



UNIVERSITY OF ROME – TOR VERGATA
GLOBAL GOVERNANCE

**PRINCIPLES OF THE ORGANISATION, MANAGEMENT
AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE N°. 231
OF 8 JUNE 2001**

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THE LEGISLATIVE DECREE 231/2001*

On 8 June 2001, with the **Legislative Decree no. 231** (hereinafter also the “Decree” or “Lgs.D. 231/01”), entered into force on 4 July 2001, the Italian legislator has transposed into our legal system as set out in international conventions on liability of legal persons, and in particular the provisions of:

- Brussels Convention of 26 July 1995 on the protection of the financial interests of the European Community;
- Brussels Convention of 26 May 1997 on combating bribery of public officials of both the European Community and the Member States;
- OCSE Convention of 17 December 1997 on combating bribery of foreign public officials in international business transactions.

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The Decree in question, that provided the “*Regulation of the entities with legal personality, the companies and associations, even without legal personality*”, **introduced the corporate administrative liability**, in addition to the criminal liability of the individual who materially committed the crime.

The Legislative Decree no. 231 of 2001 **represent a copernicanian revolution** in the italian criminal and public framework.

It states that legal entities, including limited companies, may be held liable – and therefore sanctioned by financial means or criminal proceedings.

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Especially, it is a particular form of liability, **administrative nominally, but substantially punitive penal nature, against companies, associations and entities in general** (herein after "Entities"), for particular offenses committed or attempted in their interest or benefit from:

- **individuals** who hold a representative, administrative or **managerial position** in the company in question or in one of their organizational units that enjoys financial and functional independence, together with individuals who are responsible for the management and control of the company in question (*"apical" subjects*);
- **individuals subordinate to the management** or supervision of one of the subjects referred to above (so-called *"persons subject to someone else's supervision"* or *"Subordinates"*).

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The responsibility of Entities is independent from that of the individual person who actually committed the offense in the interest or to the advantage of the latter. In fact, **it exists even when the offender has not been identified** or it is not responsible and when the offense is **extinguished** for a reason other than amnesty.

In this regard, it should be noted that the notion of Subordinates might also include those workers who, although they are not strictly “employees” of the entity, have a relationship with it that suggests a supervisory obligation by the senior management of the entity: e.g. **trade partners, intermediaries, semi-subordinate workers in general, suppliers, consultants, and collaborators**, etc.

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The distinction between the two categories of individuals (Senior Officials and Subordinates) is extremely important since it implies a different degree of liability for the entity concerned, as well as a different burden of proof (see Par. 1.4 - "*Condition of exemption*").

A form of exemption from liability is still envisaged when the entity demonstrates that it adopted and effectively implemented "*organisational, management and control models*" (hereinafter also "*Model*" or "*Model ex Legislative Decree no. 231/01*") suitable for preventing the perpetration of the criminal offences covered by the Decree.

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For this purpose, the organizational and management Model must be capable of (art.6 of the Decree):

- *“**identifying the areas where the possibility exists** that the offences referred to may take place;”*
- *“**providing specific protocols** aimed at planning the decisions the company must take in deciding on the offences that must be prevented”;*
- *“**identifying the method of administrating** the financial resources necessary for preventing these offences being carried out”;*
- *“**ensuring that the department entrusted** with the task of checking that the model functions and is observed **makes all necessary information available**”;*
- *“**introducing an internal disciplinary system** capable of imposing sanctions for failure to respect the measures indicated in the model”.*

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Crime cases

The crime cases pursuant to the Decree which entail an Entity's administrative liability are expressly listed by Legislator and include:

- Crimes committed against Public Administration.
- IT crimes and unlawful data processing, introduced by article 7 of Law No. 48/2008, which added article 24-bis into the Decree.
- Crimes related to counterfeited of currency, legal tender and revenue stamps, introduced by article 6 of Law No. 406/2001, which added article 25-bis into the Decree.
- Corporate crimes, introduced by article 3 of Legislative Decree No. 61/2002, which added article 25-ter into the Decree, including corruption between private (art. 2635 Civil Code), and subsequently amended by art. 12 of Law no. 69 dated May 27, 2015 introducing "amendments to the provisions concerning corporate liability for corporate offences".

