

**ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 8  
No. 231 dated 8 JUNE 2001**

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## FOREWORD

Legislative Decree No. 231/2001 (hereinafter, for the sake of brevity, the "**Decree**") introduced the principle of the administrative liability of companies for certain offences committed in the interest or to the advantage of the company itself, by its representatives or employees in senior positions or subject to the direction or supervision of the latter.

This document governs the organisation, management and control model (hereinafter, the "**Model**") and has been adopted by the Board of Directors of GWC Italia S.p.A. (hereinafter also referred to as "**GWC**" or the "**Company**") on 16 September 2020 pursuant to the Decree.

The recipients of this Model (hereinafter, the "**Recipients**"), who undertake to comply with its contents, are:

- ✓ the directors and managers of the Company (so-called "senior persons");
- ✓ employees of the Company (so-called internal persons "subject to the direction of others").

In addition, by virtue of specific acceptance or by virtue of specific contractual clauses, the following external persons may be the recipients of specific obligations to comply with the contents of this Section I:

- ✓ collaborators, consultants and, in general, self-employed persons;
- ✓ suppliers and partners (including in the form of temporary associations of undertakings, including employment agencies and joint ventures);

insofar as they operate on behalf of and in the interest of the Company within the areas of activity identified as sensitive within the Model.

The Model is addressed to the members of the corporate bodies, to the employees of GWC - meaning all those who are linked to the Company by a subordinate working relationship, including managers - and, in general, all those who carry out - for or on behalf of the Company and also as a result of an outsourcing contract - one or more of the activities that can be identified as activities at risk.

This document consists of a general Section I, aimed at describing the function and principles of the Model, as well as the contents of the Decree and the main reference standards.

Section II details the structure of the Model and defines its contents: adoption, identification of activities at risk, definition of protocols, characteristics and functioning of the supervisory body, information flows, training and information activities, guidelines for the disciplinary system, updating of the Model.

The Model is accompanied by the following appendices, which form an integral and substantial part hereof:

- Appendix 1: Description of offences;
- Appendix 2: Code of Ethics;
- Appendix 3: Company Organisational Chart;
- Appendix 4: Risk Assessment.

The Company, partly through the Supervisory Body, constantly monitors this Model in order to ensure that its contents are constantly in line with the changes that may affect the organisation or the activity of the Company, as well as the applicable legislation.

## SECTION I

### 1 LEGISLATIVE DECREE 231/2001

#### 1.1 *The administrative liability regime for legal entities*

On 8 June 2001, Legislative Decree no. 231 was issued, containing the "Regulations on the administrative liability of legal entities, companies and associations, including those without legal personality" (hereinafter referred to as the "**Entities**").

The Decree introduced into Italian law a special liability regime for Entities for a series of offences committed in their interest or to their advantage:

- ✓ by individuals who hold positions of representation, administration or management of the Entities or of one of their organisational units with financial and functional autonomy, as well as by individuals who exercise, also de facto, the management and control of the Entities (so-called "management and control"). "persons in senior positions");
- ✓ by individuals subject to the direction or supervision of one of the persons referred to above (so-called "subordinate subjects").

This liability, which is established in criminal proceedings, is cumulative with that of the individual who materially carried out the act giving rise to the offence. From the substantial autonomy of this responsibility derives the circumstance that the Entity is called to be liable for the offence even when the perpetrator of the offence has not been identified or cannot be charged, or when the offence is extinguished for reasons other than amnesty.

The liability provided for in the Decree also applies in relation to offences committed abroad, provided that the State of the place where the offence was committed does not prosecute.

For the purposes of establishing the liability of the Entity, in addition to the existence of the aforementioned requirements allowing the offence to be objectively linked to the Entity, the legislator also requires the Entity's culpability to be established. This subjective requirement is identified with organisational guilt, understood as the breach of adequate rules of diligence self-imposed by the Entity itself and aimed at preventing the specific risk of the commission of the offence.

