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GENERAL SECTION

1 REGULATORY FRAMEWORK

1.1 Introduction

Italian Legislative Decree 8th June 2001 no. 231 (hereinafter referred to as “Legislative Decree 231/2001” or “Decree”), issued in implementation of art. 11, Delegated Law no. 300 dated 29th September 2000¹, introduced the regime of “*liability of entities for administrative offences deriving from crimes*”.

It applies to all legal entities, companies and associations even without legal personality.

Legislative Decree 231/2001 originates in several interItalian and European conventions ratified by Italy which provide for forms of entities’ liability for some types of crimes.

Pursuant to the Decree, in fact, the companies may be held “liable” for some types of offences committed or attempted in the interest or for the benefit of the company by executives (so-called Senior Managers) and the persons reporting to or supervised by one of the Senior Managers.

Art. 5, paragraph 1, of Legislative Decree 231/2001 states that: “*the entity is liable for crimes committed in its interest or for its benefit: a) by persons serving a representative, administrative or managerial role in the entity or one of its organisational units that is financially and functionally independent, as well as natural persons who perform, including in a de facto capacity, management and control functions within the entity; b) persons reporting to or supervised by one of the persons under letter a)*”.

The entity’s liability is additional to and independent from the criminal accountability of the natural person who actually committed the crime.

The purpose of this extension of liability is essentially to involve in the punishment of certain crimes the company assets and, ultimately, the financial interests of shareholders who, until the Decree came into force, did not suffer direct consequences of the perpetration of offences committed in the interest or for the benefit of the company by directors and/or employees.

Pursuant to Legislative Decree 231/2001, fines and interdiction measures may be imposed on companies directly and independently for crimes perpetrated by persons functionally linked to the company pursuant to art. 5 of the Decree.

¹ Leg. Decree 231/2001 was published in the Official Journal of 19th June 2001, no. 140; Law 300/2000 in the Official Journal of 25th October 2000, no. 250.

Administrative liability is however excluded if the company has, among other things, adopted and effectively implemented, prior to the commission of the Crime, an appropriate Model to prevent crimes of the kind that has occurred.

However, the company is not liable if the Senior Managers and/or Subordinate Persons have acted in their own exclusive interest or that of third parties.

Art. 5, paragraph 2, Legislative Decree 231/2001 states in fact that *“the entity is not liable if the persons stated in paragraph 1 have acted in their own exclusive interest or that of third parties”*.

1.2 Types of crimes

In accordance with Legislative Decree 231/2001, the entity may only be held liable for crimes expressly stated in articles 23-25 *duodecies* of Legislative Decree 231/2001 or other regulations (such as, without limitation, art. 10 Law 146/2006 governing “Transnational crimes” and art. 12 Law 9/2013 on “entities operating within the virgin olive oil supply chain”) committed in its interest or for its benefit by the persons mentioned in art. 5, paragraph 1 of the Decree.

In addition, art. 23 of Legislative Decree 231/2001², on failure to observe the interdiction measures, punishes the entity on which an interdiction measure or a precautionary interdiction sanction are imposed and which, upon conducting its business, violates the obligations or prohibitions arising from those sanctions and measures.

For the sake of convenience, the crime types stated in Legislative Decree 231/2001 are divided into the following categories:

- offences upon maintaining relations with the Public Administration pursuant to **articles 24 and 25 of Legislative Decree 231/2001**:

specifically: misappropriation of public funds (art. 316-*bis* Italian Criminal Code), undue receipt of public funds (art. 316-*ter* Italian Criminal Code), fraud (art. 640 Italian Criminal Code), aggravated fraud to the detriment of the State (art. 640, paragraph 2, no. 1, Italian Criminal Code), aggravated fraud for the receipt of public funds (art. 640-*bis* Italian Criminal Code), computer fraud to the detriment of the State or another public body (art. 640-*ter* Italian Criminal Code), undue receipt on the part of a public official for performing their functions (articles 318, 319, 319-*bis* and 321 Italian Criminal Code), bribery of a Public Service Officer (art. 320 Italian Criminal Code), bribery in legal proceedings (art. 319-*ter* Italian Criminal Code), abetment of bribery (art. 322 Italian Criminal Code), extortion in office (art. 317 Italian Criminal Code), abetment to give or

² Art. 23, Leg. Decree no. 231/2001: *“Anyone who, upon conducting the activity of the entity on which an interdiction measure or a precautionary interdiction sanction are imposed, violates the obligations or prohibitions arising from those sanctions and measures, shall be punished by imprisonment from six months to three years. In the event stated in paragraph 1, the entity for the benefit of which the crime was committed is punished by a fine from 200 to 600 quotas and the profit is seized pursuant to art. 19. If the entity has gained a considerable profit from the crime stated in par. 1, interdiction measures, even other than those previously imposed, apply”*.

promise undue benefits (art. 319-*quater* Italian Criminal Code); bribery, abetment of bribery and extortion in office of members of the European Communities, officials of the European Communities, foreign countries and international public organisations (art. 322-*bis* Italian Criminal Code). Law November 2012 no. 190 introduced into the Italian Criminal Code and quoted in the Decree the provision of art. 319-*quater* titled “Abetment to give or promise undue benefits”;

- computer crimes and illegal use of data pursuant to **art. 24 bis of Legislative Decree 231/2001**, introduced by art. 7 Law 48/2008, modified by Leg. Decree no. 8/2016:

specifically: falsification of a public electronic document or a document having probative force (art. 491-*bis* Italian Criminal Code), unauthorised access to a computer or data transmission system (art. 615-*ter* Italian Criminal Code), illegal possession and distribution of codes to access computer or electronic systems (art. 615-*quater* Italian Criminal Code), distribution of equipment, devices or computer programmes designed to damage or interrupt a computer or data transmission system (art. 615-*quinqüies* Italian Criminal Code), unlawful interception, prevention or interruption of computer or electronic communications (art. 617-*quater* Italian Criminal Code), installation of equipment designed to intercept, prevent or interrupt computer or electronic communications (art. 617-*quinqüies* Italian Criminal Code), damage to computer information, data and programmes (art. 635-*bis* Italian Criminal Code), damage to computer information, data and programmes used by the State or other public bodies or in any case of public interest (art. 635-*ter* Italian Criminal Code), damage to computer or data transmission systems (art. 635-*quater* Italian Criminal Code), damage to computer or data transmission systems of public interest (art. 635-*quinqüies* Italian Criminal Code) and computer crime by the certifier of digital signature (art. 640-*quinqüies* Italian Criminal Code);

- crimes committed by organised crime pursuant to **art. 24 ter of Leg. Decree 231/2001**, introduced by art. 2, paragraph 29, Law 94/2009, modified by Law 69/2015, and Law 236/2016:

specifically: criminal syndicates (art. 416, paragraph 6, Italian Criminal Code), criminal syndicates aimed at committing one of the crimes set out in articles 600-*bis*, 600-*ter*, 600-*quater*, 600-*quater.1*, 600-*quinqüies*, 609-*bis*, 609-*quater*, 609-*quinqüies*, 609-*octies*, 609-*undecies*, mafia-type associations, including foreign associations (416-*bis* Italian Criminal Code), electoral exchanges between politicians and the mafia (416-*ter* Italian Criminal Code), kidnapping for ransom (630 Italian Criminal Code) and conspiracy for illegal trafficking of narcotics and psychotropic substances (art. 74, Italian Presidential Decree no. 309/1990), conspiracy for the illegal production, introduction into Italy, sale, transfer, possession and carrying of weapons and explosives (art. 2, Law no. 110/1975);

