



ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

**PURSUANT TO LEGISLATIVE DECREE NO. 231 of 8th JUNE
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DOCUMENT STRUCTURE

1.1 PREMISE

Entry into force of Italian Legislative Decree No. 231/01 introduced into the Italian legal system the direct administrative liability of legal entities for offences committed by directors, executives, their subordinates and other subjects acting on behalf of the legal entity, when the unlawful conduct has been carried out in the interest of or to the benefit of the company concerned. Failure to comply with the requirements may result in sanctions that go as far as prohibiting the business activity. However, if, before the offence is committed, the supervisory board of the company proves to have adopted and effectively implemented an Organizational, Management and Control Model to prevent the offences of the type committed, the legal entity is not liable for administrative responsibility, regardless of the recognition of the criminal responsibility of the actual person who committed the offence.

The Company, following guidelines issued by the General Confederation of Italian Industry, or 'Confindustria', and best practices regarding internal control, has therefore decided to develop and implement the Model herein described.

The Model is composed of the following sections:

- General Section - After an explanatory overview of Legislative Decree 231/01 for the benefit of all recipients of the Organizational, Management and Control Model (the 'Model' or 'OMCM'), the General Section describes the organizational structure of the Company, including the corporate governance mechanisms adopted, the methodology followed in the development of the Model, the Supervisory Board, the Disciplinary System and training on the Model.
- Special Section A - "Crimes against public and judicial administrations"
- Special Section B - "Computer crime and infringement of intellectual property rights"
- Special Section C - "Crimes against industry and commerce"
- Special Section D - "Corporate crimes"
- Special Section E - "Crimes of receiving of stolen Goods, money laundering and utilisation of money, goods or benefits of unlawful origin"
- Special Section F - "Crimes regarding health and safety at work"
- Special Section G - "Environmental crimes"
- Special Section H - "Employment of illegally staying third-country nationals"

Each Special Section is in turn subdivided as follows:

- Identification of individual offences
- Identification of corporate processes and activities that are sensitive or at risk and eventual exceptions
- Risk analysis and rules of conduct in the context of sensitive processes
- Definition of the related duties of the Supervisory Board

Each recipient of the Model is required to know and to comply with its principles and regulations.

The Company shall therefore disclose the purposes and content of the Model through the means and manners it deems most adequate, including training activities and specific initiatives.

The General Section of the model will be also published on the Company's website and, in order to ensure its widest possible circulation among the Recipients of the Model, on the company's main notice board.

LEGISLATIVE DECREE NO. 231/2001

1.2 INTRODUCTION

On 4th July 2001, Italian Legislative Decree No. 231, concerning the "Regulation of the administrative liability of legal persons, companies and associations, including those without legal status", came into force and introduced into Italian law the direct administrative liability of legal entities for offences committed in the interest or to the benefit of the company concerned. Primarily, the Decree applies, in the private sector, to companies, associations and legal entities and, in the public sector, to economic public bodies (with explicit exclusion of the state, of regional and local Authorities, of non-economic public bodies and of bodies of constitutional significance).

The Decree has a complex and innovative reach, as to the criminal liability of the individual who has committed a crime is added that of the entity in whose interest or for whose benefit the crime was perpetrated.

In particular, Article 5 of the Decree establishes that the entity is to have liability whenever certain offences (specified in the Decree), so-called predicate offences, have been committed "in its interest or to its benefit", by the following parties:

- a) Those who hold positions of representation, administration or management of or who effectively control the entity or one of its organizational units with financial and functional autonomy (including directors, executives and managers);
- b) Persons under the management or supervision of those referred to in subparagraph a).

The entity's liability is defined by administrative legislation, even though it is enacted through criminal proceedings, and is also distinguished by the fact that it is measured autonomously from that of the individual who has committed the offence. Indeed, under Article 8 of the Decree, the entity may be declared liable even if the material author of the crime is not imputable, has not been identified or if the offence has been waived for reasons other than amnesty. According to the same principle, any imputation of liability arising from the offence due to the entity does not exclude the personal criminal liability of the material author of the crime.

1.3 TYPES OF OFFENCES

The entity's liability does not extend to any type of offence, but is limited to the types of offences specifically referred to by the Decree, which on the date of approval of this Model include:

Article 24 - Misappropriation of funds, fraud against the state or a public entity or for obtaining public funds, computer fraud against the state or a public entity;
Article 24 bis - Computer crimes and illegal data handling;
Article 24 ter - Organized crime;
Article 25 - Extortion, undue inducement to give or promise utility and corruption;
Article 25 bis - Counterfeiting of money, credit instruments and stamp duty;
Article 25a 1 - Crimes against industry and commerce;
Article 25b - Corporate crimes;
Article 25c - Crimes of terrorism or subversion of democratic order;
Article 25c 1 - Mutilation of female genitalia;
Article 25d - Crimes against individuals;
Article 25e - Market abuse;
Article 25f - Manslaughter and culpable grave or extremely grave injury committed in violation of regulations on health and safety at work;
Article 25g - Crimes of receiving of stolen goods, money laundering and utilisation of money, goods or benefits of unlawful origin;
Article 25h - Infringements of copyright;
Article 25i - Induction to not make statements or to make false statements in court proceedings;
Article 25j - Environmental crimes;
Article 25k - Crimes in employment of illegally staying third-country nationals.