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- Crimes in connection with terrorism or subversion of democracy, introduced by article 3 of Law No. 7/2003, which added article 25-quater into the Decree.
- Practice of female genital mutilation, introduced by article 8 of Law No. 7/2006, which added article 25-quater.1 into the Decree.
- Crimes against individual personality, introduced by article 5 of Law No. 228/2003, which added article 25-quinquies into the Decree.
- Crimes connected with insider trading and market rigging, provided for by part V(I-bis) (II) of Legislative Decree No. 58/1998, introduced by article 9 of Law No. 62/2005, which added article 25-sexies into the Decree.
- Transnational crimes, introduced by article 10 of Law No. 146/2006.
- Crimes prescribed and punished by articles 589 and 590 of the Italian Criminal Code respectively related to manslaughter and serious or very serious accidental bodily injuries committed in violation of the provisions regarding the safety and health at work place, introduced by article 9 of Law No. 123/2007, which added article 25-septies into the Decree.

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- Crimes prescribed and punished by articles 648, 648 bis and 648 ter e 648 ter 1 () of the Italian Criminal Code respectively related to handling stolen goods, money laundering and use of money, goods or other utilities of unlawful origin, introduced by article 63 of Legislative Decree No. 231/2007, which added article 25-octies into the Decree, article 26 of the Decree about attempted crimes expressly states as follows: "*(1) money penalties and disqualification measures are decreased from one third to half in relation to the perpetration, in the form of attempt, of crimes as specified in this section of the decree. (2) The entity is not liable if it has voluntarily prevented the action from being taken or the event from occurring*"; self-money laundering introduced by Law n.186 dated December 15, 2014, which amended article 25-octies of the Decree,
- Crimes against industry and commerce (art. 25-bis-1 Leg. 231/01).

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- Offences related to infringements of copyright (art. 25-h Leg. 231/01).
- Induction to not make statements or to make false statements to the 'court (art. 25-decies of Legislative Decree no. 231/01).
- Environmental crime and pollution of the sea by ships (art. 25-j) and subsequent amendments pursuant to Law no. 68 dated May 22, 2015 carrying "Provisions concerning crimes against the environment" which had significantly amended Legislative Decree 152/2006 and added to the penal code a long list of environmental crimes (under the new Title VI-bis named "Crimes against the environment"), with a resulting amendment and supplement of article 25-undecies of Legislative Decree 231/2001.
- Illegal use of foreign workers (art. 25-k).

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Crime perpetrators

According to the Decree, a Company is liable if the above analysed crimes cases are committed by the following persons:

- **individuals in leading positions** (representation, management or direction of an Entity or of an organizational unit with financial and functional autonomy) or who actually carry out management and control ("**Apical Individuals**");
- individuals subject to direction or surveillance of one of the Apical persons ("**Subordinate Individuals**"). Pursuant to article 5(2) of the Decree, an Entity is not considered as liable if the above persons **have exclusively acted in their own interest or in third parties' interest.**

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Crimes committed abroad

In the events and under the conditions specified in articles 7, 8, 9 and 10 of the Italian Criminal Code, the Entities whose head office is located in Italy are liable also for the crimes committed abroad, provided that the State where a crime is committed does not bring a legal action against them (*ne bis in idem*).

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Attempted Crimes and Crimes committed abroad

The Entity is liable also for any offenses arising from attempts and **crimes committed abroad.**

In the case of commission in the form of an **attempt** of the crimes provided for in the Decree, the pecuniary and disqualifications sanctions are reduced by between a third and a half, while the imposition of sanctions is excluded in where the Entity voluntarily stopped the action or the event. The exclusion of sanctions is justified, in this case, in the interruption strength of any relationship of identification between the Entity and people taking to act in his name and on his behalf.

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With regard to ***locus commissi delicti***, for the purpose to identify the **competent jurisdiction**, in view of the territoriality principle set forth by article 6 of the Penal Code (hereinafter “P.C.”), the offences related to crimes perpetrated on the State territory fall within the Italian penal jurisdiction, yet it should not be forgotten that according to par. 2 of the 4 above article, *“The crime is considered to have been committed in the territory of the State when the action or omission originating it occurred there in whole or in part, i.e. the event occurred which is the consequence of the action or omission”*.

These provisions are aimed at **extending the application of the Italian criminal law** to actions that were not performed in their entirety within the territory of the State, since it is sufficient that a **“fragment” of the crime** (part of the action or omission, or the event) occurred in Italy to place the entire crime under the Italian penal law.

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As an example, in the case of the corruption crime for an action contravening official duties (article 319 P.C.), where the typical conduct is “**giving or promising money or other things of value**”, the action shall be considered to have been committed in the Italian territory if the person gives here or promises here to commit abroad an action contrary to official duties of a Public Official.