- crimes against public trust pursuant to **art. 25 bis Legislative Decree 231/2001**, introduced by art. 6 Decree Law 350/2001, converted into law by art. 1 Law 409/2001, modified by Law 99/2009 and Legislative Decree 125/2016:

specifically: counterfeiting of money, spending and complicit introduction of counterfeit money into the national domain (art. 453 Italian Criminal Code), alteration of money (art. 454 Italian Criminal Code), spending and non-complicit introduction of counterfeit money into the national domain (art. 455 Italian Criminal Code), spending of counterfeit money received in good faith (art. 457 Italian Criminal Code), counterfeiting of stamped papers, introduction into the national domain, purchase, possession or circulation of counterfeit stamped papers (art. 459 Italian Criminal Code), counterfeiting of watermarked paper in use for the manufacture of public bonds or stamped papers (art. 460 Italian Criminal Code), manufacture or possession of watermarks or equipment intended to manufacture currency, stamped papers or watermarked paper (art. 461 Italian Criminal Code), use of counterfeit or altered stamped papers (art. 464 Italian Criminal Code). This regulatory provision was then extended to counterfeiting, alteration or use of trademarks or signs or patents, models and designs (art. 473 Italian Criminal Code), as well as the introduction into Italy and sale of products with misleading signs (art. 474 Italian Criminal Code) with the amendment introduced by art. 17 par. 7 letter a) no. 1) of Law dated 23rd July 2009;

- crimes against industry and trade pursuant to **art. 25 bis.1 of Leg. Decree 231/2001**, introduced by art. 17, paragraph 7, lett. b) Law 99/2009:

specifically: interference with the freedom of industry or trade (art. 513 Italian Criminal Code), illicit competition involving threats or violence (art. 513 *bis* Italian Criminal Code), fraud against national industries (art. 514 Italian Criminal Code), fraud in trade (art. 515 Italian Criminal Code), sale of adulterated food as genuine food (art. 516 Italian Criminal Code), sale of industrial products with misleading signs (art. 517 Italian Criminal Code), production and sale of goods manufactured by usurping industrial property rights (art. 517 *ter* Italian Criminal Code), counterfeiting of geographical indications or designations of origin of agricultural and food products (art. 517 *quater* Italian Criminal Code);

- corporate crimes pursuant to **art. 25 ter Legislative Decree 231/2001**, introduced by art. 3 Leg. Decree 61/2002, modified with Law 262/2005 and Leg. Decree 39/2010, Law 190/2012 and Law 69/2015):

specifically: false corporate communications and false corporate communications to the detriment of creditors or shareholders (articles 2621, 2621-*bis*, 2622 and 2623 Italian Civil Code), prevented control (art. 2625, par. 2, Italian Civil Code), fictitious capital formation (art. 2632 Italian Civil Code), undue repayment of contributions (art. 2626 Italian Civil Code), unlawful distribution of profits and reserves (art. 2627 Italian Civil Code), unlawful transactions involving the

company's shares or stakes or those of the parent company (art. 2628 Italian Civil Code), transactions to the detriment of creditors (art. 2629 Italian Civil Code), omitted notification of a conflict of interest (art. 2629 *bis* Italian Civil Code), unlawful distribution of corporate assets by liquidators (art. 2633 Italian Civil Code), private-to-private bribery (art. 2635 Italian Civil Code), illicit influence on the general shareholders' meetings (art. 2636 Italian Civil Code), market rigging (art. 2637 Italian Civil Code), obstructing the activities of public supervisory authorities (art. 2638 Italian Civil Code). Leg. Decree 39/2010 cancelled art. 2624 Italian Civil Code titled "*False reports or communications from the audit firm*" which was also removed from Legislative Decree 231/2001. Art. 2635 Italian Civil Code titled "*Private-to-private bribery*" was introduced into the Decree by Law 6th November 2012, no. 190;

- crimes with the purpose of terrorism or subversion of the democratic order pursuant to **art. 25 quater of Legislative Decree 231/2001**, introduced by art. 3, Law no. 7/2003:

specifically: syndicates with the purpose of (international) terrorism or subversion of the democratic order (art. 270 *bis* Italian Criminal Code), assistance to the affiliates (art. 270 *ter* Italian Criminal Code), enrolment with the purpose of (international) terrorism (art. 270 *quater* Italian Criminal Code), organisation of transfers with the purpose of terrorism (art. 270 *quater.1* Italian Criminal Code), training with the purpose of (international) terrorism (art. 270 *quinquies* Italian Criminal Code), conducts with the purpose of terrorism (art. 270 *sexies* Italian Criminal Code), attack with the purpose of terrorism or subversion (art. 280 Italian Criminal Code), terrorism acts with lethal or explosive weapons (art. 280 *bis* Italian Criminal Code), kidnapping with the purpose of terrorism or subversion (art. 289 *bis* Italian Criminal Code), incitement to commit any of the crimes provided for by the first and second section (art. 302 Italian Criminal Code), urgent measures to protect the democratic order and public security (art. 1 Decree Law 625/1979 converted into Law 15/1980);

- crimes against individuals pursuant to **art. 25 quater.1**, introduced by art. 3 Law 7/2006 and **art. 25 quinquies Legislative Decree 231/2001**, introduced by art. 5 Law 228/2003, modified by Law 199/2016:

specifically: female genital mutilation (art. 583 *bis* Italian Criminal Code), imposition or maintenance of a condition of slavery or servitude (art. 600 Italian Criminal Code), human trafficking (art. 601 Italian Criminal Code), purchase and sale of slaves (art. 602 Italian Criminal Code), child prostitution (art. 600-*bis* Italian Criminal Code), child pornography (art. 600-*ter* Italian Criminal Code), possession of pornographic material produced by sexually exploiting minors (art. 600-*quater* Italian Criminal Code), virtual pornography (art. 600-*quater.1*), tourism initiatives aimed at exploiting child prostitution (art. 600-*quinquies* Italian Criminal Code). Art. 3, paragraph 1 of Leg. Decree 4th March 2014, no. 39, quoted in art. 25 – *quinquies*, par. 1, lett. c) of the Decree, the crime of solicitation of a minor (art. 609 – *undecies* Italian Criminal Code). Finally,

Law 29th October 2016, no. 199, quoted art. 603-*bis* Italian Criminal Code as amended by the same law; as a result, the offence of illegal hiring of workers for very low wages (“caporalato”), reworded as “unlawful intermediation and exploitation of labour” by the same law, became a predicate offence for the entities’ liability;

- market abuse pursuant to **art. 25 *sexies* Legislative Decree 231/2001**, introduced by art. 9, paragraph 3, Law 62/2005:
specifically: insider dealing (art. 184 Leg. Decree 58/1998) and market manipulation (art. 185 Leg. Decree 58/1998);
- transnational crimes: such offences are not included directly in Legislative Decree 231/2001 but such legislation is applicable to them based on art. 10 of Law 146/2006. An offence is considered to be transnational when it involves an organised criminal group, it is punished by a term of imprisonment of not less than four years and is characterised by the following distinctive features:
a) it is committed in more than one Country; b) or is committed in one Country, but a significant part of its preparation, planning, management or control takes place in another Country; c) or is committed in one Country, but involves an organised criminal group which pursues criminal activities in more than one Country; d) or is committed in one Country, but has significant impact in another Country. This category of crimes is related to the following offences: criminal syndicates (art. 416 Italian Criminal Code), mafia-type associations (art. 416-*bis* Italian Criminal Code), criminal syndicates for the purpose of smuggling tobaccos processed abroad (art. 291-*quater* Presidential Decree 43/1973), conspiracy for illegal trafficking of narcotics and psychotropic substances (art. 74 Presidential Decree 309/1990), provisions against illegal immigration (art. 12, par. 3, 3-*bis*, 3-*ter* and 5 Leg. Decree 286/1998), incitement not to make statements or to make false statements to the judicial authorities (art. 377-*bis* Italian Criminal Code) and aiding an offender (art. 378 Italian Criminal Code);
- occupational health and safety crimes pursuant to **art. 25 *septies* Legislative Decree 231/2001**, introduced by Law 123/2007 and subsequently replaced by art. 300 Leg. Decree 81/2008:
specifically: negligent homicide and serious or grievous bodily harm committed by infringing the regulations governing workplace health and safety (articles 589 and 590, par. 3, Italian Criminal Code).
- receipt of stolen goods, money laundering and use of illegally-obtained money, goods or benefits, and self-laundering pursuant to **art. 25 *octies* Legislative Decree 231/2001**, introduced by art. 63, paragraph 3, Leg. Decree 231/2007, modified by art. 3, paragraph 5, letters a) and b), Law 186/2014:

