

**ORGANISATION, MANAGEMENT AND CONTROL
MODEL PURSUANT TO LEGISLATIVE DECREE
231/2001**

EXTRACT - GENERAL PART



CHAPTER 1

THE REGULATORY SYSTEM OF LEGISLATIVE DECREE 231/2001

1.1 INTRODUCTION

The purpose of Legislative Decree no. 231 of 8 June 2001 (hereinafter, "Legislative Decree 231/2001"), passed in implementation of the mandate referred to in Article 11 of Law no. 300 of 29 September 2000¹, was to adapt Italian legislation on corporate liability to the provisions of several international conventions ratified by Italy.

In detail, entry into force of Legislative Decree 231/2001 introduced a form of administrative liability of entities, such as companies, associations and consortia, for the commissioning, or attempted commissioning, by:

- i) members of the company's senior management (hereinafter, the "Top Management") or by persons subject to management or supervision by them (hereinafter, the "Subordinates"),
- ii) of certain crimes, expressly indicated in Legislative Decree 231/2001,
- (iii) in the interest of or to the benefit of the entity².

Top management is considered to be those persons who hold functions of representation, administration or management of the entity or its organisational unit with financial and functional autonomy, or who exercise, even if only de facto, the management and control of the entity itself³.

¹ Legislative Decree 231/2001 was published in Official Journal no. 140 of 19 June 2001; Law 300/2000 in Official Journal (ord. suppl.) no. 250 of 25 October 2000.

² It is noted that, pursuant to Art. 5, paragraph 2, of Legislative Decree 231/2001, the company is not liable if the persons referred to in paragraph 1 have acted in their own or a third party's exclusive interest.

³ The Explanatory Report of Legislative Decree 231/2001 specifies, with regard to the people in a senior management position, expressly identified in Art. 5, lett. a), of said Legislative Decree 231, as follows: "The use of an elastic formula has been preferred to an exhaustive list of subjects, hardly practicable, given the heterogeneity of the entities and therefore of the situations concerned (in terms of size and legal nature), and gives the regulations an objective-functional connotation; this applies both in relation to the case in which the senior management position is formally held (first part of letter a) and in relation to the "de facto performance" of the same functions (second part of letter a). In this regard, it should be noted that, if the mandate is followed to the letter, this expression has been associated with management and control functions; these functions must therefore be held by the same person, who must therefore exercise actual power over the entity. The exercising of a control function similar to that carried out by the auditors is therefore excluded from the scope of the provision. (...) Ultimately, the expression used in the draft legislative decree refers solely to those people who exercise a penetrating power over the entity (such as a shareholder who is not a director, but possesses almost all the shares and dictates company policy and the performance of specific transactions from the outside). A different interpretation would have made the notion of "de facto control" too vague. The aspect that deserves the most attention, however, is the equivalence between the people who hold functions of representation, administration or management of the entity itself and those who have the same functions in an "organizational unit with financial and functional autonomy". The provision brings to mind a well-known situation and one that is gradually expanding, namely that of the so-called plant managers who, in medium-

The administrative liability of entities is independent of the criminal liability of the natural person who has committed the crime⁴. The Decree excludes the liability of the entity in the event that the member of senior management or staff member working under the instructions of superiors has acted in their own exclusive interest or in the interest of third parties.

1.2 TYPE OF OFFENCE

It should be noted that the types of offences that may result in administrative liability of the entity are only those expressly referred to in the following categories:

- offences committed in relations with the Public Administration (Articles 24 and 25 of Legislative Decree 231/2001);
- cyber crimes and unlawful data processing (Art. 24-bis of Legislative Decree 231/2001);
- crimes of organised crime (Art. 24-ter of Legislative Decree 231/2001);
- crimes relating to forgery of coinage, legal tender, revenue stamps and distinctive signs and instruments (Art. 25-bis of Legislative Decree 231/2001);
- crimes against industry and commerce (Art. 25-bis 1 of Legislative Decree 231/2001);
- crimes in corporate matters and crimes of corruption between private individuals and incitement to corruption between private individuals (Art. 25-ter of Legislative Decree 231/2001);
- crimes with the purpose of terrorism and subversion of the democratic order (Art. 25-quater of Legislative Decree 231/2001);
- crimes consisting of practices of mutilation of the female genital organs (Art. 25-quater 1 of Legislative Decree 231/2001);
- offences against the person (Art. 25-quinquies of Legislative Decree 231/2001);
- offences of insider dealing and market manipulation (Art. 25-sexies of Legislative Decree 231/2001);
- transnational crimes referred to in the Convention and the Additional Protocols to the United Nations Convention against Organised Crime (Article 10 of Law no. 146 of 16 March 2006);

large companies, often have a high degree of operational autonomy removed from the control of the headquarters. The placement of these subjects within letter a) and therefore as members of senior management, is suggested not only from observation of the empirical data, but also by considerations of a systematic nature: as is known, in fact, this figure has long since entered into our legal system, in matters of safety at work, based partly on the reasoning that there is a tendency for powers-obligations and liability to go hand in hand."

4 Art. 8 of Legislative Decree 231/2001: "Autonomy of the entity's liability – 1. The liability of the entity also exists when: a) the offender has not been identified or cannot be charged; b) the offence is extinguished for a reason other than amnesty. 2. Unless the law provides otherwise, no proceedings are brought against the entity when amnesty is granted for an offence for which it is responsible and the defendant has waived its application. 3. The entity may waive the amnesty."

- crimes of manslaughter, serious or grievous bodily harm, committed in breach of regulations on prevention of accidents and health and safety at work (Art. 25-septies of Legislative Decree 231/2001);
- handling stolen goods, money laundering and use of money, goods or property of unlawful origin, and also self-laundering (Art. 25-octies of Legislative Decree 231/2001);
- offences relating to copyright infringement (Art. 25-novies of Legislative Decree 231/2001);
- incitement not to testify or to give false testimony to the legal authorities (Art. 25-decies of Legislative Decree 231/2001);
- environmental offences (Art. 25-undecies of Legislative Decree 231/2001);
- employment of illegally resident foreign nationals (Art. 25-duodecies of Legislative Decree 231/2001);
- crimes of racism and xenophobia (Art. 25-terdecies of Legislative Decree 231/2001);
- fraud in sports competitions, illegal gambling or betting and gambling by means of prohibited devices (Art. 25-quaterdecies of Legislative Decree 231/2001);
- tax offences (Art. 25-quinquiesdecies of Legislative Decree 231/2001);
- smuggling offences (Art. 25-sexiesdecies of Legislative Decree 231/2001);

1.3 PENALTIES

The penalties imposed by Legislative Decree 231/2001 on the entities as a result of the committing or attempted committing of the offences referred to in paragraph 1.2 may be: of a pecuniary nature, consisting of a sum of money quantified on the basis of the seriousness of the crime, the degree of liability of the entity, the activity carried out to eliminate or mitigate the consequences of the act or to prevent the committing of other offences.

1. the court will take into account the economic and financial conditions of the entity and the purpose of ensuring the effectiveness of the penalty. If the entity is convicted, the financial penalty will always be applied;
2. of a prohibitory nature, which provide for an obligation not to do something, also applicable as precautionary measures, and consist of:
 - a temporary or permanent ban on conducting the business activity;
 - suspension or withdrawal of authorisations, licenses or permits enabling the committing of the offence;
 - a ban on contracting with the public administration, other than to obtain a public service;
 - exclusion from concessions, loans, grants or subsidies and the possible revocation of those already granted;
 - a temporary or permanent ban on advertising goods or services.

The prohibitory penalties are imposed jointly with the financial ones only if expressly provided for that type of crime, such as for:

- crimes committed against the Public Administration;
- crimes of manslaughter, serious or grievous bodily harm, committed in breach of regulations on prevention of accidents and health and safety at work.

The duration of the ban is normally temporary and to be determined in a range of three months to two years. Certain penalties may be imposed definitively only in particularly serious cases. The bans may also be applied on an interim basis, at the request of the Public Prosecutor, when there is strong evidence of the entity's liability and there are specific grounds to believe that there is an actual danger of offences of the same kind as those already committed being committed again.

With the sentence of conviction against the entity, the confiscation of the price or profit of the crime is always ordered. In the event that bans are imposed, the publication of the sentence of conviction may also be ordered as an additional penalty.

