;
- promptly communicating any problems related to the activities, where relevant;
- reporting, at least every six months, on the implementation of the Model.

The Board may request to be convened by the directors or the Board of Directors to report on the functioning of the Model or on specific situations. The meetings with the corporate bodies to which the SB reports shall be minuted. A copy of these minutes will be kept by the SB and the bodies involved from time to time.

Without prejudice to the above, the Supervisory Board may also communicate, evaluating the individual circumstances:

(i) the results of its own checks to the heads of the functions and/or processes if the activities give rise to aspects requiring improvement. In this case, it will be necessary for the SB to obtain from the process managers a plan of actions, with relevant timing, for the implementation of activities susceptible to improvement, as well as the result of such implementation;

(ii) report to the Board of Directors any behaviour/actions that are not in line with the Model in order to:

   a) acquire from the directors or the Board of Directors all the elements for making any communications to the structures responsible for the evaluation and application of disciplinary sanctions;

   b) give indications for the removal of the deficiencies in order to avoid the recurrence of the event.

6. SANCTIONING SYSTEM FOR FAILURE TO COMPLY WITH THIS MODEL AND THE RULES-PROVISIONS REFERRED TO THEREIN

6.1. General principles

The Company acknowledges and declares that the predisposition of an adequate system of sanctions for the violation of the rules contained in the Model (General Section and Special Sections), in the relevant Annexes (including the Code of Ethics) and in the Procedures, is an essential condition to ensure the effectiveness of the Model itself.

In this regard, Article 6, paragraph 2, letter e) of the Decree provides that the organisation and management models should "*introduce a disciplinary system suitable for sanctioning failure to comply with the measures indicated in the model*".

With reference to Company employees, it should be noted that the application of disciplinary sanctions does not depend on the outcome of any criminal proceedings, since the rules of conduct imposed by the Model and the Procedures are adopted by the Company in full autonomy and independently of the type of offence referred to in Legislative Decree no. 231 of 2001 that the violations in question may determine. More specifically, failure to comply with the rules contained in the Model and in the Procedures damages, in itself, the relationship of trust existing with the Company and entails disciplinary action regardless of the possible initiation of criminal proceedings in cases where the violation constitutes an offence. This is also in compliance with the principles of timeliness and immediacy of the disciplinary charges and the imposition of sanctions, in accordance with the laws in force.

6.2. Definition of "Violation" for the purposes of the operation of this Sanctions System

By way of example only, the following constitutes a "Violation" of this Model and its Procedures:

- the implementation of actions or behaviours that do not comply with the law and with the prescriptions contained in the Model itself and in the relevant Procedures, which entail a situation of mere risk of committing one of the offences covered by Legislative Decree no. 231 of 2001;

- the omission of actions or behaviours laid down in the Model and in the relevant Procedures that involve a situation of mere risk of committing one of the offences covered by Legislative Decree no. 231 of 2001.

6.3 Sanctions for employees

Conduct by employees in violation of the rules contained in this Model and in Company Procedures is defined as a disciplinary offence.

As anticipated, the system of sanctions is applicable by the Company to employees regardless of whether or not a criminal investigation or proceedings have been brought and the outcome.

This Model will be posted in a place accessible to all workers pursuant to Article 7 of Legislative Decree no. 300/1970 (the so-called "Workers' Statute") and will be available to all employees at the Company's Human Resources Department. Employees will be required to sign and return to the Company a specific form in which they acknowledge that the Model is available on the Company's website and undertake to comply with the contents of the aforementioned regulations. This Model has no time limits of validity and may be modified by the Company, after notifying all employees of the amendments. Such amendments, if any, shall be deemed known after 24 hours from the posting of this Model in a place accessible to all employees.

Employees are therefore invited to read this document carefully and to scrupulously comply with its indications, promptly reporting to the Company any doubts of interpretation or problems concerning its application.

Any violations of the rules indicated in the Model and in the Procedures may therefore lead to the application of disciplinary sanctions against the employee who is in default, in accordance with the collective regulations in force in the Company and/or compensation, in accordance with the provisions of the law and collective labour agreements in force.

Since the Company may be prosecuted and sanctioned as a result of the conduct of employees, the Company reserves the right to seek recourse against employees

for any damages, compensation or other disbursements or expenses that the Company incurs, despite itself, as a result of unlawful or illegal conduct.

We take this opportunity to remind you that employees are required to comply with the obligations arising from the application of this Model, the Company Regulations, the National Collective Bargaining Agreement for the metalworking sector (hereinafter, for brevity, the "**C.C.N.L.**"), in compliance with the procedures provided for in Article 7 of Law no. 300 of 1970 (hereinafter, for brevity, the "**Workers' Statute**") and the provisions of law (and in particular Articles 2104, 2105 and 2106 of the Italian Civil Code).

Finally, it should be noted that the disciplinary system is constantly monitored by the Supervisory Board.

6.3.1. Employees

Infringements by employees to the rules of this procedure may lead to the adoption of the following disciplinary measures, depending on the seriousness of the infringement and the circumstances:

a) verbal reprimand;
b) written reprimand;
c) a fine not exceeding the amount of 4 hours' normal pay;
d) suspension from pay and work for a maximum of 10 days;
e) disciplinary dismissal without notice.