On the other hand, the Decree extends the enforceability of the entity's administrative liability by regulating the cases in which that entity may be required to answer before an Italian criminal judge about his/her administrative liability for crimes perpetrated abroad, i.e. those entirely committed outside the Italian territory.

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Indeed, according to the Decree, the entity may have to answer for crimes - which are relevant for the Decree - committed abroad (pursuant to article 4 of the Decree, which cites the following articles of the P.C.: 7 "*Crimes committed abroad*", 8 "*Political crime committed abroad*", 9 "*Common offence committed by citizens abroad*" and 10 "*Common offence committed by foreign citizens abroad*"), where the following conditions apply:

- the offense must be committed abroad by individual functionally **connected** to the Entity;
- **the Entity must have its head office in Italy;**
- the Entity can respond in cases and under conditions provided for in Articles 7, 8, 9 and 10 P.C.;
- if the cases and conditions previously mentioned, the Entity responds provided that the State in which it was committed the crime not proceed; (ne bis in idem)
- in cases where the law provides that the guilty be punished at the request of the Minister of Justice, proceedings are taken against the Entity only if the request is made against the latter;
- the offender at the time of prosecution must be in the territory of the State and should not be extradited.

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Assessment of the offence and Model's suitability resolution by the court

The responsibility for the commission of an administrative offense arising from crimes by the Entity is established as part of a criminal case. Another rule of the Decree, inspired by reasons of effectiveness, consistency and procedural economy, is the mandatory meeting of the proceedings: in essence, the process against the legal entity must be met, as far as possible in the criminal procedure initiated against the natural person who physically committed the act of the Entity.

The determination of the Company's liability, assigned to the criminal court, is carried through:

- **verifying the existence of the assumed offense** for the Company's liability;
- **ascertain the existence** for the Entity **of the advantage or of the interest** from the crime committed by the employee or "apical";
- checking **the suitability** of the adopted organizational Models. The judge about the abstract suitability of the Model to prevent the crimes specified in the Decree is conducted in accordance with their so called "*posthumous prognosis*".

The judgment of suitability is formulated according to a substantially *ex ante* criterion, i.e. before the commission of the offense, for which the court is ideally located in business reality at the moment when the offense occurred to test the congruence of the Model adopted.

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Exemption conditions

The Decree provides for forms of exemption from administrative liability of entities.

In particular, article 6 of the Decree establishes that for offences committed by Senior Officials, the entity is not liable if it can prove that:

- the steering body **adopted and effectively implemented organisational, management and control models, prior** to the offence, that could **prevent** those types of offences from being repeated;
- the task of overseeing the functioning of and compliance with the models and updating them has been assigned to a **company body** with autonomous initiative and control powers (hereinafter “Surveillance Body”);
- the persons committed the offence by **fraudulently avoiding** the organisational, management and control models;
- the Surveillance Body failed to provide or provided insufficient oversight.

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Liability preconditions

In order for an Entity to be liable, the following preconditions must be met:

- **one of the crimes** expressly prescribed in the Decree **is committed**;
- **at least one person** belonging/related to the Entity organisation **is criminally liable** (Apical Individual or Subordinate Individual);
- there is an **"interest" or an "advantage"** for the Entity;
- **the Entity has not adopted and applied an organisation and management model** adequate to prevent the crimes.

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In case of an offence committed by “apical” subjects, the entity is assumed to be liable because those individuals express and represent the intentions of the entity. However, this assumption can be overruled if the entity is able to demonstrate the existence of the four conditions set forth in article 6 of the Decree. In that case, though the Senior Official is personally liable, the entity will not be liable, according to the Decree.

Likewise, article 7 of the Decree holds the entity liable for crimes committed by Senior Officials if their commission has been made possible by **non-compliance with guidance and supervision obligations**. Therefore, in that case, the adoption of an organisational, management and control model by the entity **constitutes a presumption in its favour**, thus placing the burden of proof on the prosecutor, who must demonstrate that the model **has not been adopted and effectively implemented**.

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Applicable Sanctions

The sanctions set forth in the Decree against entities following the commission or attempted commission of crimes that determine their administrative liability fall into the following categories:

- **pecuniary sanctions;**
- **disqualification sanctions;**
- **confiscation;**
- **publication of the sentence.**

No sanctions are imposed in cases where the entity voluntarily prevent the deed from being committed or the event from occurring. The exclusion of sanctions in that case is justified by the interruption of any identification relationship between the entity and the individuals who purport to act in its name and on its behalf.