1.4 EVENTS MODIFYING THE ENTITY

Legislative Decree 231/2001 also governs the financial liability of the entity for penalties imposed with modifying events such as transformation, merger, spin-off and sale of the company. In particular, in the case of transformation, the "transformed" entity also remains liable for the crimes committed before the date on which the transformation took effect. In the case of a merger, also by incorporation, the entity resulting from the merger is also liable for the crimes for which the entities participating in the merger were responsible. In general, in the case of a partial spin-off, the spun-off company remains liable for offences committed before the date on which the spin-off took effect. The entities benefiting from the spin-off become jointly and severally liable for payment of the financial penalties imposed on the spun-off entity, within the limit of the actual value of the transferred equity.

Legislative Decree 231/2001 applies the same set of rules to cases of sale and transfer of the company. In particular, in the case of transfer of a company, the transferee is jointly and severally liable with the transferor for the financial penalties imposed in relation to the offences committed within the transferred company, within the limit of the value transferred and the penalties resulting from the mandatory accounting books or the penalties due to offences of which the transferee was in any case aware. The right of preventive enforcement against the transferor remains unaffected.

1.5 EXEMPTION FROM ADMINISTRATIVE LIABILITY OF THE ENTITY

The existence of the subjective requirement of the relevant offence pursuant to the Decree (i.e., that the perpetrator of the alleged offence is a member of senior management or a person subordinate

to them) and the objective requirement (i.e., that the alleged offence was committed in the interest of or to the benefit of the entity) entails the liability of the entity.

Legislative Decree 231/2001 does, however, provides for a cause exempting the administrative liability of the entity. In particular, Article 6 of Legislative Decree 231/2001 establishes that the entity is not liable if it proves that:

- the governing body has adopted and effectively implemented, prior to committing of the offence, an organisation and management model suitable for preventing predicate crimes of the kind committed;
- the task of supervising the functioning of and compliance with the model and ensuring its updating has been entrusted to a company body with autonomous powers of initiative and control (Supervisory Body);
- the people have committed the offence by fraudulently circumventing the organisation and management model;
- there was no omission or insufficient supervision by the Supervisory Board.

Therefore, in the case of an offence committed by members of senior management, there is a presumption of liability of the entity, due to the fact that these parties express and represent the policy, and therefore, the will of the entity itself. However, this presumption can be overcome if the entity is able to demonstrate that the four conditions referred to in Art. 6 of Legislative Decree 231/2001 are satisfied.

In this case, although there is personal liability for the member of senior management in question, the entity is not liable pursuant to Legislative Decree 231/2001.

In order to allow exemption from administrative liability of the entity, the Organisation, Management and Control Model adopted pursuant to Legislative Decree 231/2001 must be:

- a) effective and satisfy the following needs:
 - identify the activities in which the offences provided for by the Decree might be committed;
 - provide for specific protocols aimed at planning the formation and implementation of the entity's decisions in relation to the crimes to be prevented;
 - identify ways of managing financial resources suitable for preventing the committing of such offences,
 - provide for reporting obligations to the SB;
 - introduce a disciplinary system suitable for punishing non-compliance with the provisions indicated in the model;
 - in relation to the nature and size of the organisation, as well as the type of activity carried out, it must provide for appropriate measures to ensure that the activity is carried out in compliance with the law and to promptly discover and eliminate situations of risk;

- b) effectively implemented, i.e., its content must be applied in company procedures and in the internal audit system. The decree provides, in this regard, for the need for verification and periodic updating of the model, both if significant violations of the provisions contained therein emerge, and if changes occur in the organisation or activity of the company, or if there are regulatory updates on predicate crimes.

Article 7 of Legislative Decree 231/2001 establishes the administrative liability of the entity for the crimes of Subordinates, if it has been possible to commit them due to non-compliance with management or supervisory obligations. In any case, non-compliance with said management or supervisory obligations is excluded if the entity demonstrates that it has adopted and effectively implemented, prior to committing of the offence, an organisation and management model suitable to prevent crimes of the kind that has occurred. Therefore, in the case provided for by the aforementioned Art. 7 of Legislative Decree 231/2001, the adoption of the organisation and management model by the entity constitutes a presumption in its favour, thus entailing the reversal of the burden of proof on the prosecution, who will therefore have to prove the failure to adopt and effectively implement the model.

1.6 THE CONFINDUSTRIA GUIDELINES

Despite having specifically indicated the requirements that the organisation and management models must contain, the legislator has taken note of the heterogeneity of the recipient entities (in terms of legal nature, size, type of activity) and has therefore provided that the organisation and management models can be adopted, provided that they satisfy the needs indicated by Article 6, paragraph 2, of Legislative Decree 231/2001, on the basis of codes of conduct drawn up by the associations representing the entities and communicated to the Ministry of Justice, which is given the right to formulate, in agreement with the competent Ministers, within 30 days, comments on the suitability of the models to prevent crimes⁵.

⁵ It should be noted that Ministry of Justice decree no. 201 of 26 June 2003 (published in Official Journal no. 179 of 4 August 2003 and entering into force on 19 August 2003) provided that the Director General of Criminal Justice at the Ministry of Justice:

- i) examines the codes of conduct prepared by the representative associations of the entities, including the codes of conduct already sent to the Ministry up to the date of entry into force of the decree itself (Art. 6, paragraph 2, of Decree 201/2003 provides that "for the purpose of examining the codes, the Director General of Criminal Justice (...) may avail himself of the advice of experts in matters of business organisation, designated by decree of the head of the Department of Justice, from those who do not have subordinate or autonomous employment relationships, or even temporary collaboration relationships, with the trade associations entitled to send the codes of conduct.");
- ii) can communicate to the representative association of the category - within thirty days from the date of receipt of the code of conduct or, for the codes of conduct sent to the Ministry up until the date of entry into force of the decree itself, within thirty days from that date, i.e. starting from 19 August 2003 - any comments on the suitability of the code of conduct to provide the sector-specific indications for the adoption and implementation of the organisation and management models (Art. 5 of Decree no. 201

This provision is mainly intended to facilitate alignment of the members of the trade associations with the principles expressed by Legislative Decree 231/2001, and also to encourage the drafting of structured codes that can serve as a reference point for operators who are preparing to draw up an organisation and management model.

In compliance with this provision, Confindustria adopted a first version of the guidelines on 7 March 2002, which was subsequently supplemented and updated with reference to the various cases of predicate crimes gradually included in the Decree.

The fundamental phases that the Guidelines identify for the construction of the Models can be outlined as follows:

- (a) a first phase consists in the identification of potential risks, i.e., in the analysis of the company context to highlight where (in which area/sector of activity) and according to what methods the offences referred to in Legislative Decree 231/2001 could occur;
- (b) a second phase consists in the design of the control system (so-called protocols for planning the formation and implementation of the decisions of the entity), after evaluating the existing system within the entity and identifying the needs for adaptation, in terms of the ability to effectively counteract (i.e. reduce) the identified risks to an acceptable level.

The relevant components of the control system, according to the guidelines of Confindustria, are:

- the Code of Ethics that defines ethical principles in relation to conduct that may constitute the types of offence provided for by Legislative Decree 231/2001; particularly insofar as concerns health and safety at work or respect for the environment, the Code of Ethics indicates the vision, the essential values and beliefs of the company in this area; a sufficiently formalised and clear organisational system that defines the hierarchy of company functions and, above all, the responsibilities for carrying out the activities; in order to guarantee the effective and appropriate exercising of these functions, particularly insofar as concerns health and safety, it is possible to apply the institution of delegation of functions, in compliance with the limits and requirements set out in Articles 16 and 17 of Legislative Decree 81/2008. In environmental matters, for use of delegation of functions it is necessary to refer to the court rulings that have clarified the specificity of the environmental delegation, by providing that the content of the delegation is clear and unequivocal and expressly refers to the measures of compliance with environmental legislation;
- manual and IT procedures (information systems) such as to regulate the performance of activities by providing the appropriate control points; in this context, a particularly effective

of 26 June 2003 provides that "... the representative associations of the entities, communicate to the Ministry of Justice ... the codes of conduct containing specific (and concrete) sector-specific indications for the adoption and implementation of the organisation and management models...").

preventive measure is the separation of tasks between those who carry out the crucial phases/activities of a process at risk;

- an authorisation system that grants internal powers of authorisation and external signing powers that are assigned in accordance with established organisational and managerial responsibilities;
- a system for communication with and training of staff;
- an integrated control system that considers all operational risks in such a way as to provide timely notification of the existence or occurrence of situations of general and/or particular criticality.

These components shall comply, inter alia, with the following control principles:

- each operation, transaction, action must be verifiable, documented, consistent and congruous: for each operation, there must be adequate documentary support through which checks can be carried out at any time that certify the characteristics and reasons of the operation and identify who authorised, carried out, registered and verified the operation itself;
- no one can independently manage an entire process: the system must guarantee the application of the principle of separation of functions, so that the authorisation to carry out an operation must be under the responsibility of a person other than the person who enters the operation into accounts, performs or controls it;
- documentation of the controls: the control system must document (possibly through the preparation of reports) the performance of the checks, including supervisory ones.