specifically: receipt of stolen goods (art. 648 Italian Criminal Code), money laundering (art. 648-*bis* Italian Criminal Code) and use of illegally-obtained money, goods or benefits (art. 648-*ter*). Furthermore, article 3, paragraph 5, Law 15th December 2014, no. 186 introduced the offence of “*self-laundering*” pursuant to art. 648-*ter.1* Italian Criminal Code;

- copyright infringement pursuant to **art. 25 *novies* Legislative Decree 231/2001**, introduced by Law 99/2009:

such provisions protect in particular copyright and other rights connected to the enforcement of copyright stated in articles 171 1st paragraph lett. a)-*bis*, third paragraph, 171-*bis*, 171-*ter*, 171-*septies* and 171-*octies* Law 633/1941;

- incitement not to make statements or to make false statements to the judicial authorities pursuant to **art. 25 *decies* Legislative Decree 231/2001**, introduced by art. 4, paragraph 1, Law 116/2009, replaced by art. 2, Leg. Decree 121/2011:

specifically, incitement not to make statements or to make false statements to the judicial authorities (art. 377-*bis* Italian Criminal Code);

- environmental crimes pursuant to **art. 25 *undecies* Legislative Decree 231/2001**, introduced by art. 2 Leg. Decree 121/2011, modified by Law 68/2015:

specifically: 1) art. 137 Leg. Decree 152/2006 (Unified Environmental Law): violations of administrative authorisations, controls and notifications to the relevant Authorities for the management of industrial wastewater discharges; 2) art. 256 Leg. Decree 152/2006: waste collection, transport, recovery, disposal or, in general, unauthorised waste management without the required authorisation or in infringement of the provisions contained in the authorisations; 3) art. 257 Leg. Decree 152/2006: infringement of site decontamination obligations causing the pollution of soil, subsoil and surface water with exceedance of risk threshold concentrations; 4) art. 258 Leg. Decree 152/2006: intent crime which punishes anyone who provides false statements on the nature, composition and physical-chemical characteristics of the waste upon the preparation of a waste analysis certificate, and uses a false certificate during transport; 5) articles 259 and 260 Leg. Decree 152/2006: simple and organised waste trafficking; 6) art. 260 *bis* Leg. Decree 152/2006: intent crimes concerning the waste traceability control system (SISTRI), which punish the falsification of the waste analysis certificate and waste transport with an altered electronic certificate or a printed copy thereof; 7) art. 279 Leg. Decree 152/2006 punishes anyone who operates a plant exceeding the legal emission thresholds resulting in exceedance of air quality limit values. Art. 25-*undecies* was modified by Law no. 68 of 2015 which introduced fines for the following infringements: environmental pollution (art. 452-*bis* Italian Criminal Code), environmental disaster (452-*quater* Italian Criminal Code), negligent crimes against the environment (art. 452-*quinquies* Italian Criminal Code), trafficking in and dumping of

highly radioactive material (art. 452-*sexies* Italian Criminal Code) with the respective aggravating circumstances (art. 452-*octies* Italian Criminal Code) and reference to art. 416 *bis* Italian Criminal Code on mafia-type associations, including foreign associations, killing, destruction, capture, seizure, possession of specimens of protected wild animal and plant species (art. 727-*bis* Italian Criminal Code), destruction or deterioration of habitats within a protected site (art. 733-*bis*); Law no. 68/2015 envisages fines for the commission of the crimes under Law no. 150/1992 (International Trade in Endangered Species of Wild Fauna and Flora), for the perpetration of the offences set out in art. 3, par. 6 Law no. 549/1993 (Measures for the protection of the stratospheric ozone layer and the environment) and the crimes set forth in Leg. Decree no. 202/2007 (Ship-source pollution);

- employment of illegally staying third-country nationals pursuant to **art. 25 duodecies Legislative Decree 231/2001**, introduced by art. 2 of Leg. Decree 109/2012: specifically, the crime pursuant to art. 22, paragraph 12 *bis*, Leg. Decree 286/1998.

1.3 Sanctions

The Decree illustrates the applicable sanctions in **articles 9 -23**.

The following sanctions are imposed on the entity which commits or attempts to commit the offences mentioned above:

- fines (and precautionary attachment);
- interdiction measures (also applicable as precautionary measures) from three months to two years (specifically, pursuant to art. 14, paragraph 1, Legislative Decree no. 231/2001, “*The interdiction measures concern the specific activity to which the illegal conduct of the entity refers*”). These may consist in:
 - prohibition on conducting business activities;
 - suspension or revocation of authorisations, licences and concessions that have been instrumental in committing the illicit conduct;
 - prohibition on contracting with the public administration, except for obtaining the benefits of a public service;
 - denial or revocation of benefits, funding, contributions and grants;
 - prohibition on advertising products and services;
 - confiscation (and precautionary preventive confiscation);
 - publication of the judgment (if an interdiction measure is applied).

The fine is determined by the Judge on a “quota basis”: the quotas may not be less than 100 nor exceed 1000. Each quota has a minimum value of Euro 258.22 and a maximum value of Euro 1,549.37. In calculating the fine the Judge determines:

- the number of quotas, taking into consideration the gravity of the fact, the degree of responsibility of the entity and the measures implemented in order to remedy or limit the consequences of the fact and to prevent the commission of further crimes;
- the amount of the quota, based on the economic and asset conditions of the entity.

The interdiction measures, considering their impact on the entity's business, only apply to crimes for which they are specifically envisaged in the Decree when at least one of the following conditions is met:

- the entity derives a considerable profit from the Crime and the Crime is committed by a Senior Manager or a Subordinate Person when, in the latter case, the perpetration of the Crime is made possible or facilitated by serious organisational inadequacies;
- the illicit conducts are repeated.

The Judge determines the type and duration of the interdiction measure, which must be suitable to prevent crimes of the type that has occurred; if necessary, several sanctions apply (art. 14, paragraphs 1 and 3, Legislative Decree no. 231/2001).

Prohibition on conducting business activities, prohibition on contracting with the public administration and prohibition on advertising products and services may also be permanent, in the most severe cases.

As concerns the above, art. 16 Legislative Decree no. 231/2001, states that: "*1. Final prohibition on conducting business activities applies if the entity has derived a considerable profit from the Crime and has already been sentenced to temporary prohibition on conducting business activities at least three times in the last seven years. 2. The Judge may permanently impose on the entity the prohibition on contracting with the public administration or prohibition on advertising products and services when the entity has already been sentenced to the same interdiction measure at least three times in the last seven years. 3. If the entity or one of its organisational units is durably used for the sole and predominant purpose of allowing or facilitating the commission of the offences for which it may be held liable, final prohibition on conducting business activities always applies and the provisions of article 17 do not apply.*"

Pursuant to art. 17 of the Decree, the interdiction measures do not apply when, prior to the opening of the first instance hearing, the following conditions are met:

- the entity has fully compensated the damage and eliminated the harmful or dangerous consequences of the Crime or, at least, has made every effort to do so;
- the entity has eliminated the organisational deficiencies that have determined the Crime through the adoption and implementation of suitable Models to prevent Crimes of the kind that has occurred;
- the entity has made available the profit achieved for the purposes of confiscation.