1.4 CONTINGENT CASES

The fundamental principle of the decree, which provides for the entity's liability, establishes that "the obligation to pay the pecuniary sanction" affects "exclusively the entity, with its assets or common fund".

Pecuniary sanctions, imposed on the entity, invoke, in the case of transformation of the entity, the principles of civil law on liability for the debts of the original entity.

Interdictory sanctions, however, are borne by the entity which conserves (or merges) the class of activity in which the offence was committed, without prejudice to the right of the entity resulting from the transformation to obtain the conversion of the interdictory sanction into a pecuniary one.

The Decree sets forth that, in the case of "transformation, the entity remains liable for offences committed before the date on which the transformation took effect".

In the case of mergers and/or divisions, the Decree states that the entity resulting from the merger, spin-off or takeover is "liable for offences for which the entities participating in the merger are responsible". On involvement of the entity resulting from the merger in the legal processes of the merged entities there follows, therefore, a transfer of the liability to the entity produced by the merger.

However, if the merger takes place before the conclusion of the judgment to determine the entity's liability, the court must take into account the economic conditions of the original entity and not the entity resulting from the merger.

The collective entities that are beneficiaries of a division, which receive the assets (wholly or in part) of the divided company, are liable for the payment of pecuniary sanctions due from the divided company for offences committed prior to the split. The obligation is limited to the value of the assets transferred.

In the event of the sale and/or transfer of the company in the context of which the offence was committed, the buyer is jointly liable with the seller for paying the pecuniary sanction within the limits of the value of the company being sold, without prejudice to the benefit of prior discussion of the transferring entity.

The buyer's liability, is not only limited by the value of the entity subject to sale (or transfer) but is also limited to the pecuniary sanctions resulting from the statutory accounts as a result of administrative offences of which the buyer is aware.

1.5 SANCTIONS BORNE BY THE ENTITY

The sanctions to be borne by the entity as a result of the commission or attempted commission of offences include:

- **Pecuniary sanctions**, which can vary depending on the seriousness of the offence, the degree of liability of the entity, efforts carried out to eliminate or mitigate the consequences of the offence or to prevent the commission of other offences, taking into account the economic and financial conditions of the entity and guarantees of the effectiveness of the sanction. In case of the conviction of the entity, a pecuniary sanction is always applied;
- **Interdictory sanctions**, including prohibitions of the activity, suspensions or revocations of licenses or concessions, bans on contracting for the public administration, exclusions or revocations of loans and grants and bans on advertising goods and services.

The interdictory and pecuniary sanctions are imposed conjointly only if expressly provided for in reference to that type of offence and only when at least one of the following two conditions apply:

- 1) The company has already previously committed an offence;
- 2) The company has profited from the offence by a significant amount.

Interdictory sanctions are normally temporary, having a range of duration from three months to two years.

Only in particularly serious cases are interdictory sanctions made permanent. Interdictory sanctions may also be applied as a precautionary measure at the request of the Public Prosecutor, if there is sufficient evidence of the responsibility of the entity and there is substantial and specific evidence to suggest that there is the real danger that offences of the same type already committed may be committed in the future.

- **Confiscation** (and precautionary seizure) of the profit or equivalent monetary value of proceeds of the crime;
- **Publication of the judgment** (which can be ordered by the court when interdictory sanctions are applied to the entity).

1.6 ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

The Decree introduces a particular form of exemption from liability if the entity can prove:

- That it has adopted and effectively implemented through its managing body, before the commission of the offence, an organizational, management and control model capable of preventing offences of the type committed;
- That it has entrusted to an internal body, or Supervisory Board, with independent powers of initiative and control, the task of supervising the functioning, observance and update of the model;
- That the individuals who have committed the crime, if directors, executives, managers or equivalent parties, have acted fraudulently in relation to the model;
- That there has been no omission of supervision or insufficient supervision by the Supervisory Board.

The Decree also states, in relation to the extension of delegated powers and to the risk of committing crimes, that the organizational, management and control model must fulfil the following requirements:

- It must identify the risks of the commission of crimes covered by the Decree;
- It must provide specific protocols in order to provide training and to implement decisions made by the entity in relation to the crimes to be prevented;
- It must provide methods of identification and management of financial resources in order to prevent the commission of such offences;
- It must impose obligations to inform the body responsible for supervising the functioning and observance of the organizational, management and control model;
- It must establish an internal disciplinary system to punish non-compliance with the measures indicated in the organizational, management and control model.

The Decree provides for the adoption of the organizational, management and control model, if the above requirements are satisfied, on the basis of codes of conduct drawn up by representative sector associations and submitted to the Ministry of Justice, which, together with the competent Ministries, may (within 30 days) express opinions on the suitability of the model to prevent the offences.

Finally, the Decree states that in small companies the supervisory activity may be performed directly by the executive body and in limited companies by the Statutory Auditors, by the Supervisory Board or by the Management and Control Committee.