Lastly, it should be noted that non-compliance with specific points of the Confindustria Guidelines does not in itself affect the validity of the Model. In fact, the individual model must be drawn up and adopted considering the actual situation of the company to which it relates and may well deviate, in certain specific points, from the Guidelines, when this is due to the need to guarantee more the needs protected by the Decree.

Decree 231 does not expressly address aspects relating to the liability of an entity belonging to a group of companies.

However, the phenomenon of corporate groups is a widespread organisational solution in the Italian economic system for several reasons, including the need to diversify the activity and share the risks. Furthermore, the greater organisational complexity of a group can be accompanied by greater difficulty in the construction of systems for the prevention of relevant crimes pursuant to Decree 231.

In order to balance, on the one hand, the autonomy of individual companies and, on the other, the need to promote a group policy in the fight against corporate crime, it is appropriate that the

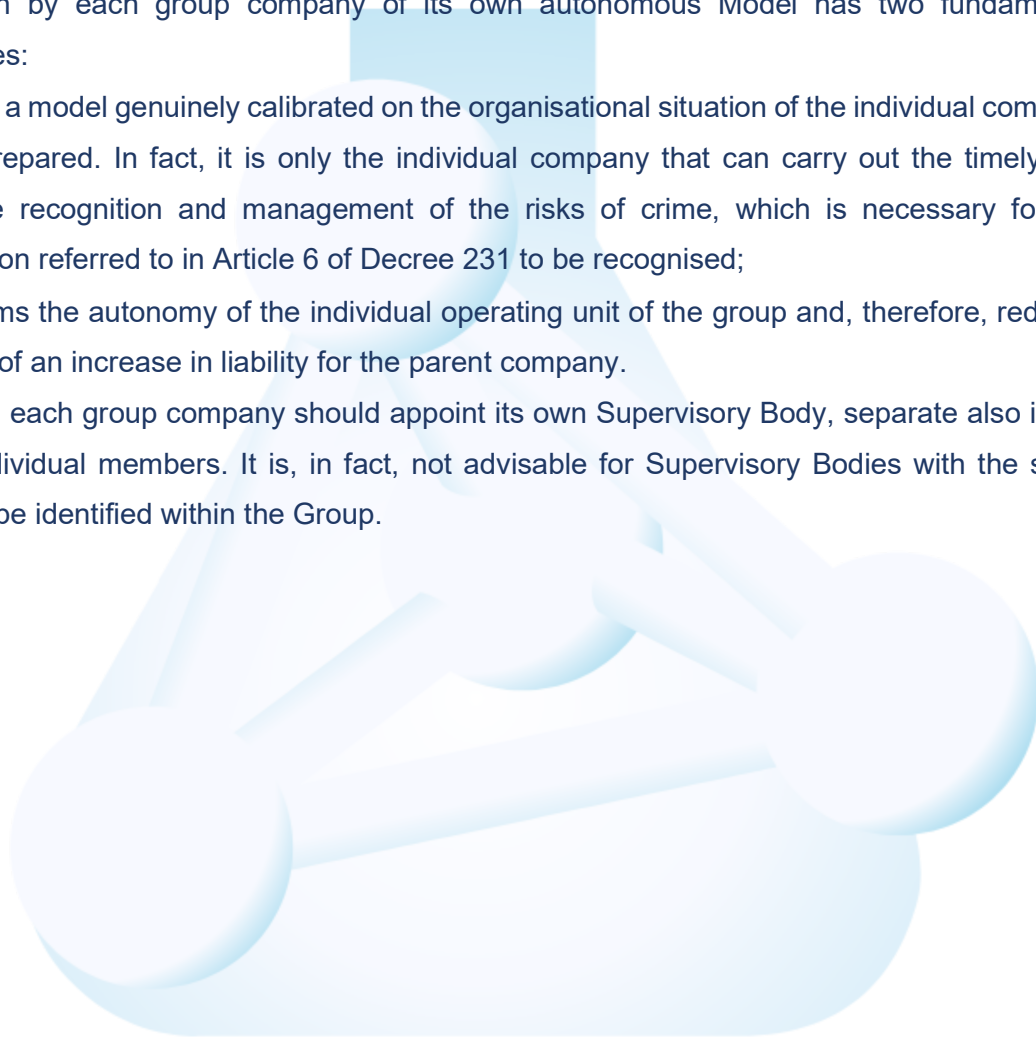
organisational activity to prevent predicate offences of the criminal liability of the entities takes into account certain measures.

In the first place, each company in the group, as an individual recipient of the provisions of Decree 231, is required independently to prepare and review its own organisational model. This activity may also be carried out on the basis of indications and implementation methods provided by the holding company, based on the organisational and operational structure of the group. Moreover, this shall not result in a limitation of the autonomy of the subsidiaries in adoption of the Model.

The adoption by each group company of its own autonomous Model has two fundamental consequences:

- it allows a model genuinely calibrated on the organisational situation of the individual company to be prepared. In fact, it is only the individual company that can carry out the timely and effective recognition and management of the risks of crime, which is necessary for the exemption referred to in Article 6 of Decree 231 to be recognised;
- it confirms the autonomy of the individual operating unit of the group and, therefore, reduces the risk of an increase in liability for the parent company.

Furthermore, each group company should appoint its own Supervisory Body, separate also in the choice of individual members. It is, in fact, not advisable for Supervisory Bodies with the same members to be identified within the Group.



CHAPTER 2

THE ORGANISATION, MANAGEMENT AND CONTROL MODEL OF ITALMATCH CHEMICALS S.P.A.

2.1 THE PURPOSES OF THE MODEL

Through the adoption of the Model, the company intends to pursue the following main purposes:

- promote awareness of correct and transparent management of the company, compliance with current legislation and with the fundamental principles of ethics in the conduct of business;
- reiterate that any unlawful conduct is strongly condemned by the company as contrary not only to the law, but also to the ethical principles espoused by the company itself and with which it intends to comply in performance of its business;
- allow the company constantly to monitor and carefully supervise its activities, in order to be able to intervene promptly where risk profiles arise and, if necessary, apply the disciplinary measures provided for by the model itself;
- ensure that all those who act in the name and on behalf of the company are aware that committing the offences envisaged by Decree 231 is subject to criminal penalties for the perpetrator of the offence and administrative penalties for the company.

2.2 THE METHODOLOGY ADOPTED

In order to prepare the Model, we proceeded, in accordance with the methods proposed by the Confindustria Guidelines:

- to identify sensitive activities, through the prior examination of company documentation (organisational charts, powers of attorney, job descriptions, organisational arrangements and communications) and a series of interviews with the managers of the various company departments. The purpose of the analysis was to identify and assess actual performance of company activities, in order to identify those behaviours that could abstractly constitute a case of a predicate crime. At the same time, the control measures put in place and any critical issues to be subjected to subsequent improvement were assessed;
- to analyse and identify the areas potentially exposed to the risk of predicate crimes being committed, particularly those against the Public Administration and corporate crimes;
- to identify relevant organisational positions within those areas.

Within the "sensitive activities", those that relate to corporate obligations and those that relate to relations with the Public Administration, as listed below, have been separated.

The sensitive activities relating to relations with the Public Administration are listed below:

- 1) negotiation, entry into and execution of contracts /concession agreements with public entities through negotiated procedures or procedures with public evidence;
- 2) management of relations with public entities for obtaining authorisations and licenses for the performance of company activities;
- 3) management of judicial and extrajudicial disputes;
- 4) management of obligations, audits, inspections on the production of solid, liquid or gaseous waste, or the emission of fumes or the production of noise/electromagnetic pollution subject to controls by public entities;
- 5) management of relations with public entities for aspects relating to health and safety at work (Legislative Decree 81/08) and compliance with the precautions laid down by laws and regulations on the use of employees assigned to particular tasks;
- 6) relations with public entities relating to the recruitment of personnel belonging to protected categories or whose recruitment is facilitated;
- 7) management of social security treatment of personnel and/or management of related assessments/inspections;
- 8) relations with Supervisory Bodies for activities regulated by law;
- 9) acquisition and/or management of grants, subsidies, loans, insurance or guarantees granted by public entities;
- 10) management of relations with the revenue administration;
- 11) management of relations with public entities for aspects that concern the environment and compliance with the precautions laid down by laws and regulations on environmental matters.