A Receiver appointed by the Judge may continue the entity's activities pursuant to art. 15, Legislative Decree no. 231/2001, which states that: *“If the conditions for the application of an interdiction measure entailing the interruption of the entity's activity are met, instead of applying the penalty, the Judge may order a Receiver to conduct the entity's business for a period equal to the duration of the interdiction measure which should have been imposed, when at least one of the following conditions is fulfilled: a) the entity renders a public service or a public interest service whose interruption might cause serious detriment to the general public; b) the interruption of the entity's activity, considering its size and the economic conditions in the area where it is situated, might cause serious repercussions on employment levels. In the sentence that orders the continuation of the activity, the Judge specifies the duties and powers of the Receiver, taking into account the specific activity which gave rise to the offence committed by the entity. Within the scope of the duties and powers indicated by the Judge, the Receiver adopts and effectively implements organisation and control models suitable to prevent crimes of the kind that has occurred. The Receiver may not conduct special business without the permission of the Judge. The profit generated during the continuation of the activity is confiscated. The continuation of the activity by the Receiver may not be ordered when the interruption of the activity results from the permanent application of an interdiction measure”*.

1.4 Attempted Crimes

If the crimes under the Decree are committed in the form of an attempt³, the fines (in terms of amount) and the interdiction measures (in terms of duration) are reduced by one third to half pursuant to articles 12 and 26 Leg. Decree 231/01.

Pursuant to the Decree, the entity is not liable when it voluntarily prevents the completion of the action or the realisation of the event (pursuant to art. 26, paragraph 2, Leg. Decree 231/01). The sanctions do not apply in this case because any relationships of identification between the entity and the subjects who act in its name and on its behalf are interrupted.

1.5 Offences committed abroad

Pursuant to art. 4 of Legislative Decree no. 231/2001, the entity may be held liable in Italy for Crimes – stated in Legislative Decree no. 231/2001 – committed abroad.

This regulation in fact states that: *“1. In the cases and under the conditions provided for by articles 7, 8, 9 and 10, Italian Criminal Code, entities having their head office in Italy may also be held liable for crimes committed abroad, provided that the State of the place where the offence was committed does not initiate proceedings. 2. In the cases where the law envisages that the offender*

³ Pursuant to art. 56, Italian Criminal Code, anyone who engages in conducts aimed unequivocally at committing a crime shall be prosecuted for attempted crime if the action is not realised or if the event does not occur.

shall be punished on demand of the Ministry of Justice, proceedings are commenced against the entity only if the demand also requests action against the entity”.

The entity may be held liable for this type of crime if:

- i. the crime is committed by an individual who is functionally linked to the entity, pursuant to art. 5, paragraph 1, stated in Legislative Decree no. 231/2001;
- ii. the entity has its head office in Italy;
- iii. the entity may only be held liable in the cases and under the conditions provided for by articles 7, 8, 9, 10 Italian Criminal Code (in the cases where the law envisages that the offender – a natural person - shall be punished on demand of the Ministry of Justice, proceedings are commenced against the entity only if the demand also requests action against the entity) and, observing the principle of legality pursuant to art. 2 of Legislative Decree no. 231/2001, only for crimes for which liability is set forth in an *ad hoc* legal provision;
- iv. when the cases and conditions under the Italian Criminal Code above are fulfilled, the State of the place where the offence was committed does not initiate proceedings against the entity.

1.6 *Organisation, Management and Control model*

The peculiarity of Legislative Decree 231/2001 is that it attributes exemption effects to the Organisation, Management and Control Models adopted by the company. In the event of a crime committed by a Senior Manager, in fact, the Decree provides for a specific form of exemption from liability for the entity which proves that (art. 6, paragraph 1, stated in Legislative Decree 231/2001):

- the management had adopted and effectively implemented, prior to the commission of the offence, an appropriate Model to prevent crimes of the kind that has occurred;
- the task of monitoring the Model’s implementation, observance and updating was entrusted to a corporate body vested with independent powers of initiative and control;
- the perpetrators committed the crime by fraudulently circumventing the Organisation, Management and Control Model;
- there was no omission or insufficient control by the Supervisory Board.

Therefore, the company shall demonstrate that it is not involved in the facts with which the Senior Manager is charged, proving the concurrent existence of the abovementioned requirements and, as a consequence, that the perpetration of the offence does not derive from an “*organisational inadequacy*”.

If the crime is committed by a Subordinate Person, the entity may only be held liable if the Crime was made possible by non-performance of management and supervisory duties.

Art. 7, paragraph 4, Legislative Decree 231/2001, states that the effective implementation of the organisation model requires:

- periodic checks, with amendments to the model if significant infringements are discovered or if major changes occur in the company's organisation or business;
- a disciplinary system for imposing appropriate penalties for noncompliance with the model's provisions.

Pursuant to Legislative Decree 231/2001, regarding the granting of delegated powers and the risk of offences being committed, the Organisation and Management Models must:

- identify the corporate activities within which the crimes may be committed;
- contain specific protocols for planning training and implementing the entity's decisions in relation to the crimes to be prevented;
- define procedures for managing financial resources which are aimed at preventing the commission of the crimes;
- include the obligation to inform the body in charge of monitoring the Model's implementation and observance;
- introduce a disciplinary system for imposing appropriate penalties for noncompliance with the model's provisions.

With reference to occupational health and safety crimes, in accordance with art. 30 stated in Legislative Decree 81/08⁴, the Organisation and Management Model must envisage a corporate system for fulfilling all the juridical obligations relating to:

- compliance with the technical and structural standards prescribed by law for any kind of equipment, plants, workplaces and all chemical, physical and biological substances;
- risk assessment activities and the introduction of the ensuing preventive and protective measures;

⁴ Art. 30, Leg. Decree no. 81/2008: "1. An organisation and management model suitable to exempt from the administrative liability of legal persons, companies and associations also without legal personality as per Legislative Decree 8th June no. 231, must be adopted and effectively implemented by ensuring a corporate system for the fulfilment of all legal obligations relating to: a) compliance with the technical and structural standards prescribed by law for equipment, plants, workplaces and all chemical, physical and biological substances; b) risk assessment activities and the introduction of the ensuing preventive and protective measures; c) organisational activities, such as emergencies, first aid, tender management, regular safety meetings, consultations with the workers' safety representatives; d) health monitoring activities; e) employee information and training; f) supervisory activities, in particular aimed at ensuring that the employees comply with safety procedures and instructions; g) the acquisition of compulsory documents and certifications required by law; h) regular inspections for verifying the application and effectiveness of the procedures implemented. 2. The organisation and management model under paragraph 1 must include appropriate registration systems detailing the actual performance of the activities listed in paragraph 1. 3. The Model must in any case envisage a system of functions appropriate to the nature and size of the organisation and the type of activity carried out, ensuring the necessary technical competencies and powers for risk verification, assessment, management and control, as well as a disciplinary system with the power to sanction any failure to comply with the measures indicated in the Model. 4. The Model must also envisage a suitable supervisory system responsible for verifying the implementation of the Model itself and ensuring that the measures adopted remain adequate over time. The re-evaluation and any changes to the organisation model must be introduced if significant violations of the regulations governing the prevention of accidents and hygiene at the workplace are discovered or as a result of changes in the company's organisation and activity due to scientific and technological progress. 5. Upon first implementation, the corporate organisation models drafted in compliance with the UNI-INAIL guidelines for a health and safety management system at the workplace (SGSL) of 28th September 2001 or the OHSAS 18001:2007 British Standard are presumed to comply with the requirements listed above for all relevant sections. For the same purposes, further organisation and management models may be indicated by the Commission under article 6. 5-bis. The permanent advisory Commission on health and safety at the workplace prepares simplified procedures for the adoption and effective implementation of safety organisation and management models in small and medium enterprises. These procedures are implemented by a decree of the Ministry of Labour, Health and Social Policies (1). 6. The adoption of the organisation and management model stated in this article in companies employing up to 50 people is a financeable activity as per article 11".