ORGANIZATION, MANAGEMENT AND CONTROL MODEL

1.7 PURPOSES OF THE MODEL

This Model has been developed to achieve various objectives:

- a. To provide a tool for the analysis of the risks of the commission of offences covered by Decree No. 231/01.
- b. To bring together in an organic and organized way the set of procedures, rules, practices and management systems already in place in the company and to implement those identified as still lacking, with the aim of adjusting sensitive processes to bring them into line with the principles of the Code of Ethics.
- c. To disseminate at all levels and to all stakeholders the Company's commitment to the pursuit of social responsibility as set out in its Code of Ethics and its censure of all conduct that does not conform to the obligations provided for therein.
- d. To implement the commitment of the Company to sustained and effective prevention of the offences listed in Legislative Decree No. 231/01, not only for the purposes of exemption provided for by the Decree, but to continually enhance the application of the principles of social responsibility.
- e. To establish a clear and effective system of sanctions, at all levels, which contributes to preventing the commission of offences and which serves as an essential tool in protecting the Company against employees or administrators whose conduct is not aligned to the standards set.

1.8 PRINCIPLES OF THE MODEL

The basic principles on the basis of which the model has been developed are:

- Mapping of sensitive activities;
- Identification of significant operations in sensitive activities where there is a possible risk of the commission of offences;
- Application and compliance with the principle of segregation of roles and creation of an effective delegation system;
- Allocation of powers in accordance with organizational responsibilities;
- Attribution to the Supervisory Board of specific control tasks for the effective and proper functioning of the Model;
- Dissemination and involvement at all corporate levels in the implementation of rules of conduct, procedures and company policies in compliance with the principles set out in the Model;
- Effective disciplinary system.

1.9 RECIPIENTS OF THE MODEL

This Model, developed for all stakeholders in the Company's interests, is expressly addressed to:

- Directors, executives and administrators, and all those who effectively perform, de facto or otherwise, roles of representation, management, administration or control in the Company;
- Employees, at all levels;
- Collaborators, consultants, suppliers of the Company and third parties who have relations with the Company.

The Company disseminates the Model to Recipients via appropriate procedures to ensure its effective knowledge among all stakeholders. Recipients of the Model are required to comply strictly with all its provisions, also in fulfilment of the duties of loyalty, fairness and diligence arising from their legal relationship established with the Company.

The Company condemns any conduct that, whether or not referred to by applicable law, is inconsistent with the provisions of the Model and of the Code of Ethics, all the more if such conduct is adopted in the interests of the Company or with the intention of obtaining any advantage for the Company.

With reference to parties other than the Recipients of the Model, in order to achieve the widest possible observance of its provisions and in order to effectively implement its disciplinary system, the Company determines specific cases in which the application of the principles contained in the Model and in the Code of Ethics are required also by external parties other than the Recipients. To that end, agreements governing the relations with these parties shall stipulate special clauses (including express termination clauses) indicating clearly the responsibilities and the consequences of failure to comply with the properly communicated Code of Ethics of the Company and with the principles of this Model. The Company shall evaluate the most relevant cases in which to require third parties to comply with requests for information or for documentation formulated by the Company's Supervisory Board and to directly report to the Supervisory Board of the Company any violations of the Model, of the principles of the Code of Ethics or of the procedures established to implement them.

1.10 ADOPTION AND REVISION OF THE MODEL

The Company's Board of Directors adopts this Organizational, Management and Control Model via special resolution. The model is thus an official document of the Company and as such must be known and respected at all levels.

Through the adoption of the Model, the Company intends to ensure that offences are not committed by its directors, employees, consultants or collaborators of any kind that not only discredit the image of the Company, but also might lead to the application of the pecuniary or interditory sanctions established by Legislative Decree No. 231/01 in cases in which such offences are committed for the benefit of or in the interests of the Company.

This model may be modified or supplemented exclusively by subsequent special resolution of the Board of Directors, following a proposal and/or formal consultation procedure with the Supervisory Board. The latter shall promptly notify the Board of Directors of any fact or circumstance encountered in its supervisory activities that suggest the need for revision of the Model and shall propose eventual modifications.

**ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL
GENERAL PART**

CORPORATE ORGANIZATIONAL STRUCTURE

1.11 PREMISE

STALAM is a joint-stock company, established on 18/07/1989, registered in the Register of Companies of the Province of Vicenza, Fiscal Code 02083930244, REA [Economic Administrative Index] No. VI205055 dated 19/02/1996. Its registered office is in Via Dell'Olmo, 7, Nove (VI), ITALY. It employs, to date, 32 employees.

1.12 ACTIVITIES AND ORGANIZATION OF THE COMPANY

1.12.1 Corporate Purpose

The Company's corporate purpose is (excerpt from Chamber of Commerce Registration): *"The processing and production of electronic and electromechanical articles, machinery and equipment, in particular with the application and installation of high-frequency, microwave and infrared technology for food, textile, plastics, tanning, leather, artificial fibre, wood and paper industries and for any other civil and industrial use, in addition to the marketing of such technology and component parts, replacement parts and accessories. The company, in order to achieve the corporate purpose, may undertake all forms of commercial, industrial and real estate operations, including the leasing of machinery, the company or business units, and may also undertake, though as an accessory and instrumental but not primary activity, and, in any case, with the express exclusion of any activity carried out in relation to the general public, financial and real estate transactions, the granting of sureties, endorsements, deposits and guarantees, also in favour of third parties, and may acquire, exclusively as stable investment and not placement, either directly or indirectly, shares in Italian and foreign companies that have analogous or connected corporate purposes."*

1.12.2 Organizational Structure

There are three shareholders:

- Stalpart SRL;
- RF Biocidics INC (US company);
- Enrico Zanetti.