The sensitive activities relating to corporate obligations are listed below:

- 1) preparation of financial statements, reports, communications to shareholders and/or the market relating to the operations, equity or financial situation of the company or the Group;
- 2) management of relations with the auditing firm on communication to third parties relating to the operations, equity or financial situation of the company or the Group;
- 3) support and cooperation in control or auditing activities legally attributed to shareholders, to other corporate bodies, or to the auditing firm;
- 4) management and communication of Group-related news and data to the outside world;
- 5) transactions relating to share capital;

- 6) preparation of communications to the Supervisory Authorities and management of relations with them;
- 7) management of the obligations relating to the shareholders' meetings;
- 8) management of business relations with customers and suppliers;
- 9) preparation of tax declarations and obligations regarding the calculation of taxes, in addition to the management of the assets and liabilities cycle.

In addition to the activities that have a direct impact on the crimes envisaged by Legislative Decree 231/2001, the Model provides for specific control activities for the following supply management processes:

- 1) financial transactions (traceability of flows);
- 2) procurement of goods and services;
- 3) professional advice and services;
- 4) brokerage activities (e.g. agents and brokers);
- 5) granting of utilities (e.g. gifts and benefits);
- 6) recruitment of personnel;
- 7) subsidised finance.

The fundamental activities for the preparation of the Model were therefore:

- risk mapping activities;
- the preparation of protocols that identify adequate moments of control and prevention of the committing of the crimes envisaged by the Decree;
- the distribution to and engagement of all levels of the company in the implementation of the rules of conduct and procedures established;
- the establishment of the Supervisory Board, with assignment to it of specific supervisory tasks on the effective and correct functioning of the Model, with consequent periodic updating;
- the adoption of an appropriate disciplinary system;
- the adoption of the Code of Ethics, which is an integral part of this Model.

2.3 THE STRUCTURE OF THE MODEL

The Organisation, Management and Control Model consists of a General Part and a Special Part. In this General Part, a description is provided of the contents and impacts of Legislative Decree 231/2001, the general characteristics of the Model, the categories of predicate offences that may

involve liability of the company, the characteristics, powers and functions of the Supervisory Board, the disciplinary and penalty system.

The Special Part provides a detailed description of the specific types of crime to which the company is considered to be exposed, the map of sensitive areas, the adaptation of the preventive control system, and the specific protocols relating to sensitive areas.

2.4 PREDICATE OFFENCES RELEVANT TO ITALMATCH CHEMICALS S.P.A.

In light of the analysis carried out by the company for the purposes of preparing this Model, the following categories of Predicate Offences have emerged as potentially involving the company's liability:

- offences committed in relations with the Public Administration (Articles 24 and 25 of Legislative Decree 231/2001);
- crimes in corporate matters and crimes of corruption between private individuals and incitement to corruption between private individuals (Art. 25-ter of Legislative Decree 231/2001) and self-laundering (Art. 25-octies of Legislative Decree 231/2001);
- environmental offences (Art. 25-undecies of Legislative Decree 231/2001);
- crimes of manslaughter, serious or grievous bodily harm, committed in breach of regulations on prevention of accidents and health and safety at work (Art. 25-septies of Legislative Decree 231/2001);
- cyber crimes and unlawful processing of data (Art. 24-bis of Legislative Decree 231/2001);
- crimes against industry and commerce (Art. 25-bis 1 of Legislative Decree 231/2001);
- environmental offences (Art. 25-undecies of Legislative Decree 231/2001);
- employment of illegally resident foreign nationals (Art. 25-duodecies of Legislative Decree);
- tax offences (Art. 25-quinquiesdecies of Legislative Decree 231/2001).

With regard to the remaining categories of Predicate Offences, it was considered that, in light of the main activity carried out by the company, the socio-economic context in which it operates and the legal and economic relationships that it usually establishes with third parties, there are no risk profiles such as to make the possibility of these crimes being committed in the interest or to the benefit of the company reasonably likely. In this regard, however, the risks have been managed by inserting appropriate principles of conduct in the Code of Ethics that require the Recipients to respect essential values such as solidarity, respect for the human person, morality, propriety and legality.

The company undertakes, in any case, constantly to assess the relevance for the purposes of this Model of any further crimes, as currently envisaged by the Decree or introduced by subsequent additions to it.

For each of the categories of Predicate Offences considered relevant for the company, the at-risk activities that could theoretically involve committing of one or more of the crimes listed above will be identified in the Special Part below.

2.5 THE RELATIONSHIP BETWEEN THE MODEL AND THE CODE OF ETHICS

The principles and rules of conduct contained in this Model are supplemented with what is expressed in the Code of Ethics adopted by the company, even though the Model, for the purposes it intends to pursue in implementation of the provisions of the Decree, has a different scope to the Code itself. In this regard, it should be noted that:

- the Code of Ethics is a document that contains the set of principles of corporate ethics, also valid for the purposes of the reasonable prevention of the crimes referred to in the Decree, which the company recognises as its own and on which it requires compliance of all the Recipients and all those who cooperate in the pursuit of corporate purposes;
- the Model constitutes a set of rules, tools and procedures, aimed at preventing the committing of particular types of crimes that, if committed in the interest or to the benefit of the company, may involve an administrative liability according to the provisions of the Decree itself.

2.6 ADOPTION OF THE MODEL AND CHANGES TO IT

Article 6(1)(a) of Legislative Decree 231/2001 requires the Model to be issued by the Governing Body. Its adoption is therefore the responsibility of the Board of Directors, which does so through a resolution.

The Model must always be promptly amended or supplemented by a resolution of the Board of Directors when:

- there have been violations or circumvention of the provisions contained therein that have demonstrated their ineffectiveness or inconsistency for the purposes of the prevention of the Predicate Offences;
- there have been significant changes in the regulatory framework or in the organisation or activity of the company.

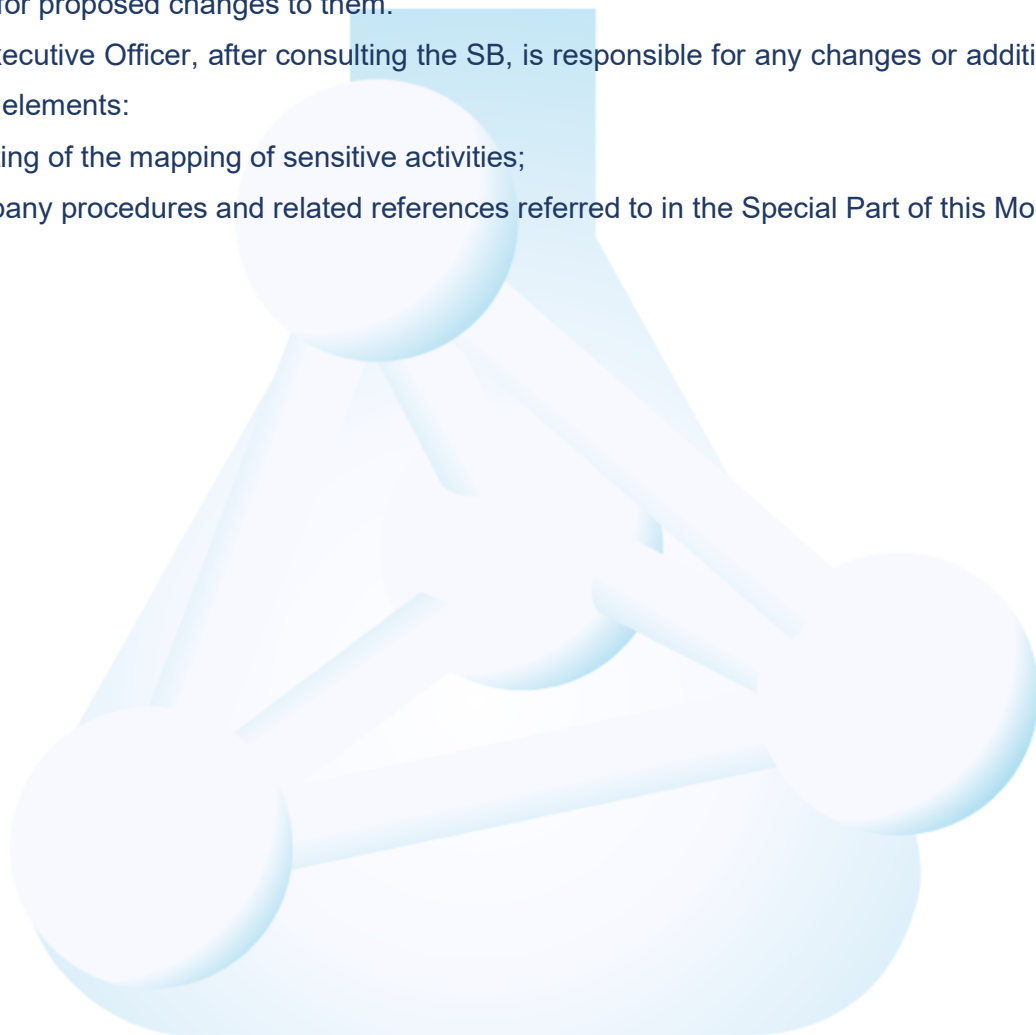
Changes of a formal or substantial nature may be made on proposal of the SB or on the suggestion of the heads of company departments. The latter submit their suggestions in writing to the Chairman of the SB, indicating the operational or legal reasons underlying the proposed change. The Chairman will be responsible for convening a meeting of the SB and placing the proposed change on the agenda.