- organisational activities, such as emergencies, first aid, tender management, regular safety meetings, consultations with the workers' safety representatives;
- health monitoring activities;
- employee information and training;
- supervisory activities, in particular aimed at ensuring that the employees comply with safety procedures and instructions;
- the acquisition of compulsory documents and certifications required by law;
- regular inspections for verifying the application and effectiveness of the procedures implemented.

1.7 Codes of conduct issued by the trade associations

Pursuant to art. 6, paragraph 3, of the Decree⁵, the Model herein has been compiled taking into account the directions contained in Confindustria Guidelines issued on 7th March 2002, later updated in March 2008 and March 2014 and approved by the Ministry of Justice.

Confindustria Guidelines recommend that member companies use, upon drafting the Organisation, Management and Control Models, risk assessment and risk management processes, and envisage the following steps:

- identification of the “*sensitive*” activities, that is those which may give rise to the crimes, and the relevant risks;
- analysis of the control system existing prior to the adoption of the Organisation Model;
- assessment of residual risks, that is those not covered by the preventive control tools;
- specific protocols aimed at preventing offences, in order to adapt the preventive control system.

Please note that any inconsistencies with specific points of the Guidelines do not in themselves undermine the validity of the Model adopted by the Company. In fact, in order to better meet the prevention requirements of the Decree, the Model must be drawn up taking into account the concrete situation of the company to which it refers and therefore it may deviate from the Guidelines which have a general character.

⁵ Art. 6, par. 3, Leg. Decree no. 231/2001: “*The organisation and management models may be adopted, fulfilling the requirements under par. 2, on the basis of the codes of conduct drafted by the associations that represent the entities, as communicated to the Ministry of Justice which, in cooperation with the relevant Ministries, may express its opinion on the suitability of the models for preventing offences*”.

2 COMPANY DESCRIPTION

2.1 Company activities

L.C.M. ITALIA S.p.A. (for the sake of brevity hereinafter referred to as “LCM” or “Company”) manufactures industrial valves and faucets and related fittings, as well as equipment, tools and installations for the industry in general.

The Company may occasionally perform any commercial, security, property and financial operations as deemed necessary or useful by the Management in order to pursue its corporate purpose. The Company may give securities, sureties and guarantees in general including collaterals, for obligations assumed by third parties, whatever the purpose and amount; it may also acquire, not as its primary activity, either directly or indirectly, investments and stakes in other Italian and foreign companies having the same purpose as its corporate purpose or similar purposes.

Any activities classified as financial by Law and activities reserved to the members of Professional Registers may not be performed to the public.

LCM offers high quality standards guaranteed by, *inter alia*, the application of methods and controlled procedures aimed at achieving full customer satisfaction.

2.2 Corporate structure

2.2.1 Holding structure

LCM is a company under Italian legislation, entirely owned by EASTLINK LANKER PLC with an authorised capital amounting to € 2,400,000 (two million four hundred thousand) consisting of 4,800 shares with a nominal value of € 500.00 each.

2.2.2 L.C.M. ITALIA S.p.A.'s organisation

The Company is managed by a BoD (composed of five members) which, vested with the fullest powers of ordinary and extraordinary management of the Company, and having the authority to perform all the acts it deems appropriate, with the exception of those activities expressly reserved by Law or the Articles of Association to the Shareholders' Meeting, has entrusted the management of ordinary operations to the following figures:

- Chairperson of the Board of Directors, who is also in charge of:
 - the legal representation of the Company for each and any acts of ordinary and extraordinary management, it being understood that for payments, bank transfers, and any other transactions on current accounts through banking or financial institutions (including financing transactions) exceeding € 50,000.00, the power of signature and

representation may only be exercised jointly with another director vested with appropriate power of attorney;

- individual power of attorney, reporting his/her work to the BoD at least every six months, for all acts of ordinary and extraordinary management, excluding those that by Law and/or Articles of Association may not be delegated as they are reserved to the BoD.
- Director - Attorney, with the power of signature and representation of the Company before banks regarding payments, bank transfers, and any other transactions on current accounts, through banking institutions, it being understood that this power of signature and representation, for amounts exceeding € 50,000.00, may only be exercised jointly with the Chairperson of the Board of Directors.
- Board of Auditors, composed of three Standing Auditors and two Alternate Auditors whose term of office is three years.

LCM's organisation may be represented as follows:

- Chairperson of the Board of Directors, to whom the following persons report directly:
- Attorney (CFO) (who is also a Director):
 - AFC & HR Senior Manager:
 - Accounting, Finance & Control Manager,
- General Manager (who is also the Chairperson of the Board of Directors):
 - QA / QC Manager,
 - Environmental Health & Safety Manager,
 - Sales & Marketing Senior Manager,
 - Business Development Senior Manager,
 - Plant & Operation Senior Manager:
 - Supply Chain Manager,
 - Production Planning Manager,
 - Production Engineering Manager,
 - Workshop Supervisor,
 - Contract Administration Manager,

- I.T. Outsourcers.

The Job Description assigns to the Heads of the abovementioned corporate functions specific and formalised organisation and coordination tasks related to the Company's activities.

The employer has set up a Protection and Prevention Service and appointed its Manager, the Health and Safety Officer, an external subject.

If the organisational chart attached to this document is modified or updated (**ann.1**), the Organisation, Management and Control Model (hereinafter also referred to as the "Model") does not have to be approved again, unless the amendments affect the proper operation of the rules set out herein.

2.3 L.C.M. ITALIA S.p.A.'s governance model

The main **governance** tools adopted by the Company are summarised below:

- LCM's Articles of Association which, in addition to describing the activities conducted by the Company, contain several provisions relating to corporate governance such as the operation of the Shareholders' Meeting and the Board of Directors;
- the system of powers of attorney granted by the Board of Directors to the Chairperson of the BoD and the Director - Attorney;
- the organisational chart identifying the functions and hierarchical relationships existing within the Company;
- the job descriptions which define the specific tasks of all corporate figures represented in the organisational chart;
- the employer coincides with the Chairperson of the BoD with the fullest powers and amplest financial autonomy;
- the corporate procedures, including IT procedures, that govern the main business processes;
- the corporate documentation for the management of occupational health and safety and the environment;
- "Staff Meeting", that is, the formal regular meetings of the corporate Management for sharing information and jointly making decisions that are relevant to current operations.

The governance tools adopted (summarised above) and the provisions of the Model herein identify how the entity's decisions are made and implemented for each activity (see art. 6, paragraph 2 lett. b), Legislative Decree 231/01).

2.4 Code of Ethics

The principles and rules contained in this Model are consistent with those set forth in the Code of Ethics adopted by the Company.

All recipients are provided with the Code, which expresses the ethical principles that the Company has embraced. All of those who work for the achievement of the corporate goals shall observe such principles.

The Code of Ethics, among other things, contains behavioural principles for the prevention of the crimes stated in Legislative Decree 231/01, although not directly included in the Model.

The Code of Ethics should therefore be considered as an integral part of this Model and a fundamental tool for achieving the objectives of this document.

3 THE ORGANISATION, MANAGEMENT AND CONTROL MODEL AND HOW IT WAS COMPILED

3.1 Introduction

The decision of LCM's Board of Directors to adopt an Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, in addition to providing exemption from the Company's liability with regard to the commission of certain categories of offences, is an act of social responsibility towards the stakeholders (e.g. shareholders, employees, customers, suppliers, partners) as well as the community.