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Pecuniary Sanctions

Pecuniary sanctions are applied in all cases in which **the entity is recognised as guilty**. Pecuniary sanctions are applied by "**penalty units**", no less than a hundred and no more than a thousand, while the amount of each unit ranges from a minimum of € 258.23 to a maximum of €1,549.37.

The Court determines the number of units based on the following indicators: seriousness of the offence, degree of liability of the entity, actions taken to eliminate or mitigate the consequences of the fact and to prevent the perpetration of additional offences;

on the other hand the amount of the penalty unit is set on the basis of the financial situation of the entity involved.

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Behaviours releasing from liability

Articles 6 and 7 of the Decree prescribe specific types of behaviours which do not entail any administrative liability of an Entity, if the other preconditions are met. Specifically, in the event of crimes committed by Apical Individuals, article 6 of the Decree prescribes that **an Entity is released from administrative liability if it demonstrates that:**

- the governing body has adopted and effectively implemented prior to the occurrence of the event, "**organisation and management models suitable to prevent the perpetration of crimes of the type of that occurred**";
- the surveillance of the effectiveness and of the observance of the models and the proposal to update them has been entrusted to the Entity's **Supervisory Body which has autonomous powers of initiative and control**;
- those who have committed the crime have acted by **fraudulently disregarding the models**;

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the Supervisory Body has not failed to carry out or inadequately carried out the surveillance.

With regard to Subordinate Individuals, article 7 of the Decree prescribes that an Entity is released from the liability if it has adopted and effectively implemented, **prior to the occurrence of the crime**, a model suitable to prevent the perpetration of crimes of the type of that occurred.

ORGANIZATION, MANAGEMENT AND CONTROL MODEL

Company's organisation, management and control model

- The Company – aware of the need to guarantee correctness and transparency in conducting the business and the company's activities, for the purposes of protecting its position and image, the shareholders' expectations and its employees' work – has deemed that it was consistent with its policies to implement the Model prescribed by the Decree. Therefore the Model is a valuable instrument aimed at making aware **all those that, for any title, carry out in the name and on behalf of the Company their activities**, of the necessity to performing correct and consistent behaviours according to company protocols provided for the prevention of the risk of the crimes specified in the Decree.

ORGANIZATION, MANAGEMENT AND CONTROL MODEL

The adoption of Model is aimed to sensitize every Company's employees, collaborators and other people interested thereto (Customers, Suppliers, Partners, Agents and Collaborators at any title) in order to carry out - in performing of their own activity – **fair and linear behaviours able to prevent the commission of crimes** provided for by the Decree. The Model prepared by the Company on the basis of the identification of the activities at risk, i.e. whose performance may, theoretically, entail the risk of committing crimes, has the following purposes:

- to make all those who perform with, in the name, on behalf and in the interest of the Company in the areas of activity at risk of crime the aware of the possibility, in the event of violation of the Model provisions, to commit a misconduct which may be subject to criminal or administrative sanctions that can be inflicted not only to the above persons but also to the Company;

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- to condemn any form of unlawful conduct committed by the Company since it is contrary to both regulations and ethical principles adopted by the Company itself;
- to guarantee to the Company, thanks to the control of the areas of activity at risk of crime, the effective and actual possibility to timely intervene in order to prevent the perpetration of crimes.

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The Model also aims:

- to introduce, supplement, disclose and make known to all employees of any level the conduct rules and protocols necessary to plan the taking and the achievement of the Company's decisions, in order to manage and, consequently, prevent the risk of committing crimes;
- to identify in advance the areas of activity at risk of crime, with reference to the Company's transactions which may entail the perpetration of crimes specified by the Decree;
- to entrust the Supervisory Body with specific tasks and proper powers in order to enable it to effectively control the implementation, constant operation and updating of the Model and to evaluate the constant maintenance of the requirements of soundness and functionality of the Model;
- to record correctly and consistently with the protocols all Companies' transactions within the areas of activity at risk of crime, in order to enable a control after the decisional processes, their authorisation and performance within the Company, for the purposes of guaranteeing the prior identification and traceability in relation to all their material elements;

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- to guarantee the actual observance of the **principle of separation** of corporate functions;
- to outline and specify the responsibilities in taking and implementing the Company's decisions;
- to set out the **authorisation powers in line with the organisation** and management responsibilities attributed, disclosing the delegation of powers, the responsibilities and the tasks within the Company, guaranteeing that the acts by which powers, authorities and autonomies are delegated are consistent with the principles of preventive control;
- to evaluate the activities of **all persons cooperating with the Company** within the areas of activity at risk of crime, and the operation of the Model, minding the necessary periodical update, in a dynamic manner, in the event the analyses and evaluations carried out require corrections, supplements and adjustments.