The SB must, in any case, promptly report in writing to the Chief Executive Officer or the Chairman of the Board of Directors any facts that highlight the need to amend or update the Model. The Chief Executive Officer or the Chairman of the Board of Directors, in this case, must convene the Board meeting to adopt the relative resolutions.

Implementation of the principles and requirements contained in the Model is the responsibility of both the governing body of the company and of the competent company departments. The SB is constantly informed of the updating and implementation of the operating procedures and of the suggestions for proposed changes to them.

The Chief Executive Officer, after consulting the SB, is responsible for any changes or additions to the following elements:

- updating of the mapping of sensitive activities;
- Company procedures and related references referred to in the Special Part of this Model.



CHAPTER 3 THE SUPERVISORY BOARD

3.1 FOREWORD

Pursuant to Legislative Decree 231/2001 (Art. 6, paragraph 1, lett. a) and b), the establishment of a Supervisory Body (also identified as the SB) responsible for monitoring the correct application of the organisational model and the established ethical principles is a mandatory prerequisite for the Model to be considered as providing for "exemption from the administrative liability resulting from committing of Predicate Offences".

The law does not provide precise indications on the composition of the Supervisory Board. This allows for the option of a board formed of either a single or several members. In the latter case, parties from inside and outside the entity may be chosen as members.

Despite the legislature's indifference to the composition, the choice between one or the other solution must take into account the objectives pursued by the same law and, therefore, ensure the effectiveness of the checks. Like any aspect of the model, the composition of the Supervisory Board must also be modulated based on the size, type of activity and organisational complexity of the entity. For example, Article 6(4) Decree 231 allows small businesses to entrust the tasks of the Supervisory Board to the governing body. If the entity does not intend to make use of this option, a single-member board could well guarantee the functions delegated to the SB. The Supervisory Body, with autonomous powers of initiative and control, is appointed by resolution of the Board of Directors, which establishes the number and composition. The Board of Directors identifies the Chairman of the Supervisory Board from among its members. The President of the SB is responsible for carrying out the formalities for convening the meeting, establishing the items on the agenda, coordinating the work and running the board meetings. The appointment of the members of the SB must be formally communicated at all company levels, by sending an internal communication that indicates, in addition to the members, the powers, duties and responsibilities of the SB, as well as the purposes of its constitution.

Each member of the SB must personally satisfy the requirements of integrity and morality and have a professional profile that allows them effectively to carry out the duties assigned, particularly in terms of controlling the risks associated with the specific activity carried out by the company.

According to the Confindustria Guidelines: "it is preferable that, within the SB, there are members who know the business processes and where the mapping of the predicate crimes has highlighted a significant degree of risk in relation to the matter of health and safety of the workplace, it is appropriate to include a member who has sufficient specialisation and competence in the matter."

As a whole, the SB must have the following features:

a) Competences:

- knowledge of the organisation and the main business processes typical of the industry in which the company operates;
- legal knowledge such as to allow the identification of the cases likely to constitute crimes;
- ability to identify and assess the impacts deriving from the relevant regulatory context on the company;
- knowledge of the principles and techniques of Internal Auditing and of those who carry out audits and consultancy activities.

b) Personal features:

- an ethical profile of indisputable value;
- objective credentials of competence.

The term of office of the SB is three years, renewable by resolution of the Board of Directors.

The SB leaves office on the date of the shareholders' meeting convened for the approval of the financial statements relating to the last financial year of its office, while continuing to carry out its functions *pro tempore* until its members are reappointed.

The appointment must also provide for a fee for the assignment, except in the case of the investiture of members within the company organisation, for whom supervision of the adequacy and practical functioning of the internal control system and company procedures is an integral part of their duties.

The members of the SB cease their role due to resignation, forfeiture, intervening incapacity, death or dismissal for just cause.

The members of the SB may be dismissed for just cause by the Board of Directors, with immediate notification to the Board of Statutory Auditors. The cases of dismissal for just cause include, but are not limited to:

- serious non-compliance with their duties as the SB or unjustified inactivity;
- imposing on the company of bans due to the committing of Predicate Offences facilitated by the inactivity of the SB member or members;
- opening of criminal proceedings with referral to trial against a member of the SB.

In the event of resignation, forfeiture, incapacity, death or dismissal of the Chairman of the SB, the oldest effective member shall succeed to the position of Chairman, who shall remain in office until the date on which the Board of Directors has resolved on the appointment of the new Chairman of the SB.

3.2 REQUIREMENTS, FUNCTIONS AND POWERS OF THE SUPERVISORY BODY

3.2.1 REQUIREMENTS FOR THE SB

→ Autonomy and independence

In the performance of its duties, the SB reports only to the governing body, meaning the Board of Directors. To that end, it is envisaged that a direct information channel will be set up between the SB and the decision-making and auditing bodies. The requirements of autonomy and independence are fundamental, so that the SB is not directly involved in operational or management activities that are the object of its control activity. It should be noted that operating activities, for the purposes of the Model and the company's activity, means any activity that may have an impact on strategic or financial aspects of the company itself. These autonomy and independence requirements are obtained by guaranteeing the SB a hierarchical dependency that is as high as possible, and providing for reporting activity directly to the Board of Directors;

→ Professionalism

The SB must possess technical and professional skills appropriate to the functions it is called upon to perform, both in terms of audits and consultations, as well as in terms of legal, corporate and organisational aspects. These characteristics, combined with independence, guarantee objectivity of judgement;

→ Continuity of action

The Supervisory Body must work constantly on the adequacy and observance of the Model, with the necessary investigative powers in order to guarantee continuity of the supervisory activity, including through the scheduling of activities and controls, minutes of meetings and the regulation of information flows from internal structures.

3.2.2 FUNCTIONS OF THE SUPERVISORY BODY

The Supervisory Body carries out the duties envisaged by Articles 6 and 7 of Legislative Decree 231/2001 and, in particular, is assigned the following functions:

Ensure that the recipients comply with the requirements of the Model, in relation to the different types of offence contemplated by the Decree:

- the SB also exercises the powers of control attributed to it by the Model through the issuance of internal directives: to this end, the body periodically carries out targeted checks on certain operations or specific acts, carried out within the areas of activity at risk, as defined in the Special Parts of the Model;
- the SB collects, processes and stores the relevant information, in order to comply with the Model, and checks the actual presence, proper keeping and effectiveness of the required documentation, in compliance with the provisions of the individual Special Parts of the Model for the different types of offences. In addition, it updates the list of information, including reports, which must be transmitted to the SB itself or kept at its disposal;

- the SB carries out targeted checks on the main operations carried out by the company, within the areas at risk, and gives evidence of this in a written report, to be transmitted to the corporate bodies as part of the periodic reporting activity;
- the SB conducts internal investigations to ascertain the validity of the alleged violations of the provisions of this Model, which have been brought to its attention by reports or have emerged during the supervisory activity carried out by the SB itself;
- the SB coordinates with the other functions, including through dedicated meetings, to better monitor activities in areas at risk. To this end, the SB is kept constantly informed about the evolution of activities in areas at risk and has free access to all relevant documentation, including relevant updating data. Top management must also inform the SB of any business situations that may expose the Company to the risk of a crime;
- the SB coordinates with the heads of the different functions, for the different aspects relating to implementation of the Model: definition of standard contractual clauses, staff training, disciplinary measures, etc.;
- the SB coordinates the activities of the functions at risk, in order to acquire elements of investigation from these functions, in order effectively to monitor the activities, in relation to the procedures established in the Model. To this end, the Supervisory Board may access all relevant documentation;

Verify the actual effectiveness and the effective ability of the Model, in relation to the structure, to prevent committing of the crimes referred to in the Decree

- the SB updates the system for the identification, classification and mapping of areas at risk, based on the evolution of the regulatory framework and internal structure, in order to propose the necessary adjustments to the Model, to make it effective also in relation to the organisational and regulatory changes;
- to this end, the governing body and the people in charge of control activities, within the scope of the individual functions, must report to the SB any situations that may expose the company to the risk of a crime. All communications must be written (including by e-mail) and not anonymous;
- the SB verifies that the elements envisaged by the individual Special Parts of the Model, for the different types of crimes (adoption of standard contractual clauses, completion of procedures, etc.), are still adequate and meet the requirements of compliance with the provisions of the Decree, arranging, if not, to propose updates of the elements themselves;

Identify and propose the appropriate updates and appropriate changes to the Model, in relation to the changed regulations or the changed internal conditions

- the SB has the task, in collaboration with the governing body and, if necessary, with the administration department, to follow the evolution of the relevant legislation, with particular regard to any amendments and additions thereto, as well as to update itself on the evolution of court rulings, in order to keep the Model up-to-date with the regulatory requirements and interpretations in force;
- as a consequence of this activity, the SB, in collaboration with the governing body and, if necessary, with the administration department and, where appropriate, with the functions concerned, identifies and proposes the appropriate updates and appropriate amendments to the Model to the Chairman, to allow him to submit them to the Board of Directors.