The Company has a Board of Directors and a Board of Statutory Auditors and avails of the collaboration of an auditing firm as well as of a Supervisory Board in accordance with Italian Legislative Decree 231/01.

The Board of Directors, on the date of approval of this Model, is composed of three persons, who manage the company in the capacity of:

- Chairman of the Board of Directors and Chief Executive Officer, Manlio Cavestro;
- Director, Enrico Zanetti;
- Director, Mark Alun Pritchard;

The Board of Auditors, on the date of approval of this Model, is composed of the following persons, in the capacity of:

- Chairman of the Board of Statutory Auditors, Stefano Rigoni;
- Standing Auditor, Ferruccio Dal Lin;
- Standing Auditor Alessandro Martinelli;
- Alternate Auditor Federica Pieretto;
- Alternate Auditor Aurelia Daniela Casali.

Accounting control is exercised by the auditing firm Baker Tilly Revisa S.p.A..

1.13 CORPORATE GOVERNANCE

1.13.1 Code of Ethics

The Code of Ethics, approved by the Board of Directors in conjunction with this Model, aggregates all the principles of social responsibility that STALAM S.p.A. has set for itself and requires of all employees and third parties with which it interacts.

The document shall be disseminated as widely as possible, with its publication also on the Company's website, so that its contents can be known by all stakeholders and parties in relation with the Company.

The company specifically recognizes as Recipients of the Model the following parties:

- The Company's employees, external collaborators, independent contractors and consultants;
- The local community, the Municipality of Nove, individual citizens and neighbours (whether individuals or corporations);
- The surrounding environment, in particular the territory adjacent to the Company's facilities;
- The Company's suppliers, whether of materials, goods or services;
- The Company's customers;
- The Italian State and representative institutions, the public administration and authorities.

The principles contained in the Code of Ethics are directly expressed by the Company's Board of Directors, are made known publicly to all stakeholders through targeted and general communications and must be observed at all corporate levels.

1.13.2 Delegation System

The Company implements, also within the context of the segregation of roles and of organizational improvement, an organizational chart that is integrated to the Model.

The Board of Directors has also approved the implementation of a system of appointments and delegations regarding the following specific issues:

- Injury prevention and management of the health and safety of employees;
- Environmental protection;
- Procurement and supplies;
- Financial and accounting administration;
- Commercial Office management.

1.13.3 Management, Procedure and Practice Systems

The Company has adopted specific procedures to regulate corporate activities. The Company has an Integrated Management System which covers the main sensitive corporate processes regulated by the following procedures:

- Supplies management;
- Sales management;
- Employee management;
- Environmental impact management;
- Financial management of payments to suppliers and the State;
- Computer network management;
- Inspection management;
- Occupational safety management.

The Special Sections of Model expressly refer to the procedures in place, existing or otherwise used at the time of approval of the Model as well as to business practices in use in the Company. These practices may be formalized in procedures, just as existing procedures will be implemented and rendered definitively operative in initial months of implementation of this Model.

Since the corporation undergoes constant development, the same procedures may require updates and/or modifications for the purposes of improvement, which may be suggested by those who directly use such procedures or by the Supervisory Board that monitors and controls them.

Should there be the need to update a procedure, the party proposing the modification shall prepare a special reasoned request to be submitted to the Board of Directors, which shall arrange for approval after consultation with the managers of the concerned corporate departments. The new procedure shall then be made known to all concerned parties via circularization, general dissemination and training.

There are also a number of established practices, which are not formalized, arising from the application of the principles of the Code of Ethics, which are known and observed by the administrative and technical employees in the performance of their duties.

1.13.4 Control and Monitoring Systems and Activities

Control and monitoring activities regarding the proper implementation of existing procedures and internal regulations are primarily entrusted to the managers of the departments to which employees refer; the members of the Board of Directors in turn monitor all employees, with particular focus on department managers and those with delegated powers. The Supervisory Board, in both periodic and spot checks, verify the implementation of the 231 System, with the collaboration of all stakeholders who in turn have the obligation to inform the Supervisory Board of every "not-conformity" or "non-compliant conduct" observed.

MODEL STRUCTURE

1.14 RISK IDENTIFICATION AND CLASSIFICATION METHODS

The Company considers that the analysis of risks constitutes the fundamental basis of the Organizational, Management and Control Model, as necessary for individuating the areas and processes sensitive to the commission of offences covered by Legislative Decree No. 231/01, and as essential in determining the extent of the risks and the effectiveness of the preventive measures implemented by the Company.

For the above reasons, the Company has appointed a group of experienced professionals in the matters in question to carry out a thorough and detailed analysis and consequent estimation of the risks, taking into account:

- The Company's characteristics, scope of activities and internal organization;
- The degree of dissemination and acceptance of the principles contained in the Code of Ethics;
- The established practices and existing procedures for the regulation of corporate processes;
- Relevant historical data.

The method adopted for the analysis and estimation of the risks entailed:

- A series of meetings at the headquarters of the Company, with the direct involvement of the Board of Directors, and, one by one, of the operative figures implicated in the analysis underway.
- Mapping of business processes and sensitive areas.
- Detailed examination of each individual offence, based on case law interpretations and doctrine, and evaluation of the probability of each offence being committed within the Company.
- Examination and cataloguing of the procedures and existing controls for the areas and processes at risk.
- Verification of the degree of dissemination and knowledge of the principles of the Model.
- Proposal of additional procedures or of modifications to existing procedures, to increase levels of risk mitigation.