The Company therefore launched an activity (hereinafter referred to as the "Project") for the adoption of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 for the prevention of crimes.

For the implementation of the Project, the Company was assisted by external consultants specialising in Legislative Decree 231/2001.

3.2 LCM Italia S.p.a.'s project for defining its own Model

Pursuant to art. 6, paragraph 2, lett. a) of Legislative Decree 231/2001, the Model must identify the processes and activities within which the crimes expressly mentioned in the Decree may be committed, that is those corporate processes and activities that are commonly defined as "sensitive" (hereinafter, "sensitive activities" and "sensitive processes").

The Project therefore consists of several operating stages:

STAGE I – Project planning and launch

- Preliminary analysis of the main features of efficacy, for the purposes of the Decree, of the existing organisation, management and control tools through a preliminary examination of the existing documentation;
- Meeting with the CFO (Director) who is responsible for overseeing the Project;
- Identification of the “Sensitive activities”, that is those involving a risk of committing crimes, and instrumental activities;
- Identification of the Process Owners for the Sensitive activities, i.e. the persons with operating responsibilities within those activities.

STAGE II - Detailed assessment and Gap Analysis of the Sensitive activities

- Interviews with the persons in charge of areas at risk of crime and the instrumental processes of the Company in order to:
 - pinpoint the operating practices existing within these processes,
 - identify the relevant internal control tools with particular attention to those useful for preventing the predicate offences stated in Legislative Decree 231/2001,
- formalisation of the interviews in specific records, gap analysis and identification of any improvements for risk mitigation;
- preparation of the summary of suggestions for improvements in order to further strengthen internal controls, in particular for the purpose of preventing the predicate offences stated in Legislative Decree 231/2001,
- notifying the CFO of the analysis outcome.

STAGE III – Draft of the organisation, management and control model

- Preparation of a draft of the document describing the Model pursuant to Legislative Decree 231/2001 and the final versions of other Project documents.

When the Project was completed, the Company received the following Deliverables:

- sensitive process/crime risk associative array,
- records of the interviews, formalised together with the results of the Gap Analysis,
- “Tableau de Bord”, a document summarising the opportunities for improvement identified for the internal controls within the sensitive processes,
- draft of the document describing the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001,
- draft of the Code of Ethics.

4 SUPERVISORY BOARD PURSUANT TO LEG. DECREE 231/2001

4.1 LCM Italia S.p.a.'s supervisory board

Pursuant to art. 6, paragraph 1, lett. a) and b) of Leg. Decree 231/2001⁶ the entity may be exempted from the liability connected with the perpetration of the predicate offences by the subjects mentioned in art 5 of Legislative Decree 231/2001, if the management has, among other things:

- adopted and effectively implemented appropriate Organisation, Management and Control Models to prevent the crimes in question;
- entrusted a body within the entity vested with independent powers of initiative and control with the task of monitoring the Model's implementation, observance and updating.

Therefore, assigning the aforementioned tasks to a Body vested with independent powers of initiative and control and the proper and effective fulfilment of such tasks are essential conditions for exemption from liability as per the Decree.

This Body, in accordance with the so-called "*principle of effectiveness*", must be able to perform its duties in a concrete and tangible manner so that its establishment is not a mere formality.

The main requirements of the supervisory board, as recommended by Confindustria Guidelines for the preparation of Organisation and management models, are summarised below:

- Independence and Autonomy:
such requirements, essential for the effective operation of the body itself, are intended to ensure, on the one hand, free determination of the control initiative by the body, so that it is unaffected by any form of interference and/or influence by any corporate bodies and, on the other hand, the absence of conflicts of interest, even potential, of the members of the Body itself or any personal and/or economic influences;
- Professionalism:
this requirement is aimed at ensuring the appointment of persons in possession of technical and operating skills that enable the Body to conduct its control activity so as to verify concretely that the company dynamics are consistent with the provisions of the Model;
- continuity of action:
this requirement is aimed at ensuring the effective and constant implementation of the Model.

The Decree does not provide specific requirements as to the composition of the Supervisory Board, which can have one or several members, at the discretion of the entity.

⁶ Art. 6, par. 1, lett. a) and b) Leg. Decree 231/2001 states that: "*If the crime is committed by the persons stated in art. 5, par. 1, letter a), the entity is exempted from liability if it can prove that: a) the management had adopted and effectively implemented, prior to the commission of the Crime, an appropriate Model to prevent crimes of the kind that has occurred; b) the task of monitoring the Model's implementation, observance and updating was entrusted to a body within the entity vested with independent powers of initiative and control*".

However, even without specific indications, the entity must choose in compliance with the purposes pursued by the law and, therefore, with a view to ensuring the effectiveness of the controls carried out by that body.

The Company has therefore opted for a solution that, given its structure, operational scope and organisational complexity, ensures the effectiveness of the controls entrusted to the Supervisory Board.

Specifically, LCM has resolved to set up a body with at least one external member who ensures compliance with the mandatory requirements. In order to enhance continuity of action, the Supervisory Board is supported by an internal resource of the Company.

The Board of Directors, upon the establishment of the Supervisory Board, defines the number of members and justifies this choice, also by indicating the member's professional skills.

4.2 *General Principles for establishing, appointing and replacing the Supervisory Board*

The Company's Supervisory board is established by resolution of the Board of Directors, its term of office is three years and its members may be re-elected. The Supervisory board terminates upon the expiry of the period established upon appointment, but continues to perform its functions *ad interim* until the appointment of the new Body, during the first appropriate meeting of the Board of Directors.

If, over the term of office, a member of the Supervisory board is removed from office, he/she is replaced by resolution of the Board of Directors. Until the new appointment, the Supervisory board works with the other members in office or, failing this, with another member appointed *ad interim* by the Chairperson of the Board of Directors.

The remuneration of the members of the Supervisory board is determined, for the entire term of office, by the Board of Directors.

Only persons fulfilling subjective eligibility requirements may be appointed as members of the Supervisory board.

Specifically, upon appointment, the persons who will serve as members of the Supervisory board must provide a statement certifying the absence of grounds for ineligibility such as:

- management functions – in the three financial years preceding the appointment as a member of the Supervisory Board – within companies subject to bankruptcy, administrative compulsory liquidation or other insolvency proceedings;
- conviction, including a non-final judgment and also pursuant to art. 444 Italian Criminal Code, in Italy or abroad, for the crimes stated in Legislative Decree 231/2001 or affecting the professional morality;

- having been sentenced, including with a non-final judgment, or with an order that has ascertained liability, to a punishment which entails barring, including temporary barring, from public offices or temporary barring from managerial offices of legal persons and companies.

If any of the grounds for ineligibility above applies to an appointed person, the member shall be removed from office.

The Supervisory board, upon performing its tasks, may cooperate – under its direct supervision and responsibility – with all the Company's functions and structures and external consultants, availing itself of their skills and professionalism. This allows the Supervisory board to ensure extensive expertise and continuity of action.

To this end, the Board of Directors grants the Supervisory board a yearly budget, upon the request of the latter.

The budget enables the Supervisory board to work autonomously and with the appropriate tools for the effective fulfilment of the tasks assigned by this Model in accordance with the provisions stated in Legislative Decree 231/2001. The Supervisory Board shall report the expenses incurred to the Board of Directors.

In order to ensure the necessary stability for the members of the Supervisory Board, the powers of the Supervisory Board may only be revoked and assigned to another subject for a just cause by a special resolution of the Board of Directors.