3.2.3 POWERS OF THE SUPERVISORY BODY

To carry out its duties, the SB:

- has broad powers of inspection and access to all documents;
- has adequate financial and professional resources, the allocation of which is approved by the Board of Directors;
- avails itself of the support and cooperation of the various internal and external structures, which may be interested or otherwise involved in control activities;
- it can avail itself of external third parties who have the skills necessary for optimal performance of its duties.

In particular, the SB has powers of self-regulation and definition of internal operating procedures with exclusive competence with regard to:

- ➔ the methods of convening, organising and scheduling meetings;
- ➔ the methods of passing resolutions and keeping minutes of meetings or participation in meetings with the Board of Directors and with the Board of Statutory Auditors;
- ➔ the methods of communication with each company structure;
- ➔ the methods of organising its supervisory and control activities, as well as for reporting the results of the activities carried out.

In carrying out its supervisory and control duties, the SB:

- has free access to all the company functions, without the need for any prior consent, in order to obtain information, documents, data deemed necessary for the performance of its duties according to the Decree;

- may view and extract copies of the company books, the main contracts of the company and the powers of attorney in matters of delegation of power;
- may freely dispose of its budget, without any interference, in order to satisfy any need relating to the proper performance of the duties, including making use, where deemed necessary, of professional skills found outside the company;
- may, if deemed necessary, avail itself of the assistance of all the company structures, under its own direct supervision and responsibility.

It may, having performed the appropriate investigations and assessments and having heard the perpetrator of the violation, report the event according to the regulations of the disciplinary system adopted pursuant to the Decree and these Regulations, with it being understood that the formal complaint procedure and imposition of the penalty is carried out by the competent company function.

3.3 REPORTING TO CORPORATE BODIES

The Supervisory Body must report periodically to the Board of Directors and maintain adequate periodic communication with the Board of Statutory Auditors.

The SB reports to the Board of Directors:

- when necessary, in relation to the formulation of proposals for any updates and adaptations of the Model adopted;
- immediately, with regard to ascertained violations of the Model adopted, in cases where such violations may result in liability for the company, so that appropriate measures can be taken. In cases where it is necessary to take appropriate measures against the directors, the SB is required to immediately notify the entire Board of Directors and the Board of Statutory Auditors in writing. The Board of Directors arranges a meeting with the party concerned, in which the SB and the Board of Statutory Auditors also participate, acquires any explanations from the interested party and performs any further assessment deemed appropriate;
- annually, providing a plan of the scheduled verification and control activities for the following year;
- periodically, on at least an annual basis, by means of an information report concerning the verification and control activities carried out and the outcome thereof, as well as regarding any critical issues arising in terms of behaviours or events that may have an effect on the adequacy and effectiveness of the Model itself;

- on occasion of the aforementioned report, it summarises the updates it proposes to make to the protocols and flows in order to allow the board to pass resolutions on them.

The SB reports to the Board of Statutory Auditors:

- immediately, with regard to ascertained violations of the Model adopted, in cases where such violations may result in liability for the company;
- periodically, transmitting the annual plan of activities and the periodic report prepared for the Board of Directors.

The Supervisory Body meeting may be convened at any time by the aforementioned bodies or may in turn submit a request to this effect, to report on the operation of the Model or on specific situations.

3.4 INFORMATION FLOWS TO THE SB

In order to facilitate the control and supervision of the SB, it is necessary that information flows to the Body itself be activated and guaranteed by the corporate bodies and corporate functions competent for the matter.

The obligations of reporting to the Supervisory Body guarantee an orderly performance of supervision and control activity on the effectiveness of the Model and concern, on a periodic basis, the information, data and news specified in detail in the SPECIAL PARTS, or further identified by the Supervisory Body. This information must be transmitted in the times and in the ways that will be defined in the SPECIAL PARTS of the Model or by the SB itself.

The obligations of reporting to the SB also relate, on an occasional basis, to any other information of any nature relating to implementation of the Model in sensitive areas of activity, as well as compliance with the provisions of the Decree that may be useful for the performance of tasks of the SB (so-called reports to the SB) and necessarily to:

- news at all company levels of evidence of violations or alleged violations found as a result of inspections ordered by internal functions which show any liability for crimes referred to in Legislative Decree 231/2001;
- unjustified deviations from the rules of conduct and principles enshrined in the Code of Ethics issued by the company;
- the emergence of new risks in the areas directed by the various managers of company departments;

- any reports prepared by the various managers in the context of their activities from which facts, acts or omissions may emerge that reveal critical profiles with respect to compliance with the provisions of the Decree or the provisions of the Model;
- measures and/or news coming from judicial police bodies or from any other Public Authority from which it can be seen that the company is carrying out investigative activities for the crimes referred to in the Decree, also initiated against unknown persons;
- reports or requests for legal assistance forwarded to the company by members of senior management or staff members working under the instructions of superiors, if legal proceedings have been started against them for one of the crimes envisaged by the Decree;
- measures dismissing said proceedings and the relative grounds;
- decisions on the request for the provision and use of public funds;
- any significant issue, amendment and/or supplementing of the company's corporate organisational system (e.g. with reference to operating procedures, the granting of proxies and powers of attorney, changes in situations of risk or potential risk);
- reports of possible violations of the Model attributable to collaborators, agents and representatives, consultants and, in general, freelancers, suppliers, business partners and, more generally, by anyone who, for whatever reason, operates within the so-called sensitive activities on behalf of or in the interest of the company;
- copy of periodic reports on health and safety at work;
- any communications from the auditing firm concerning aspects relating to the organisational system.

The SB is required to assess each report received, taking action, where it deems necessary, in relation to the events described, and to examine the veracity and relevance of what is stated in the report. It is left to the discretion and responsibility of the SB to assess the relevance of the specific cases reported and the consequent decision to activate more detailed checks and interventions.

If, as a result of the preliminary investigations, the SB considers the reports to be irrelevant and the violations to be non-existent, the decision not to proceed must be justified; on the contrary, if a violation is ascertained, the SB must immediately inform whoever who has disciplinary power, who will start the envisaged disciplinary procedure, in order to give notice to the perpetrator and impose the penalties on them, if necessary.

With reference to the way in which reports are transmitted by members of senior management or staff members working under the instructions of superiors, it should be noted that the obligation to inform the Employer of any behaviour contrary to the Model adopted is part of the broader duty of diligence and obligation of loyalty of the employee. Consequently, the correct fulfilment of the obligation of information by the employee cannot give rise to the application of disciplinary measures. In contrast, any improper information, both in terms of content and form, provided simply for the purpose of slander, will be subject to appropriate disciplinary measures.

In particular, the procedure adopted will be as follows:

- any report from anyone, including those relating to any violation or suspected violation of the Model, its general principles and the principles set out in the Code of Ethics, must be made in writing;
- the information and reports must be sent by the interested party directly to the Supervisory Body at the following e-mail address: odv@italmatch.it;
- the SB acts in such a way as to protect the authors of the reports against any form of retaliation, discrimination or penalisation or any consequence deriving from them, ensuring them confidentiality on their identity, without prejudice to legal obligations and the protection of the rights of the company or of people who are accused wrongly and/or in bad faith;
- with the introduction of the so-called "Whistleblowing" regulations, it is necessary, in the case of anonymous reports of breaches of the 231 Model, to guarantee the confidentiality of the identity of the whistleblower, including the suitability to guarantee confidentiality through computer methods. With adoption of the Data Protection Organisational Model, following introduction of the new legislation on the subject of the GDPR that entered into force on 25/05/2018, the company has prepared and adopted company procedures on the protection of security and processing of personal data, also according to the new legislation on the subject of whistleblowing.
- the SB independently assesses the reports received, and all the recipients of the reporting obligations are required to cooperate with it to allow the collection of all the additional information deemed necessary for a correct and complete assessment of the report.