Each Special Section of this Model reports the results of the checks carried out, indicating the general and special control and prevention systems in place within the Company.

1.15 SENSITIVE CORPORATE PROCESSES

From the risk analysis performed concerning corporate activities for the purposes of Legislative Decree No. 231/2001 it emerged that the Sensitive Processes of the Company in relation to the state are primarily:

- Relations with the public administration and judicial authorities;
- Corporate crimes;
- Crimes against industry and commerce;

Crimes of receiving of stolen goods, money laundering and utilisation of money, goods or benefits of unlawful origin;
Computer crime and infringement of intellectual property rights;
Crimes regarding health and safety at work;
Environmental crimes;
Crimes in employment of illegally staying third-country nationals.

Other offenses contemplated by Legislative Decree No. 231/2001 are only negligibly relatable to the reality of the Company. The activities that, due to their intrinsic nature, are considered more at risk of the commission of the offences referred to in Legislative Decree No. 231/2001 are detailed in the respective Special Sections.

Following developments in legislation or corporate activities, the Supervisory Board has the power to identify further risk activities that may be included in the list of sensitive processes, within the ongoing process of updating and implementation of the Model.

SUPERVISORY BOARD

1.16 ESTABLISHMENT OF THE SUPERVISORY BOARD

The task of constantly monitoring the effective functioning and observance of the Model and of proposing amendments is entrusted to a corporate body with autonomy and independence in carrying out its roles and functions, as well as adequate experience in the field of control of relevant risks to the Company's activities.

The members of this body, the Supervisory Board, must, therefore, possess personnel requirements to guarantee the autonomy, independence, professionalism and integrity of the body itself in carrying out its activities.

The necessary autonomy of the powers of initiative and control means that the body must:

- Be in a position of independence in relation to those on which it is to carry out the supervision;
- Have no operational duties.

In particular, the Supervisory Board is a collegiate body which:

- Reports directly to the Board of Directors the results of its supervisory and control activities;
- Has independent powers to intervene within its areas of expertise. To this end, besides constantly verifying the adequacy and suitability of the Model, the Supervisory Body may avail of internal personnel and/or independent contractors;
- Has the right to make use of any structure or tool necessary for the performance of its duties, subject to prior approval of the expenditure by the Board of Directors;
- Operates according to the collegiate method, having its own operating rules drawn up and approved by the body itself.

1.16.1 Structure

In view of the above provisions, the Supervisory Board may not be identified in members of the Board of Directors, who have executive powers and are directly involved in the operational management of the Company; due to the peculiarity of the assigned functions and areas to be monitored, it is also considered unsuitable to entrust such a task outright to the Board of Statutory Auditors as a whole, but preferable to identify among the Auditors the professional figures most suitable to make up the Supervisory Board.

The Board of Directors has therefore decided that the composition of the Company's Supervisory Board that best meets the requirements of the Decree is as follows:

1. At least two individuals, who are not part of the Company and who have a high level of integrity and professionalism, chosen preferably from the following professional categories:
 - Chartered accountants;
 - Lawyers;
 - Labour consultants;

- Health, safety and environmental experts.

Voting members of the Supervisory Board may be assisted, with purely consultative purposes, by internal Company figures such as Prevention and Protection Service Officers and the head of the Management and Control department.

The professionalism of the Supervisory Board is ensured by:

- The specific professional competences of its component members;
- The power granted to the Supervisory Board to make use of financial resources, with prior approval of the expenditure, in order to avail of external expertise, the specific skills of the managers of the various corporate functions and of collaborators and consultants.

For the purposes of a better understanding and more adequate supervision of the corporate context, the Supervisory Board may request the presence (also permanently) in its meetings of individuals such as, for example, members of the Board of Directors, of the Board of Statutory Auditors and the managers of those business functions with relevance to issues of control. Such individuals may participate in meetings only as guest observers.

1.16.2 Members and Terms of Office

The Board of Directors shall appoint members of the Supervisory Board via special resolution.

In order to guarantee the requirements of independence and autonomy, causes of incompatibility with the office of member of the Supervisory Board from the time of appointment throughout the term of office include:

- Being an executive and/or non-independent member of the Company's Board of Directors;
- Have a relationship of marriage or kinship to the fourth degree with the individuals referred to above;
- Carrying out operational or business functions within the Company as an employee;
- Having non-negligible business relationships with the Company or with the members of the Company's Board of Directors vested with powers;
- Having been convicted, or being under investigation, for the commission of one of the offences covered by Decree 231, or crimes or administrative offenses of a similar nature.

Except for the first assignment of a duration of 12 months, in relation to the implementation and initial operation of the Model, in order to ensure the effective, consistent and continuous action, the duration of office is set at three (3) years and may be renewed by resolution of the Board of Directors.

If the renewal of the Board of Directors takes place before the end of the duration of office of the Supervisory Board, then both shall terminate on the dissolution of the Board of Directors, so that the new Board of Directors may freely deliberate the appointment of new members of the Supervisory Board.

Automatic forfeiture of office may be due to the incompatibilities listed above, supervening incapacity or death; without prejudice to such automatic forfeiture, membership can be revoked exclusively by the Board of Directors and only for just cause.