These penalties will be imposed as specified below:

a) Verbal reprimand

A verbal reprimand may be given for minor misconduct.

b) Written reprimand

A written reprimand may be imposed (by way of example but not limited to):

- for infringements which, due to their particular tenuousness, do not lead to the imposition of a more serious sanction (fine, suspension or dismissal), unless they constitute a particularly serious violation;
- in the event of a repeat offence involving a verbal reprimand.

c) ***Fine***

A fine may be imposed (by way of example but not limited to):

- to an employee who commits any of the following offenses:
  i. delays the start of work without justification, for an amount equal to the amount of the deduction;
  ii. negligently performs the work assigned to him;
  iii. is absent from work for up to three days in a calendar year without substantiated justification;
  iv. does not immediately inform the company of any change in his place of residence, either while on duty or while on leave;
- in cases of recidivism of infringements which have led to the imposition of a written reprimand.

d) **Suspension from service and pay**

Suspension from service and pay may be imposed (by way of example but not limited to):

- to an employee who commits any of the following offenses:
  i. causes damage to property received and used, with proven liability;
  ii. reports for duty in a state of manifest drunkenness;
  iii. commits a repeat offence, more than the third time in the calendar year, in any of the offences that require a fine, except in the case of unexcused absence;
- in all other cases of recidivism of infringements which have led to the imposition of a fine.

e) **Disciplinary dismissal without notice**

Disciplinary dismissal without notice may be imposed by (by way of example but not limited to):

- to an employee who commits any of the following offenses:
  i. unexcused absence of more than three days in a calendar year;
  ii. recurrence of unjustified tardiness beyond the fifth time in the calendar year, after formal written warning;
  iii. serious violation of the obligations of secrecy inherent in the company's organisational techniques and production methods;
  iv. infringement of statutory safety regulations for processing, storage, sale and transport;

v. abuse of trust, competition, breach of official secrecy; performance, in competition with the company's business, of work for one's own account or for third parties, outside working hours;
vi. recidivism, more than the third time in the calendar year in any of the failures that provide for suspension, without prejudice to what is provided for recidivism in tardiness;

- in cases of recidivism of infringements that led to the imposition of suspension;
- against employees guilty of misconduct relating to duties, including those not particularly referred to in this procedure, which are so serious as not to allow the continuation, even temporary, of the employment relationship.

In any case, this is without prejudice to any right to compensation for damages that the conduct of the employee may cause to the Company.

The disciplinary sanctions referred to in this point shall be adopted in compliance with the limits set forth in Article 2106 of the Italian Civil Code, Article 7 of Law no. 300 of 20 May 1970, as well as the National Collective Bargaining Agreement applied.

Any adoption of the disciplinary measure shall be communicated to the employee by registered letter within 15 days from the expiry of the term assigned to the same to present his counter-deductions. For requirements due to difficulties in the phase of evaluation of the counter-deductions and decision on the merits, the aforementioned term may be extended by 30 days, provided that the Company gives prior written notice to the Employee.

6.3.2. Executives

The provisions of paragraph 6.3.1 shall also apply to Executives, *mutatis mutandis*.

It is in any case understood that in the event of violation, by employees employed in managerial positions, of the general principles of the Model as well as of the Company Procedures, the Company will take against those responsible the measures considered appropriate depending on the importance and gravity of the violations committed, also in consideration of the particular fiduciary bond

underlying the employment relationship between the Company and the worker with managerial status.

The sanctions that can be imposed will be adopted and applied in compliance with the procedures provided for by the national and company collective regulations applicable to the employment relationship.

In the event that the conduct of the executive falls within the category of conduct such as to constitute a serious breach of discipline and/or diligence at work and to radically undermine the Company's trust in the perpetrator, such as the adoption of conduct unequivocally aimed at committing an offence or representing the appearance of an offence to the detriment of the Company, as well as repeated violations of the Company's operating Procedures, the Company will proceed with the termination of the employment agreement without notice pursuant to Article 2119 of the Italian Civil Code and the applicable CCNL or the application of another penalty deemed appropriate in relation to the seriousness of the fact. This is because the act itself shall be considered to have been carried out against the will of the Company in the interest or to the advantage of the executive and/or third parties.

Where appropriate, the Company may also take action for damages.

6.4. Directors

In the case of Violation of the rules set out in paragraph 6.2. above by one or more of the C.M.C. Directors, the Supervisory Board will promptly inform the Board of Directors for the appropriate evaluations and measures.

6.5. Auditors

If one or more members of the Board of Statutory Auditors violate the rules set out in paragraph 6.2 above, anyone who becomes aware of this will inform the Board of Directors and, at their request, the Shareholders' Meeting will be called to take the appropriate measures.

6.6. Third Parties: collaborators, agents and external consultants

In the event of violation of the rules set out in paragraph 6.2. above by collaborators, agents or external consultants, or, more generally, by Third Parties, the Company, depending on the seriousness of the violation: (i) will invite the persons concerned to strictly comply with the provisions set out therein; or (ii) will be entitled, depending on the different types of contract, to withdraw from the existing relationship for just cause or to terminate the contract for non-performance by the persons just mentioned.

To this end, the Company has provided for the insertion of special clauses in the same which provide for: (**a**) the information to Third Parties about the adoption of the Model and the Code of Ethics by C.M.C., which they declare to have read, undertaking to comply with its contents and not to behave in a way that may lead to a violation of the law, the Model or the perpetration of any of the Predicate Offences; (**b**) the right for the Company to withdraw from the relationship or terminate the contract (with or without the application of penalties), in case of non-compliance with these obligations.

6.7. Register

The Company shall adopt a register in which it shall record all those who have committed a Violation pursuant to paragraph 6.2 above, accessible only to the competent company functions.