The information flows and reports are stored by the SB in a special computer and/or paper database. The data and information stored in the database are made available to subjects external to the SB with its authorisation, unless access is mandatory by law. The SB establishes, with a specific internal

provision, the criteria and conditions for access to the database, as well as for the storage and protection of data and information in compliance with current legislation.



CHAPTER 4 DISCIPLINARY AND PENALTY SYSTEM

4.1 FUNCTION OF THE DISCIPLINARY SYSTEM

Art. 6, paragraph 2, letter e), and Art. 7, paragraph 4, letter b), of Legislative Decree 231/2001 indicate, as a condition for an effective implementation of the organisation, management and control model, the introduction of a disciplinary system suitable for punishing non-compliance with the measures indicated in the model itself.

The definition of an effective disciplinary system is therefore an essential prerequisite for the exculpatory value of the organisational, management and control model pursuant to Legislative Decree 231/2001 with respect to the administrative liability of entities⁶.

The sanctions provided for by the disciplinary system will be applied to any violation of the provisions contained in the Model, of the management and supervision obligations, regardless of the conducting

⁶ The Italian Association of Internal Auditors, Position Paper – Legislative Decree 231/2001 – Administrative liability of companies: organisational models of prevention and control, October 2001, 27 s., reviewing the seven requirements that, according to the US Federal Sentencing Guidelines (1997 Federal Sentencing Guidelines Manual - chapter 8: Sentencing of organizations), the compliance programs must satisfy in order to constitute an effective model aimed at preventing and detecting violations, as such suitable to mitigate the liability of the company, reports requirement no. 6 (disciplinary mechanisms) commenting on it as follows:

“The standards must have been consistently enforced through appropriate disciplinary mechanism, including, as appropriate, discipline of individuals responsible for the failure to detect an offense. Adequate discipline of individuals responsible for an offense is a necessary component of enforcement; however, the form of discipline that will be appropriate will be case specific.”

[in Italian]: “Gli standard devono essere stati resi esecutivi in maniera coerente mediante appropriati meccanismi disciplinari, che comprendano, quando appropriato, anche la punizione di persone responsabili di non aver scoperto una violazione. L'adeguata punizione delle persone responsabili di una violazione è una componente necessaria dell'efficacia esecutiva, tuttavia, la congruità della punizione dovrà fare riferimento allo specifico caso esaminato”.

The Italian standard contains the repeated reference – in Article 6, point 2(e) and Article 7, point 4(b) – to the need, for effectiveness of the model, for there to be “a disciplinary system suitable for disciplining non-compliance with the measures indicated in the model”. In describing the characteristics that the disciplinary system must possess to be considered effective, the doctrine expresses the fear that disciplinary measures can, in fact, be applied only to those who operate in a low-level position or are already a marginal figure or “in disgrace”, leaving the executive senior management immune. International doctrine indicates fairness and consistency as essential requirements for the effectiveness of disciplinary mechanisms. There is also a need for a centralised examination body or mechanism to ensure that these requirements are met. The requirement examined here also underlines the responsibility of managers to monitor the behaviour of their employees, with activities aimed at verifying their actions within the risk areas ”.

See also Propper, Corporate fraud investigations and compliance programs, Oceana Publications, 2000, 140 s., which, regarding the code of conduct (defined as “a centerpiece of a compliance program”), states: “(...) the code should announce that employees who violate code provisions will be sanctioned for their misconduct, and it should indicate the range of sanctions that may be applied. The sanctions may range from a reprimand for minor or unintentional violations up to termination for cause for serious violations. The Sentencing Guidelines recognise that “the form of discipline that will be appropriate will be case specific”. If the company is serious about its code of conduct, then it must be prepared to enforce it and to impose serious sanctions for significant misconduct. Furthermore, the Guidelines note that disciplinary actions sometimes may need to be taken not only against the offender but also against individual responsible for the failure to detect an offense”.

and outcome of any criminal proceedings initiated by the judicial authority if the conduct to be disciplined constitutes a crime that is relevant pursuant to Legislative Decree 231/20017.

4.2 MEASURES AGAINST EMPLOYEES

Compliance with the provisions and rules of conduct envisaged by the Model constitutes compliance by ITALMATCH employees with the obligations provided for by Art. 2104, paragraph 2, of the Italian Civil Code; obligations of which the content of the Model represents a substantial and integral part. Violation of the individual provisions and rules of conduct referred to in the Model by the employees of ITALMATCH, subject to the category CCNL (collective national employment contract), always constitutes a disciplinary offence.

Every report of violation of the Model will result in the start of a disciplinary action in order to ascertain whether the violation has occurred. In particular, in the assessment phase, the employee will be questioned about the claim and will be guaranteed a period of 8 (eight) days to submit their own defence justifications for it. Once the violation has been ascertained, the perpetrator will be subject to a disciplinary measure commensurate to the seriousness of the violation committed.

The penalties imposed on ITALMATCH employees, in accordance with the provisions of Article 7 of Law no. 300 of 30 May 1970 (so-called Workers' Charter) and any applicable special regulations, are those provided for by law, as well as by the penalty systems provided for in Chapter VII (behavioural and disciplinary rules) of the CCNL of the chemical, chemical-pharmaceutical, chemical fibres and abrasive, lubricant and LPG sectors industries referred to in Art. 39, namely:

- a verbal warning;
- a written warning;
- a fine (not exceeding the amount of 4 (four) hours of normal salary);
- suspension from service and salary (for a period not exceeding 8 (eight) days);
- dismissal.

It is understood that all the provisions and guarantees provided for by law and the CCNL of 19/07/2018 on disciplinary proceedings will be followed; in particular, the following will be respected:

- the obligation – in relation to the application of any disciplinary measure – to first make the claim against the employee and to listen to the latter in relation to their defence;

7 For further information on the subject matter of this chapter, see, among others, Figuratì, Responsabilità amministrativa delle persone giuridiche: aspetti lavorativi, in *Giurisprudenza piemontese*, 2002, fasc. 1 (April), 34-42.

- the obligation - except for the verbal warning - for the claim to be made in writing and for the measure not to be imposed if the days specifically indicated for each penalty in the CCNL of 19/07/2018 have not passed from when the claim is made.

With regard to the ascertaining of violations, disciplinary proceedings and the imposition of sanctions, the powers already granted to the ITALMATCH management remain valid, within the limits of their respective mandates and competences.

4.2.1 VIOLATION OF THE MODEL AND RELATIVE PENALTIES

In accordance with the provisions of the relevant legislation, ITALMATCH intends to inform its employees of the provisions and rules of conduct contained in the Model, the violation of which constitutes a disciplinary offence, as well as the applicable disciplinary measures, taking into account the seriousness of the violations⁸.

⁸ This is in compliance with art. 7 of the Workers' Charter, according to which "The disciplinary rules relating to penalties and the violations in relation to which each of them can be applied and the procedures for disputing them, must be brought to the attention of workers by posting in a place accessible to all". According to legal doctrine and case law, the aforementioned Art. 7 of the Workers' Charter makes it clear that the disciplinary power cannot be legitimately exercised unless the disciplinary code has been prepared and published beforehand. The obligation of publishing the code by means of bill posting is considered as the only valid form of making the disciplinary rules known.

The Unified Divisions of the Court of Cassation, in judgement no. 1208 of 5 February 1988, in settlement of the relative dispute, confirmed that the essential nature of the obligation of posting the code and the exclusion of any different forms of communication to individual workers. Posting is therefore the sole and exclusive means suitable for the legitimate exercising of disciplinary power and cannot be replaced, for example, by the material and individual delivery of the disciplinary regulations. It follows that, for the purposes of fulfilling the requirements of Legislative Decree 231/2001, in order for the company to be exempt from administrative liability, it is necessary and sufficient to prepare a document containing the disciplinary regulations, published in the form of a bill posting.