ORGANIZATION, MANAGEMENT AND CONTROL MODEL

Areas of activity at risk of crime in relation to crimes damaging Public Administration

The crimes prescribed by the Decree and damaging **Public Administration** entail relationships with public officers and/or public service employee within Public Administration and/or similar legal persons being part of **Italian Government, European Union and Foreign States**. The Company has carried out an analysis aimed to identify the areas of activity at risk of crime and find the best measures necessary to eventually improve the current control system, with particular reference to the activities carried out within such areas.

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Areas of activity at risk of crime in relation to corporate crimes

The criminal provisions stated in articles 2621 (false comunicazioni), 2622 (false comunicazioni società quotate), 2625 (impedito controllo), 2626 (indebita restituzione dei conferimenti), 2627 (illegale ripartizione utili e riserve), 2628 (illecite operazioni sulle azioni), 2629 (operazioni in pregiudizio dei creditori), 2632 (formazione fittizia del capitale), 2633 (indebita ripartizione beni sociali), 2636 (illecita influenza sull'assemblea), 2637 (aggiotaggio notizie false per alterare prezzi) and 2638 (ostacolo all'esercizio della pubblica vigilanza) of the Italian Civil Code are implemented by article 25-ter of the Decree, provided that the crimes stated therein are "committed in the interest of the company by directors, general managers or liquidators or by persons subject to their control, if the event had not occurred if they had performed the control in compliance with the obligations prescribed for their office".

The Company has carried out an analysis aimed to identify the areas of activity at risk of crime and find the best measures eventually necessary to improve the current control system, with particular reference to the activities carried out within such areas.

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Areas of activity at risk of crime in relation to the crimes committed in violation of the provisions regarding the safety and health at work place

- Article 25-septies of the Decree prescribes the responsibility of the Entities for the crimes of **manslaughter and serious or very serious accidental bodily injury**, pursuant to articles 589 and 590(3) of the Italian Criminal Code, committed in violation of the provisions regarding the safety and health at work place. Therefore, in the light of the regulations on safety and health at work place and of the obligations to which both the Company, as Employer, and its employees are subject, the Company has deemed it adequate to carry out further examinations with reference to operative productions factories of the Company's organization and of the management system of the safety at work adopted, identifying the areas of activity which may be specifically subject to the risk of that type of crimes.

SUPERVISORY BODY

Persons belonging to the Supervisory Body

The Supervisory Body (hereinafter referred to as the "SB") is the board which, established by the Company within its structure, has the authority and the powers necessary **to control in an absolutely independent manner** the operation and observation of the Model and to carry out the relevant update **by proposing any amendments** to the Board of Directors of the Company.

The SB of the Company is composed of persons who have been mainly deemed to have the necessary skills to perform the internal control of the Company.

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The Company has decided to appoint **a collegial** body members according to the following criteria (now can be the **Board of Statutory Auditors**) :

- The President coming **from outside the Company's structure**, was selected among **high-experienced, independent and professional lawyers** and must be able to properly perform its tasks;
- coming from outside the Company's structure, was selected among high-experienced, independent and professional **experts in safety and health at work place** and must be able to properly perform its tasks;
- **coming within the Company**, was selected among persons without delegations of powers within the Company.

The SB has adopted its own Regulation which governs the appointment, membership, duration in office, operation, tasks, powers and liabilities of the SB.

SUPERVISORY BODY

Appointment of the members of the Supervisory Body

In the performance of their functions, the members of the SB must guarantee the fulfilment of the following requirements:

- **autonomy and independence**. The autonomy and independence requirements are important and entail that the SB is not directly involved in the management which is included among its control activities;
- **professionalism**. The SB has proper technical and professional tasks to perform its functions, as well as instruments and techniques in order to effectively perform its activity. These characteristics, along with independence, guarantee the objectivity of the judgement;
- **continuity**. The SB performs, without interruption, the activities necessary to control the Model with the required commitment and powers of investigation; the SB refers to the Company, in order to guarantee the continuity required to carry out the control; it guarantees the implementation of the Model and the constant update; it does not perform operating tasks which may influence and affect the required general view on the business.