“Just causes” for revoking the powers granted to the Supervisory board members include, but are not limited to:

- *gross negligence* in fulfilling the obligations arising from the office such as, but not limited to: failure to report to the Chairperson or Managing Director ascertained infringements of the Model, with alleged commission of crimes, under section 4.4. below;
- “*omission or insufficient control*” by the Supervisory board – pursuant to art. 6, paragraph 1, lett. d), Legislative Decree 231/2001 – evidenced by a sentence, including a non-final judgment, against the Company pursuant to Legislative Decree 231/2001 or an order that has ascertained the Company's liability;
- allocation of operating tasks and responsibilities within the organisation that are incompatible with the duties of the Supervisory Board.

In cases of particular gravity, the Board of Directors may however suspend the powers of the Supervisory Board and appoint an *ad interim* Body.

4.3 Powers and responsibilities of the Supervisory board

The activities implemented by the Supervisory Board cannot be decided by any other corporate body or structure, it being understood that the Board of Directors is responsible for supervising the appropriateness of the actions of the Supervisory Board as the Board of Directors is ultimately responsible for the operation and effectiveness of the Model.

The Supervisory board is granted the powers of initiative and control necessary for effectively and efficiently monitoring the implementation and observance of the Model in accordance with art. 6 of Legislative Decree 231/2001.

Therefore, such Body is in charge of supervising in general:

- the actual – and not just formal – effectiveness and ability of the Model to prevent the prohibited conducts stated in Legislative Decree 231/01;
- that the recipients observe the provisions of the Model;
- the Model's updating, taking into consideration changes in the regulatory framework and/or the company's organisational structure.

Specifically, the Supervisory board is granted the following powers and responsibilities for fulfilling its tasks:

- conducting checks targeted at specific activities at risk with free access to the relevant data;
- promoting risk mapping updating in the event of significant organisational changes or extension of the type of offences covered by Legislative Decree 231/2001;
- monitoring the information/training initiatives launched by the relevant functions and aimed at promoting good knowledge and understanding of the Model within the Company;
- collecting and managing the information needed to provide a constantly updated picture of the implementation of the Model;
- providing, on the basis of the results of inspections and checks, a periodic assessment of the Model's adequacy in relation to the requirements stated in Legislative Decree 231/2001, the relevant principles, new regulations and court decisions, and the Model's operation;
- reporting to the management body any breaches of protocols or inadequacies found during the audits so that the management body can make the necessary corrections by involving, where necessary, the Board of Directors;
- overseeing the consistent application of the penalties provided for by the internal rules in cases of breach of the Model; however, the sanctions shall be imposed by the body in charge;

- finding any deviant behaviours by analysing the information flows and the notices submitted by the heads of the functions.

The Company's Board of Directors informs the corporate structures of the powers and responsibilities of the Supervisory board.

The Supervisory board shall ensure confidentiality of all the information collected as a result of its duties.

Such information may only be disclosed to the subjects and in the manner provided for by this Model.

4.4 *Obligation to inform the Supervisory board – Information flows*

Pursuant to art. 6, paragraph 2, letter d) of the Decree, the Supervisory Board must be promptly informed, through a special internal communication system, of acts, behaviours or events that may cause a breach of the Model or, more generally, which are relevant for the purposes of Legislative Decree 231/2001.

Such obligations to inform of any behaviours contrary to the provisions of the Model pertain to the broader duty of diligence and loyalty of employees stated in articles 2104 and 2105 Italian Civil Code.

If the obligation to inform is fulfilled correctly, no disciplinary measures are applicable to the employee.

Please note that:

- any notices relating to: *i)* the commission or reasonable risk of perpetration of the offences stated in Legislative Decree 231/2001; *ii)* breach of the rules for the protection of occupational health and safety or the environment; *iii)* "*practices*" not in line with the rules of conduct issued by the Company; *iv)* behaviours that may in any case determine a violation of the Model, must be collected;
- an employee who intends to report a violation (or alleged infringement) of the Model may contact his/her direct hierarchical superior or, if the notice is ignored or the employee feels uncomfortable in contacting his/her superior for the notice, he/she may report directly to the Supervisory board; in any case the notice must be brought to the attention of the Supervisory Board;
- in order to effectively collect the above-mentioned notices, the Supervisory Board will explain how to report the notices to all the parties concerned;
- the Supervisory Board evaluates at its own discretion and under its responsibility the notices received and the cases that require an action.

The Supervisory Board shall ensure that the persons who have submitted notices in good faith are not subject to retaliation, discrimination or disadvantages and shall not disclose their identity, except if any legal obligations dictate otherwise and if this is necessary for the protection of the rights of the Company or the persons accused wrongly and/or in bad faith.

In addition to the aforementioned communications, the Supervisory board must also be notified of:

- decisions concerning the application for, delivery and use of public funding;
- measures and/or news from the criminal investigation departments or any other authorities suggesting that investigations are conducted, even against unknown persons, for offences covered by Legislative Decree 231/2001 or by Occupational health and safety law and in which the Company may be involved;
- applications for legal assistance lodged by directors or employees prosecuted by the Judiciary for the Crimes under Legislative Decree 231/2001 or environmental or occupational health and safety law;
- committees of inquiry or internal reports suggesting responsibility for the offences stated in Legislative Decree no. 231/2001;
- information on the effective implementation across the entity of the organisation model, evidencing any disciplinary measures and sanctions imposed or whether such measures have been dismissed with appropriate justification;
- summary sheets of the contracts awarded to market players subsequent to Italian and European tenders or negotiated contracts;
- information relating to orders awarded by public bodies or entities rendering public interest services;
- health and safety and environmental periodic reports;
- communications concerning organisational and corporate changes.

The Notices may be sent in writing, even anonymously, through dedicated information channels:

- e-mail: odv@lcmitalia.com;
- mail: LCM S.p.A., Via Dei Ciclamini 8, 20020, Vanzaghello (MI), Italy;

The information, notices, and reports envisaged in the Model must be filed by the Supervisory Board in a special confidential archive.

The outgoing members of the Supervisory Board must ensure that the new members are provided with the information necessary for the correct management of the archive.

4.5 Reporting of the Supervisory board to the corporate bodies

The Supervisory Board reports on the effectiveness and observance of the Model, the emergence of any critical aspects, the need for modifications. To this end, the Supervisory Board:

- submits a written report, at least every six months, to the Board of Directors on the activity performed;
- immediately reports any ascertained breaches of the Model, with alleged commission of crimes, to the Chairperson.

The half-yearly report written by the Supervisory Board will include the following information:

- checks and inspections conducted by the Supervisory Board and their outcomes;
- progress status of any implementation/review projects for sensitive processes;
- any alterations in the regulatory framework or organisational changes that require an update of the Model or risk identification;
- any disciplinary sanctions imposed by the relevant bodies as a result of breaches of the Model;
- other information considered significant;
- an overall assessment of the operation and effectiveness of the Model with respect to the provisions set forth in Legislative Decree 231/2001.

The meetings with the corporate bodies to which the Supervisory Board reports must be documented. The Supervisory Board files the relevant documentation.

5 DISCIPLINARY AND PENALTY SYSTEM

5.1 Function of the disciplinary system

Art. 6, paragraph 2, lett. e)⁷ and art. 7, paragraph 4, lett. b)⁸ of Legislative Decree 231/2001 provide for the establishment of a system capable of penalising any non-compliance with the measures set out in the model, in order to effectively implement the organisation, management and control model.

Therefore, the definition of an appropriate disciplinary and penalty system is a fundamental prerequisite for the efficacy of the organisation, management and control model pursuant to Legislative Decree 231/2001.

⁷ "In relation to the extension of delegated powers and the risk of committing the offences, the models stated in lett. (a) paragraph 1, must meet the following requirements:
e) introduction of a disciplinary system which is appropriate to penalise the failure to comply with the measures indicated in the model".