Confindustria also reiterated, in its guidelines, the need to adopt a code of ethics and a system of disciplinary measures, applicable in the case of non-compliance with the measures provided for by the model, in order to preserve its effectiveness, specifying that:

- important requirements of the model are communication to personnel and their training: communication must concern the code of ethics and other instruments (authoritative powers, procedures, etc.) and must be clear, detailed and periodically repeated; in addition to communication, an adequate training program must be developed, aimed at personnel in areas at risk and illustrating the rules and their purposes;
- codes of ethics (official documents of the entity, desired and approved by the highest level of the entity itself) "aim to recommend, promote or prohibit certain behaviours, beyond and independently of the provisions of the regulations, and may provide for penalties proportionate to the severity of any violations committed";
- "a qualifying point in the construction of the model is the provision of an adequate disciplinary system for violation of the rules of the code of ethics, as well as the procedures provided for by the model (...) Due to their disciplinary value, the code of ethics and the procedures for which non-compliance is intended to be disciplined must be expressly included in the company disciplinary regulations, if they exist, or in any case, formally declared as binding for all employees (for example, by means of an internal circular or a formal communication), as well as displayed, as provided for by Art. 7, para. 1, of Law no. 300/1970, by posting in a place accessible to all".

Without prejudice to ITALMATCH's obligations under the Workers' Charter, the behaviours that constitute a violation of the Model, accompanied by the relative disciplinary measures, are as follows:

1. the measure of a "verbal warning" is given to a worker who violates one of the internal procedures provided for by the Model (for example, a worker who does not comply with the prescribed procedures, fails to notify the Supervisory Body of the prescribed information, fails to carry out checks, etc.), or who adopts behaviour in the performance of activities in sensitive areas that does not comply with the provisions of the Model itself. Such conduct constitutes non-compliance with the provisions issued by the company.
2. the measure of a "written warning" is given to a worker who repeatedly violates the procedures provided for by the Model or who adopts behaviour in the performance of activities in sensitive areas that does not comply with the provisions of the Model. Such conduct constitutes repeated non-compliance with the provisions issued by the company.
3. the measure of a "fine not exceeding the amount of 4 (four) hours of normal salary" is imposed on a worker who, by violating the internal procedures provided for by the Model, or by adopting behaviour in the performance of activities in sensitive areas that does not comply with the provisions of the Model, exposes the integrity of the company's assets to a situation of objective danger. Such conduct, carried out with the failure to comply with the provisions issued by the company, creates a situation of danger to the integrity of the company's assets and/or constitutes acts contrary to the interests of the company.
4. the measure of a "suspension from service and salary for a period not exceeding 8 (eight) days" is imposed on a worker who, by violating the internal procedures provided for by the Model, or by adopting behaviour in the performance of activities in sensitive areas that does not comply with the provisions of the Model, causes damage to the company by performing acts contrary to its interest, or a worker who has repeated the non-compliant behaviour referred to in points 1, 2 and 3 beyond the third time in the same calendar year. Such conduct, carried out due to non-compliance with the provisions issued by the company, results in damage to the company's assets and/or constitutes acts contrary to the interests of the company.
5. the measure of "dismissal" is imposed on a worker who adopts behaviour in the performance of activities in sensitive areas that does not comply with the provisions of the Model and that is directed exclusively at the committing of a crime according to Legislative Decree 231/2001 or that results in the effective application by the Company of the measures provided for by Legislative Decree 231/2001, and also on a worker who as well as the worker who has repeated the non-compliant behaviour referred to in point 4, first part, beyond the third time in the same calendar year.

The type and extent of each of the disciplinary measures referred to above will also be applied taking into account:

- the intentionality of the behaviour or the degree of negligence, imprudence or incompetence with regard also to the predictability of the event;
- the overall behaviour of the worker, with particular regard to the existence or otherwise of disciplinary precedents of the same worker, to the extent permitted by law;
- the duties of the worker;
- the functional position of the people involved in the facts constituting the non-compliance;
- other particular circumstances that accompany the disciplinary offence.

The right of ITALMATCH to seek compensation of the damages caused by an employee's violation of the Model remains unaffected. Compensation for any damages requested will be commensurate to:

- the level of responsibility and autonomy of the employee who has committed the disciplinary offence;
- the possible existence of disciplinary precedents against the same;
- the degree to which the behaviour is intentional;
- the severity of the effects of the behaviour, meaning the level of risk to which the company reasonably believes it has been exposed - pursuant to and in accordance with Legislative Decree 231/2001 - following the conduct being punished.

The Human Resources Department is ultimately responsible for the effective application of the disciplinary measures described above, without prejudice to the power to impose disciplinary measures - upon any report from the Supervisory Body, also after consulting the hierarchical superior of the perpetrator – of the holders of special power of attorney appointed with disciplinary powers and within the limits provided for therein. In any case, the Supervisory Body, in collaboration with the Human Resources Department, is responsible for verifying and assessing the suitability of the disciplinary system pursuant to and in accordance with Legislative Decree 231/2001.

In the event of a violation of the provisions and rules of conduct contained in the Model by managers, ITALMATCH shall take the most appropriate disciplinary measures against the perpetrators, in accordance with the provisions of the CCNL of 19/07/2018.

4.3 MEASURES AGAINST DIRECTORS

Upon notification of violation of the provisions and rules of conduct of the Model by members of the Board of Directors, the Supervisory Body must promptly inform the Board of Statutory Auditors and the entire Board of Directors of the incident. The recipients of the information from the Supervisory Body may take the appropriate measures, in accordance with the provisions of the Articles of Association, including, but not limited to, convening of the shareholders' meeting, in order to adopt the most appropriate measures provided for by law.

4.4 MEASURES AGAINST AUDITORS

Upon notification of violation of the provisions and rules of conduct of the Model by one or more auditors, the Supervisory Body must promptly inform the entire Board of Statutory Auditors and the Board of Directors of the incident. The recipients of the information from the Supervisory Body may take the appropriate measures, in accordance with the provisions of the Articles of Association, including, but not limited to, convening of the shareholders' meeting, in order to adopt the most appropriate measures provided for by law.

4.5 MEASURES AGAINST CONSULTANTS, COLLABORATORS AND BUSINESS PARTNERS

Any violation by agents, consultants/external collaborators or business partners of the provisions and rules of conduct envisaged by the Model applicable to them, or the possible committing of the offences contemplated by Legislative Decree 231/2001 by them, will be disciplined in accordance with the provisions of the specific contractual clauses that will be included in the relevant contracts. These clauses may include, but are not limited to, the right to terminate the contract and/or the payment of penalties.

The right of ITALMATCH to claim compensation of damages deriving from violation of the provisions and rules of conduct provided for by the Model by the aforementioned third parties obviously remains unaffected.

CHAPTER 5 COMMUNICATION AND TRAINING

5.1 PUBLICATION OF THE MODEL

In line with the provisions of the Decree and the Guidelines, the company will give publicity to this model, in order to ensure that all personnel are aware of all its elements.

The communication must be broad-based, effective, clear and detailed, with periodic updates on changes to the model, in accordance with the provisions of the Guidelines.

In particular, the communication must:

- be sufficiently detailed in relation to the hierarchical level of destination;
- use the most suitable and easily accessible communication channels to the recipients of the communication itself, in an effective and efficient manner.

5.2 INTERNAL TRAINING ON THE MODEL

Internal training is an essential tool for effective implementation of the Model and for a widespread dissemination of the principles of conduct and control adopted by the company, in order reasonably to prevent the crimes for which the Decree contemplates administrative liability of the entity.

The head of the Human Resources department is responsible for the correct training of personnel regarding the transposition and understanding of the Organisation, Management and Control Model, which is subject to verification by the SB, which must share the training programs.

The requirements to be met by a training program are as follows:

- be suited to the position held by the people within the organisation (new hire, worker, office worker, middle manager, executive manager, etc.);
- the contents must differ according to the activity carried out by the person within the company (activities at risk, control activities, non-risk activities, etc.);
- the periodicity of the training activity must be functional to any changes in the external environment in which the company operates, participation in the training programs must be mandatory and specific control mechanisms must be established to monitor attendance;
- there must be feedback mechanisms capable of verifying the learning of the participants (verification test).

The training is qualified as **general** when it affects all levels of the organisation and is aimed at learning about:

- the precepts contained in Legislative Decree 231/2001 concerning the administrative liability of entities, the crimes and the penalties;
- the principles of conduct envisaged by the Code of Ethics;

- the disciplinary and penalty system;
- the Guidelines and control principles contained in internal operating procedures and standards of conduct;
- the powers and duties of the SB;
- the SB internal reporting system.

Training is qualified as **specific** when it involves all those people who, due to their activity, need specific skills in order to manage the peculiarities of the activity itself, such as personnel working in the area of sensitive activities. These people must receive both general and specific training. The specific training must allow the person concerned to:

- be aware of the potential risks associated with their activity, as well as the specific control mechanisms to be activated in order to monitor the activity itself;
- know the risk assessment techniques inherent to the activity they perform and the procedures that regulate it, in order to acquire the ability to identify anomalies and report them in the ways and times useful for the implementation of possible corrective actions.