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The Model does not allow the appointment of the following entities as members of the SB:

- individuals being in the situations specified in article 2382 of the Italian Civil Code (**causes of ineligibility**);
- the spouse, the relatives and the **persons related by affinity to the fourth degree** of the Company's Directors;
- the spouse, the relatives and the **persons related by affinity to the fourth degree** of the directors of holding companies or subsidiaries (**Conflict of interest**);
- individuals connected with the Company or its subsidiaries or holding companies by means of relationships which may objectively affect its independent judgement;
- those who have been sentenced, although not by final judgement, for having committed one of the crimes stated in the Decree, or have been sentenced to disqualification, including temporary disqualification, from holding public offices or temporary disqualification from holding management offices of the legal entities and companies involved;

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- individuals which are in **conflict of interest**, also potentially, with the Company, as to prejudice the independency required for the office and tasks of the Supervisory Body;
- individuals directly or indirectly **owning shareholdings** to the extent that they can exert a **dominant or significant influence** on the Company, pursuant to article 2359 of the Italian Civil Code;
- individuals **with management functions**, delegation powers or authorities at the Company;
- individuals with management functions – **in the three business years** prior to the appointment as member of the Supervisory Body in **companies subject to bankruptcy, compulsory winding-up or other insolvency proceedings.**

SUPERVISORY BODY

Functions and powers of the Supervisory Body

The SB has the obligation to control:

- **that the Model complies with the regulations concerning the liabilities of legal entities in general and, specifically, the provisions of the Decree;**
- that the provisions of the Model are **observed**;
- that the **Model is actually adequate** to prevent the perpetration of the crimes stated in the Decree;
- the necessity to update the Model in the event of significant violations of its provisions, significant amendments to the internal structure of the Company and/or of the conditions of the business operation or of the regulations.

SUPERVISORY BODY

The SB has also the obligation:

- **to verify the effectiveness of control procedures** of all Company's decision-making processes pursuant to the Decree;
- to constantly control the business activity in order to obtain an updated view of the areas of activity at risk of crime and to identify in which areas and sectors of activity and the procedures by which the risks of perpetration of the crimes pursuant to the Decree can become material and of the other crimes included in the scope of effectiveness of the Model;
- **to carry out periodical verifications on specific transactions** or acts taken within the areas of activity at risk of crime, as defined in the Specific Sections of the Model;
- **to promote initiatives adequate to disclosure and explain** the Companies' Model;

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- **to collect, elaborate and record the information** material for the operation of the Model;
- to verify that the recording of information in relation to the observance of the Model is kept, **in order to provide evidence of the effective operation** of the Model;
- to take the actions necessary to keep the recording readable, identifiable and traceable;
- **to verify that the procedure, adopted by the Company, is suitable** to guarantee the identification, the filing, the protection, the availability, the duration of the storage and the cancelation of the above mentioned recordings;
- **to conduct the internal investigations** necessary to assess the alleged violations of the Model's provisions;
- to verify that the provisions included in the Model's Specific Sections, or in the sections subsequently added in relation to the several types of crimes, are anyway **compliant** with the Decree, otherwise proposing to the Board of Directors an update of the provisions.

SUPERVISORY BODY

Information from and to the Supervisory Body

The SB must inform the corporate bodies according to the following reporting lines:

- 1.the first, **on a continuous basis**, directly to the President of Board of Director, Managing Director and General Manager;
- 2.the second, **on a periodical basis**, every year, to the Board of Directors and the Board of Statutory Auditors.

The Company's personnel, both executives and non-executives, **must inform the SB** about any information, also coming from third parties, concerning the implementation of the Model within the areas of activity at risk of crime.

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To this purpose:

- connection with the Company's business or anyway concerning the behaviours non-compliant with the Model's provisions or the conduct rules adopted by the Company and specified in the protocols and in the Ethic Code;
- the **SB must be informed**, as soon as possible, about any problem found in the application of the Model's provisions;
- the **SB must carefully examine all notifications received**, with prior examination of the person who has sent the notification and/or has committed the violation, by providing a written statement of reasons in the event of denial of carrying out an internal investigation (Whistleblowing);

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- **the SB must take the necessary actions in order to protect those who make notifications against any type of retaliation, discrimination and/or punishment**, by guaranteeing the absolute privacy and anonymity of the notifying person;
- the obligations prescribed by the law and the protection of the rights of the Company and/or of the wrongly accused persons and/or in bad faith remain unchanged;
- **anyway, the person who makes the notification must not be subject to disciplinary measures, if employee, or contractual remedies, if third party**, since the notification has been made in accomplishment of the obligations of loyalty and diligence of employees, or in accomplishment of contractual obligation of good faith and correctness, in order to prevent the perpetration of a crime.

WHISTLEBLOWING MANAGEMENT

Italian Lex 179 November 30 2017 introduced specific protective provisions on Whistleblowers.