Hypotheses of just cause for such dismissal include:

- Sentencing of the Company under the Decree or a plea bargain, res judicata, whose records show the “inexistent or insufficient supervision” by the Supervisory Board, in accordance with Article 6, Paragraph 1, Letter D, of the Decree;
- Sentencing or entry into a plea bargain of one of the members of the Supervisory Board for committing one of the offences referred to under the Decree, or of crimes or administrative offenses of similar nature;
- Failure to maintain the confidentiality of information obtained in the performance of the office;
- Failure to participate in more than three consecutive meetings without reasonable motivated cause.
- Blatant conduct of lack of supervision.

Any member of the Supervisory Board may withdraw at any time from office by giving notice of at least 1 (one) month, without the obligation to state reasons.

In the event of resignation or automatic forfeiture of office of a member of the Supervisory Board, the latter shall promptly notify the Board of Directors, which shall take the necessary decisions without delay.

The Supervisory Board is deemed to have expired if, for resignation or other causes, the majority of its members are unable to hold office. In such case, the Board of Directors shall provide for the replacement of all members.

1.17 SUPERVISORY BOARD ROLES, POWERS AND ACTIVITIES

The Supervisory Board has the task of constantly monitoring and ensuring:
Compliance with the Model by all Recipients;

Adequacy of the Model in relation to the actual capacity to prevent the commission of offenses covered by the Decree;

Effective implementation of the provisions of the Model in the context of the Company's activities;

Updating of the Model, implementation and effectiveness of hypothesized solutions (follow-up), proposing to the Board of Directors of the Company necessary adaptations of the Model in relation to changes in the structure and organization of the Company, in the reference regulatory framework or due to other significant events.

The Supervisory Board must be able to act in complete independence in verifying the effectiveness of prevention measures and of the implementation of the Model.

The Supervisory Board has unrestricted access to all company documentation. The Supervisory Board may commit emergency economic resources, in the presence of proven exceptional and urgent situations, with the obligation to give timely notice to the Board of Directors.

In the course of its activities, the Supervisory Board may make use of employees of the Company and/or external specialists, but remain directly responsible for fulfilling the obligations of supervision and control arising from the Decree.

In particular, the Supervisory Board has the following powers:

- a) To require all Recipients of the Model to provide information and documentation on operations and actions performed in areas at risk of the commission of offences under the Decree;
- b) To adopt and/or activate control procedures in order to verify compliance with the Model;
- c) To carry out spot checks on certain operations and/or specific acts performed in areas at risk of the commission of offences;
- d) To carry out investigations in order to identify and/or update the areas at risk of the commission of offences;
- e) To promote and/or develop in concert with specific corporate functions suitable initiatives for the dissemination, furthering of knowledge and understanding of the Model;
- f) To provide explanations and instructions for observance of the Model;
- g) To consult with other corporate functions and/or external consultants in order to ensure the effectiveness of the Model;
- h) To collect, process and store information related to the Model;
- i) To report regularly to the Board of Directors on the status of implementation and operation of the Model;
- j) To evaluate and propose to the Board of Directors modifications and/or updates to be brought to the Model;
- k) To make use of opportune resources for the development, monitoring and evaluation of the effectiveness of the Model.

From an operational point of view, the Supervisory Board is responsible for: Periodically verifying the completeness and correctness of the mapping of areas potentially at risk of the commission of offences ("sensitive activities"), in order to make modifications according to changes in business activities and/or corporate structure. To this end, the Supervisory Body must be informed by managers and those who exercise control activities of any situations that may expose the Company to the risk of the commission of any of the specific offenses listed in the Special Sections of the Model. All such communications must be made in writing and within the time and in the manner defined by the Supervisory Board;

Examining any information prepared by the internal departmental managers as a privileged source of information on the degree of implementation of the Model;

Planning and carrying out regular checks aimed at verifying implementation and application of the Model, in particular to ensure that procedures and required checks are effectively applied and adequately documented and that ethical principles are respected. The Supervisory Board in carrying out the such checks and its activities in general may delegate certain tasks of a highly complex technical nature to third parties, after prior notice to the Board of Directors;

Conducting periodic checks aimed at monitoring certain operations or specific actions carried out in the context of sensitive activities. The results of these checks must be the subject of specific reports that form part of the overall written report on the activity;

Undertake and collaborate on the constant updating of the Model, considering any proposed update of the procedures in place, giving feedback and proposing to the Board of Directors any changes to the Model it deems necessary.

1.17.1 Supervisory Board Reporting

The Supervisory Board shall immediately notify the Board of Directors of any significant problems resulting from the activity of supervision and at least annually relate in writing to the Board of Directors on its activities and results. The Supervisory Board may also be invited to report regularly to the Board of Directors on its activities.

The Supervisory Board shall conserve all reports generated by the monitoring and verification activities carried out.

1.18 INFORMATION FLOWS TO THE SUPERVISORY BOARD

In accordance with the provisions of the Decree (in particular, Article 6, Paragraph 2, Letter D, it is established that:

Directors are required to communicate to the Supervisory Board all necessary information for the performance of the activities of control and verification of compliance with the Model, in order to ensure its effective functioning and proper implementation;

Department heads are also required to communicate all necessary information concerning specific sensitive activities and must report to the Supervisory Board any anomalies in the application of the model and reasoned indications of any necessary amendments to the Model or its protocols.