⁸ "Effective implementation of the model requires:
b) a disciplinary system capable of penalising any non-compliance with the measures specified in the model".

The sanctions envisaged shall be applied to each violation of the provisions contained in the Model irrespective of the commencement and outcome of any criminal proceedings possibly instituted by the judicial authority, in the event that the conduct to be reprimanded qualifies as a crime type relevant pursuant to Legislative Decree 231/2001.

In any case, the penalty does not depend on the commission of the offence and is a reaction of the Company to the non-observance of the behavioural procedures or rules stated in the Model.

5.2 *Measures against employees*

Compliance with the behavioural rules and provisions of the Model is an essential part of the obligations of LCM's employees pursuant to art. 2104, paragraph 2, Italian Civil Code. The provisions of the Model are an integral part of their contractual obligations.

Any infringement of the individual behavioural rules and provisions of the Model by employees constitutes a disciplinary offence.

The conducts constituting disciplinary offences include but are not limited to:

- a) negligent infringement, breach, imperfect or partial implementation of the provisions contained in the Model or the internal procedures provided for by the Model;
- b) delinquent infringement, breach, imperfect or partial implementation of the provisions contained in the Model or the internal procedures provided for by the Model; (such as failure to inform the Supervisory board; nonattendance of training sessions promoted by the Company);
- c) wilful infringement, breach, elusion, imperfect or partial implementation of the provisions contained in the Model or the internal procedures provided for by the Model;
- d) wilful infringement, breach, elusion, imperfect or partial implementation of the provisions contained in the Model or the internal procedures provided for by the Model aimed at eluding the controls conducted by the Company or, in any case, committing a crime.

The disciplinary measures and sanctions may be imposed on the Company's employees in accordance with art. 7 of Law 20th May 1970, no. 300 (so-called "Statute of Labourers") and any special applicable rules.

For employees who are not executives, the applicable measures are set forth in the national bargaining agreement for the personnel of multi-service companies which provide cleaning services and integrated services and, specifically, any breach of the Model may be punished based on the severity of the non-compliance and/or whether it is repeated:

- verbal warning for minor non-compliances such as those set out in lett. a);
- written admonition in the event of repeated infringements under lett. a);

- a fine not exceeding three hours of hourly pay calculated on base pay in the event of infringements under lett. b) or repeated infringements stated in lett. a) for more than three times over the solar year;
- suspension from service and remuneration, up to 3 days, for example in the cases set out in lett. c) or repeated infringements stated in lett. b);
- dismissal, for example if the employee commits the violations in lett. d) or repeated infringements stated in lett. c).

For each reported infringement of the Model a disciplinary action will be initiated for ascertaining its occurrence. Specifically, during the assessment stage, the employee will be notified of the charges against him/her and will be provided with a reasonable time for his/her defence. When the violation is ascertained, a disciplinary sanction is imposed on the perpetrator in proportion to the severity of the breach committed and recidivism.

The procedures, provisions and guarantees provided for by art. 7 of the Statute of Labourers and agreements on disciplinary measures will be observed.

Any action related to the disciplinary proceedings shall be communicated to the Supervisory Board for assessment and monitoring.

5.3 Measures against executives

When the violation of the behavioural rules and provisions of the Model is committed by executives, the measure deemed most appropriate – including dismissal – shall be imposed on the perpetrators in accordance with the provisions of the Civil Code, the Statute of Labourers and collective bargaining agreements.

As a specific sanction, the Supervisory board may also suggest the suspension of the powers of attorney, if granted.

The Supervisory board must always be informed of any application of sanctions for infringement of the Model.

5.4 Measures against directors

The Supervisory board, subsequent to receiving a notice of violation of the Model's provisions and behaviour rules by the members of the Board of Directors, shall promptly inform the Board of Auditors and the entire Board of Directors. The recipients of the information of the Supervisory Board, after evaluating the validity of the notice and conducting the necessary investigations, may take the appropriate measures and even, where appropriate, convene the Shareholders' Meeting in order to implement the most appropriate actions provided for by law, in accordance with the provisions of the Articles of Association.

By way of example, the following are breaches of duty by the directors:

- the commission of a crime (even attempted) stated in Legislative Decree 231/01 upon performing their duties;
- failure to observe the rules prescribed by the Model;
- failure to supervise employees, agents or partners of the Company regarding the observance of the Model and the rules stated therein;
- tolerance of irregularities committed by employees, agents or partners of the Company.

Any action related to the disciplinary proceedings shall be communicated to the Supervisory Board for assessment and monitoring.

5.5 Measures against auditors

The Supervisory board, subsequent to receiving a notice of violation of the Model's provisions and behaviour rules by one or more Auditors, shall promptly inform the entire Board of Auditors and the Board of Directors. The recipients of the information of the Supervisory Board, after evaluating the validity of the notice and conducting the necessary investigations, may take the appropriate measures and even, where appropriate, convene the Shareholders' Meeting in order to implement the most appropriate actions provided for by law, in accordance with the provisions of the Articles of Association and the Law.

5.6 Measures against business partners, consultants and freelancers

Business partners, consultants and freelancers, howsoever named, or other persons who have entered into agreements with the Company engaging in conducts contrary to the principles set out in the Model and Code of Ethics will be sanctioned according to the specific contractual clauses included in the respective agreements.

By such clauses, the third party undertakes to adopt and effectively implement the corporate procedures and/or engage in conducts that are appropriate for preventing the commission, even attempted, of the offences stated in Legislative Decree 231/2001. Failure to do so, even in part, shall be punished, and the Company shall suspend the performance of the agreement and/or unilaterally rescind the agreement, even during its performance, and impose penalties, or terminate the agreement, without prejudice to the Company's right to compensation for any damage suffered.

6 INFORMATION AND TRAINING PLAN

6.1 Introduction

In order to effectively implement the Model, LCM ensures proper dissemination of the Model's content and principles, as well as those of the Code of Ethics, both within and outside the organisation.

Specifically, the Company intends to extend the communication of the principles of the Model and the Code of Ethics not only to its employees, but also to those who collaborate – although only occasionally – in the achievement of the Company's objectives by virtue of contractual relationships.

Information and training programmes are diversified based on the type of recipients, but are in any case inspired by principles of completeness, clarity, accessibility and continuity in order to enable the various recipients to fully understand the corporate provisions they are required to obey and the ethical standards that must inspire their behaviours.

Every associate who works for the Company is required to: *i)* be aware of the Model's content; *ii)* know the operating procedures he/she should adopt upon performing his/her tasks.

The workers must be able to access and consult the documentation that constitutes the Model and the control protocols and corporate procedures that relate to the Model itself. In addition, in order to facilitate the understanding of the Model, the workers, with diversified approaches depending on their degree of involvement in the activities identified as sensitive under Legislative Decree 231/2001, are required to participate in the specific training activities offered by the Company.

The members of the corporate bodies will be provided with a hard copy of the Model.

Appropriate communication tools will be adopted to update employees on any amendments to the Model as well as any relevant procedural, regulatory or organisational change.

All recipients of training must mandatorily attend the training programmes and attendance must be documented.

7 ADOPTION OF THE MODEL – MODEL UPDATING AND ADAPTATION CRITERIA

7.1 Updating and adaptation

The Board of Directors resolves upon the updating and adaptation of the Model in order to reflect any amendments and/or additions that may be required as a result of:

- changes in the Company's internal organisation and/or how business is conducted;
- changes in business areas;

- regulatory changes;
- control outcomes;
- significant violations of the Model's provisions.

In any case, the Model will be regularly reviewed at least every three years, unless any regulatory changes require timely amendments.

The Board of Directors may delegate the tasks described above to a director/to the Managing Director and subsequently validate their work.