The Whistleblowing Management Company Protocols specify and regulate the process for disclosures, either qualified or anonymous disclosures, by anyone who may be aware of conducts against the law or the internal policies of the Group.

Whistleblower protection represent an important internal control facilities to prevent the risk of possible corrupt practices, carried out "in the interest or to the advantage" of the Group or to the detriment of the same, in compliance with applicable regulations and in line with the highest industry best practices related to the markets.

WHISTLEBLOWING INTERNATIONAL FRAMEWORK

Firstly defined in the **USA**:

- **False Claims Act – 1836**–
- **Sarbanes – Oxley Act** valid in Australia, Canada...

Whistleblower Protection Act - Japan

Protected disclosure act - South Africa

Best Practise: UK PIDA – Public Disclosure Act - 1998

European Council Civil Convention – 1999 (Italian Lex 112 / 2012)

United Nation Convention – 2003 (Italian Lex 116/2009)

OECD Anti Bribery Recommendation - 2009

G 20 Anti Corruption Action Plan – Protection of Whistleblowers - 2011

SUPERVISORY BODY

In order for the SB to fulfil its tasks, **it can freely refer to all the relevant Company's material documentation and information.** With specific reference to third parties, they are contractually obliged to immediately inform the SB if they receive, directly or indirectly, a request violating the Model or, anyway, are informed about the situations stated below. The notification must be sent directly to the Supervisory Body by means of a communication to the email address or by means of a letter to Organismo di Vigilanza at the Company's office.

The Company guarantees that third parties will not suffer any consequence by reason of any, eventual notification sent by them and that this will not prejudice, in any way, the continuation of the existing contractual relationship.

SUPERVISORY BODY

In any case, the Company's personnel, both executives and non- executives, and all third parties linked by relationships with the Company must send to the SB the following information:

- measures and/or **information of Criminal Police and/or Judges, or any other authority**, which show the execution of investigations, also with regard to unknown persons, for the crimes stated in the Decree and which may involve the Company and/or its personnel and/or, if known, the external servants of the Company;
- the applications for **legal assistance submitted by the Company's employees**, both executives and non- executives, **in the event of judicial proceedings** against them for the crimes stated in the Decree;
- **all information** – including those provided by the heads of the Company's functions other than those directly involved in the activity at risk of crime, in performing their control tasks – which show facts, actions, events or failures **which might imply critical issues for the observation of the provisions of the Decree**;
- **all information concerning the application of the Model**, with specific reference to the disciplinary proceedings completed or in progress and sanctions inflicted, if any, or to the dismissal of those proceedings and the relevant statement of reasons.

ETHICAL PRINCIPLES AND CODE OF CONDUCT

ETHICAL PRINCIPLES AND CODE OF CONDUCT

The Model is also composed by an Ethic Code (already adopted by the Group), containing the principles and rules uniformly regulating the activity carried out by all those that, for any title, have an employment relationship with the Company or, anyway, carrying out their activity in the name and on behalf of the Company.

DISCIPLINARY SYSTEM

General principles

- Article 6(2)(e) of the Decree prescribes that the organisation and management models must "**imply a disciplinary system adequate** to inflict penalties for the non-compliance with the model measures".
- The violation of the Model provisions, the procedures included therein and in its annexes, the Company's protocols and their updates prejudices the relationship of trust between the Company and the employees and/or third parties and entails disciplinary measures or the proper contractual measures expressly prescribed by the Model and/or the Ethic Code, apart from the possible crime prosecution for the commission of crimes.
- Such measures must be applied according to law that prescribe immediately and timely sanctions, conforming to current laws.

DISCIPLINARY SYSTEM

Sanctions for employees

Employees other than executives

- The behaviors of employees violating the rules included in the Model, annexes, company's protocols and relevant updates are defined as **disciplinary misconducts**. The sanctions that can be inflicted fall within those prescribed by the National Collective Labor Agreement of Metal and Mechanicals – Minor and Medium-sized business concerns applied by the Company to its employees, in compliance with the procedures prescribed by article 7 of Law No. 300/1970 and any other applicable special regulation.
- The violation by the employees of the rules of the Model, annexes, Company's protocols and relevant updates can imply, according to the gravity of the violation, the adoption, of the measures listed below, set out by applying the **principles of proportionality** and the criteria of **correlation between infringement and sanction** and, anyway, in compliance with the form and procedures prescribed by the current regulations.