Employees and all external collaborators are required to report directly to the Supervisory Board any violations of the Model or of its procedures and protocols established for its implementation and any other information relevant to the performance of control activities and to the verification of the adequacy of the Model.

The Company adopts appropriate measures to safeguard the confidentiality of the identity of those who transmit information to the Supervisory Board. Any form of retaliation, discrimination or penalization against those who make reports to the Supervisory Board in good faith is strictly prohibited. The Company reserves the right to take action against anyone who makes untrue reports in bad faith.

The Supervisory Board, and all persons of which it avails, in any capacity, must maintain the confidentiality of all information of which they have become aware in the exercise of their roles or activities.

In addition to the reporting indicated above, the Supervisory Board must compulsorily and immediately be notified by whoever is aware of information regarding:

Requests for legal assistance submitted by employees due to the initiation of legal proceedings for offences;

Procedures and/or notices from judicial police bodies or any other authority which indicate the performance of investigations in the corporate context, including relating to unknown persons, on offences;

Evidence of any disciplinary proceedings and sanctions imposed with specific reference to offences or of the filing of such proceedings and the reasons thereof;

Any anomaly or irregularity found in the activity of verification of invoices issued or received by the Company.

In particular, Recipients of the Model are obliged to report any suspected violation of the Model to the Supervisory Board, by sending a written report to its Chairman.

The Supervisory Board shall act to protect those reporting information in good faith from any form of retaliation, discrimination or penalization, ensuring, also, that their identities are kept confidential, without prejudice to legal obligations and the protection of the rights of the Company and individuals concerned and of the reputation of those reporting.

The Supervisory Board shall evaluate carefully and impartially all reports received and may perform checks and necessary investigations for such purpose.

INFORMATION AND TRAINING

1.19 EMPLOYEES

For the purpose of the effectiveness of the Model, it is the objective of the Company to ensure proper understanding and dissemination of the rules of conduct contained within among all employees and all persons with management, administration, management and control functions.

This objective covers both the resources already present in the company and those who will join the company in the future.

The training and communication is implemented to different degrees of detail in relation to the different levels of involvement of the resources in sensitive activities.

The Company organizes information and training meetings for personnel both in the implementation phase of the Model and in case of any updates to the Model. Each event is properly documented.

1.20 EXTERNAL COLLABORATORS

The principles and contents of the Model and of the Code of Ethics are also brought to the attention of all those who, though not employees of the Company, act on behalf of the Company performing services in its interest, such as contractors, agents, suppliers or other parties entered into contractual relations with the Company that imply the carrying out of activities for or on behalf of it.

Commitment to respect the law and the reference principles of the Model by these parties must be provided for by specific clause in relative contracts.

Such clause must include the right for the Company to proceed with the application of forms of protection of the Company (e.g. termination of the contract, application of penalties) where a violation of the principles and contents of the Model is identified.

DISCIPLINARY SYSTEM

1.21 GENERAL PRINCIPLES

The definition of a disciplinary system of sanctions (commensurate with the violation and its deterrence) applicable to infringements of the rules under this Model makes the supervisory action of the Supervisory Board more effective and is intended to ensure the effectiveness of Model itself. The definition of such a disciplinary system is, indeed, in accordance with Article 6, Paragraph 1, Letter E, of Legislative Decree No. 231/2001, an essential requirement of the Model for the exemption of liability of the Company.

Compliance with the provisions of the Model is valid and binding in the context of employment or of assignment of any form or nature, including those in relation to Directors, Auditors, managers, project workers, part-time staff and all other collaboration agreements.

The application of disciplinary sanctions for violations of company conduct is independent of the outcome of criminal proceedings, as such rules of conduct are adopted by the Company independently and separately from offences that the improper conduct may determine.

By way of example, disciplinary offenses, include the following behaviours:

- Violation, also by negligent conduct and in collusion with others, of the principles and procedures established by the Model or its application;

- Preparation, also in collusion with others, of untrue documentation;

- Facilitation, by concealment, of the preparation by others of untrue documentation;

- Failure to prepare the documentation required by the Model or by the procedures established for its application;

- Removal, destruction or alteration of documentation relating to procedures to deceive the system of controls established by the Model;

- Obstruction of the supervisory activities of the Supervisory Board or the entities of which it makes use;

- Impediment in accessing information and documentation requested by the parties in charge of the control of procedures and decisions;

- Any other conduct intended to evade the monitoring and control mechanisms provided for by the Model.

1.22 VIOLATIONS BY EMPLOYEES

Any violation, by employees subject to the national collective bargaining contracts applied in the company, of the individual rules of conduct contained in this Model constitutes a disciplinary offence.

The disciplinary measures applicable in relation to these employees, in accordance with the procedures provided for in Article 7 of Italian Law No. 300 of 30 May 1970 (Workers' Statute) and any other applicable special regulations, are those provided for by the national collective bargaining agreements, namely:

- Verbal warning;
- Written warning;
- Fine;
- Suspension from work without pay for up to a maximum of three days;
- Dismissal.

All the provisions of the national collective bargaining agreements and related procedures and obligations to be observed in the application of sanctions under Law 300/1970 are held to be valid and shall be referred to in case of such violations.

As for the investigation of offences, disciplinary proceedings and the imposition of sanctions, the Board of Directors retain all the powers already granted within the limits of its competence.