DISCIPLINARY SYSTEM

What provided for by the Code of Ethics of the Group being understood:

1) **the employee** incurs in following measures: **ORAL WARNING, WRITTEN WARNING, FINE, SUSPENSION FROM WORK AND FROM SALARY** for not more than X days, if:

- do not comply with the procedures prescribed by the Model, annexes and Company's protocols (including, by way of example, the obligation to inform, disclose to and notify the SB, the obligation to fill-in the periodical declarations for the purpose of monitoring the effectiveness of the Model, obligation to carry out the verifications prescribed, etc.) and/or do not observe the procedures which, from time to time, will be implemented by the Company, subsequent to possible updates and supplements of the Model which will be properly notified;
- perform, in carrying out the areas of activity at risk of crime, a behavior not in compliance with the provisions of the Model, annexes, Company's protocols and relevant updates;

DISCIPLINARY SYSTEM

do not comply with ethic principles and general rules of conduct as prescribed by the Model, and particularly the rules regarding the relations with:

- customers, suppliers and external servants;
 - the personnel;
 - the Public Administration;
 - the political parties, committees, political organizations and trade unions;
- and do not observe the rules of conduct direct to:
- protection of share capital, creditors, markets and public function of control.

DISCIPLINARY SYSTEM

The oral and written warning apply to failures to comply with minor obligations while the fine and suspension from work and salary apply to failures to comply with significant obligations.

2) the employee incurs in **DISMISSAL** if:

- do not comply with the procedures prescribed by the Model, annexes, Company's protocols and relevant updates; perform, in carrying out the activities in areas at risk of crime, a behaviour not in compliance with the provisions included therein, or do not comply with ethical principles and with general rules of conduct and such behavior is so serious that the relationship cannot continue.

The SB and General Manager monitor the application and effectiveness of the disciplinary system.

DISCIPLINARY SYSTEM

Executives

- In the event of:
 - **violation**, by Executives, of the rules of the Model, annexes, Company's protocols and/or procedures (which will be implemented, from time to time, by the Company subsequent to possible updates and supplements properly notified),
 - **behaviour**, in the performance of the activities in areas at risk of crime, not in compliance with the provisions above mentioned,
 - **violation** of ethic principles and general rules of conduct as prescribed by the Model, the Company will adopt towards the responsible of violation the suitable disciplinary measures in compliance with the provisions of the National Collective Labor Agreement applicable to Industry Executives.

DISCIPLINARY SYSTEM

Measures towards Directors

- In the event of violation of the Model by one or more Directors of the Company, the SB will immediately inform the **Board of Directors and the Board of Statutory Auditors** for the required evaluations and actions.
- If one or more Directors, who have allegedly perpetrated the crime from which the administrative liability of the Company derives, are committed for trial, the President of the Board of Directors will call the Shareholders' Meeting in order to resolve on the revocation of the office.

DISCIPLINARY SYSTEM

Measures towards to self-employees and to third parties

- Any behaviour performed by self-employees or by third parties (commercial and financial partners, consultants, collaborators for any title also in occasional way, trainees, agents, customers, and, in general, from anyone that have professional or commercial relations with the Company) and non-complying with the principles, procedures and guidelines prescribed by the Model will imply, according to specific contractual clauses, the **Company's right to immediately terminate the relationship and to claim for possible damages.**

TRAINING AND NOTIFICATION

TRAINING AND NOTIFICATION

General principles

- The Company must guarantee a broad and detailed disclosure, both within and outside its structure, of the Model and/or the Principles of the Model.

TRAINING AND NOTIFICATION

Notification to the corporate bodies

- The Model is notified to the corporate bodies (Board of Directors and Board of Statutory Auditors).

Notification to employees

- The Model has been delivered to all employees, to any level, by e-mail and/or by way that guarantee the proof of reception.
- Moreover, an electronic copy of the Model is to be published on the Intranet of the Company and a paper copy is shown in the noticeboards of the Company for the personnel. The Model's principles and contents are also disclosed by means of specific training courses which the employees of any level must attend. The program of the training courses is set out by the Supervisory Body and mutually agreed with the Board of Directors.

TRAINING AND NOTIFICATION

Notification to third parties and the market

- The Principles of the Model are communicated to third parties who have or will have legal relationships with the Company. In particular, the Principles of the Model shall be sent, also by e-mail or, anyway, by way that guarantee the proof of reception, to third parties who have commercial relationships with the Company and, subsequently and on the basis of the possibilities of the Company and of the Group, shall be publicized on the web.
- The Company will be free to set up legal relations only if the third parties assume the obligation to respect the rules of conduct of the Ethic Code and of the principles of the Model and the Decree, that the Company complies with in its own commercial activity.