Without prejudice to the obligations arising for the Company from the Workers' Statute and the specific national collective bargaining agreement applied, the punishable behaviours are as follows:

Violation of the internal procedures established or referred to in the Model (e.g. non-compliance with prescribed procedures, failure to communicate to the Supervisory Board prescribed information, lack of controls) or adoption, in the performance of activities related to Sensitive Processes, of conduct not in compliance with the requirements of the Model or the procedures referred to therein;

Violation of the internal procedures established or referred to in the Model or adoption, in the performance of activities related to Sensitive Processes, of conduct not in compliance with the requirements of the Model or the procedures referred to therein that expose the Company to an objective situation of risk of the commission of one or more offences;

Adoption, in the performance of activities related to Sensitive Processes, of conduct not in compliance with the requirements of the Model or the procedures referred to therein and intended in an unequivocal way to facilitate the commission of one or more offences;

Adoption, in the performance of activities related to Sensitive Processes, of conduct clearly not in compliance with the requirements of the Model or the procedures referred to therein that determine effective application by the Company of the sanctions provided for by Legislative Decree No. 231/2001.

Sanctions and any request for damages will be commensurate with the level of responsibility and autonomy of the infringing employee, with any previous disciplinary action, with the intentionality of the improper conduct and with its gravity understood as the degree of risk to which the Company may reasonably be regarded as exposed to, pursuant to and by effect of Legislative Decree No. 231/2001, following the censured conduct and in any case within the limits imposed by the applicable national collective bargaining agreement.

The disciplinary system is subject to ongoing monitoring and evaluation by the Supervisory Board and the Board of Directors, the latter remaining responsible for the concrete application of the established disciplinary measures on the recommendation of the Supervisory Board.

Without prejudice to the obligations of the Company under the Workers' Statute, the behaviours that constitute violation of the Model, together with the related sanctions, are as follows:

- a) Any worker that violates one of the internal procedures established in the Model (e.g. non-compliance with prescribed procedures, failure to communicate to the Supervisory Board prescribed information, lack of controls) or adopts, in the performance of activities related to Sensitive Processes, conduct not in compliance with the requirements of the Model shall incur in a "verbal warning". Such conduct constitutes a failure to follow instructions given by the Company;
- b) Any worker who repeatedly violates the procedures established in the Model or repeatedly adopts, in the performance of activities related to Sensitive Processes, conduct not in compliance with the requirements of the Model shall incur in a "written warning". Such conduct constitutes a repeated failure to follow instructions given by the Company;
- c) Any worker who in violating the internal procedures established in the Model, or by adopting or carrying out activities related to Sensitive Processes that do not comply with the requirements of the Model, exposes the integrity of company assets to a situation of objective risk shall incur a "fine" not exceeding the amount of three hours of regular pay. Such conduct, due to non-observance of the instructions given by the Company, results in a dangerous situation for the integrity of the Company's assets and/or constitutes action contrary to its interests;
- d) Any worker who in violating the internal procedures established in the Model, or by adopting or carrying out activities related to Sensitive Processes that do not comply with the requirements of Model, causes damage to the Company by committing acts contrary to its interests, or who has committed violations as referred to in points a, b and c over three times in the calendar year, shall incur a "suspension" from work without pay for a period not exceeding three days. Such conduct, due to non-observance of the instructions given by the Company, results in damage to the Company's assets and/or constitutes action contrary to its interests;
- e) Any worker who adopts, in the performance of activities related to Sensitive Processes, conduct not in compliance with the requirements of the Model that is unequivocally aimed at committing an offence sanctioned under Legislative Decree No. 231/2001 shall incur "dismissal with notice" (without prejudice to the right of the employer to immediately suspend the worker's activity while providing for the payment of due salary). Such conduct constitutes a serious infringement of the instructions given by the Company and/or a serious breach of the

employee's obligation to cooperate in the interests of the prosperity of the Company;

- f) Any worker who adopts, in the performance of activities related to Sensitive Processes, conduct not in compliance with the requirements of the Model such as to determine the actual application to the Company of the measures provided for in Legislative Decree No. 231/2001, or who has offended in the terms of point d over three times in the calendar year, shall incur in "dismissal without notice". Such conduct radically undermines the relationship of trust between the Company and the worker and constitutes serious moral and/or material harm to the Company.

1.23 VIOLATIONS BY COMPANY OFFICERS

If the violation involves an officer of the Company, including executives and Directors, the Supervisory Board shall immediately notify the Board of Directors and the Board of Statutory Auditors (if any) via written report.

For such officers who have committed a violation of the Model or the procedures established to implement it, the Board of Directors may take all appropriate action permitted by law, including the following sanctions, determined according to the severity of the offence, the degree of responsibility and the consequences for the Company:

- Formal written warning;
- Total or partial repeal of powers.

If the officer's violation is liable to undermine the trust of the Company in that officer, the Board of Directors shall convene a meeting to propose the dismissal of the officer and the eventual adoption of action provided for by law.

1.24 VIOLATIONS BY EXTERNAL COLLABORATORS

In case of violation of the Model by collaborators or business partners and in relation to the seriousness of the violation, the Supervisory Board, together with the Board of Directors, shall consider whether to terminate the ongoing relationship and shall impose any penalty provided for in the related contract under specific clauses. Such clauses may also provide for the option of terminating the contract and/or the payment of penalties.