#### 1.2 *Offences giving rise to the administrative liability of the Entity*

The offences in relation to which the administrative liability of the Entity is provided for are expressly indicated in Section III of the Decree, which considers the following cases:

- a) **offences against the Public Administration** (Articles 24 and 25 of the Decree):
- embezzlement to the detriment of the State or other public body (Article 316-*bis* of the Italian Criminal Code);
  - misappropriation of funds to the detriment of the State or other public body (Article 316-*ter* of the Italian Criminal Code);
  - fraud to the detriment of the State or a public body (Article 640, paragraph 2, no. 1 of the Italian Criminal Code);
  - aggravated fraud to obtain public funds (Article 640-*bis* of the Italian Criminal Code);
  - computer fraud to the detriment of the State or other public body (Article 640-*ter* of the Italian Criminal Code);

- extortion (Article 317 of the Italian Criminal Code);
- corruption (Articles 318, 319, 319-*bis*, 320, 321 and 322-*bis* of the Italian Criminal Code);
- incitement to corruption (Article 322 of the Italian Criminal Code);
- bribery in judicial proceedings (Article 319-*ter* of the Italian Criminal Code);
- undue induction to give or promise benefits (Article 319-*quater* of the Italian Criminal Code);
- trafficking in unlawful influence (Article 346-*bis* of the Italian Criminal Code);

**b) computer crimes and unlawful processing of data** (Article 24-*bis* of the Decree):

- forgery of electronic documents (Article 491-*bis* of the Italian Criminal Code);
- unauthorised access to a computer or telecommunications system (Article 615-*ter* of the Italian Criminal Code);
- unauthorised possession and dissemination of access codes to computer or electronic systems (Article 615-*quater* of the Italian Criminal Code);
- dissemination of equipment, devices or computer programmes intended to damage or interrupt a computer or telecommunications system (Article 615- *quinquies* of the Italian Criminal Code);
- unlawful interception, obstruction or interruption of computer or electronic communications (Article 617-*quater* of the Italian Criminal Code);
- installation of equipment designed to intercept, impede or interrupt computer or electronic communications (Article 617-*quinquies* of the Italian Criminal Code);
- damage to computer information, data and programmes (Article 635-*bis* of the Italian Criminal Code);
- damaging information, data and computer programmes used by the State or another public body or in any case of public utility (Article 635-*ter* of the Italian Criminal Code);
- damaging computer or electronic systems (Article 635-*quater* of the Italian Criminal Code);
- damaging computer or electronic systems of public utility (Article 635-*quinquies* of the Italian Criminal Code);
- computer fraud by the person providing electronic signature certification services (Article 640-*quinquies* of the Italian Criminal Code);
- Infringement of the rules on the National Cyber Security Perimeter (Article 1, paragraph 11 of Decree Law No. 105 dated 21 September 2019)

**c) organised crime offences** (Article 24-*ter* of the Decree):

- criminal association (Article 416 of the Italian Criminal Code);
- Mafia-type association, including foreigners (Article 416-*bis* of the Italian Criminal Code);
- political-Mafia electoral exchange (Article 416-*ter* of the Italian Criminal Code);

- kidnapping for the purpose of robbery or extortion (Article 630 of the Italian Criminal Code);
- association for the purpose of unlawful trafficking in narcotic or psychotropic substances (Article 74 of Presidential Decree no. 309 dated 9 October 1990);
- unlawful manufacture, introduction into the State, sale, transfer, possession and carrying in a public place or a place open to the public of weapons of war or warlike weapons or parts thereof, explosives, clandestine weapons as well as more common firearms (Article 407, paragraph 2, section a), no. 5) of the Italian Code of Criminal Procedure);
- offences committed i) by making use of the conditions provided for in Article 416-*bis* of the Italian Criminal Code (Mafia-type associations, including foreign ones) ii) or, in order to facilitate the activities of Mafia-type political associations referred to in Article 416-*ter* of the Italian Criminal Code.

**d) offences relating to counterfeiting money, public credit cards, revenue stamps and identification instruments or signs (Article 25-*bis* of the Decree):**

- counterfeiting of money, spending and introduction into the State, in concert, of counterfeit money (Article 453 of the Italian Criminal Code);
- alteration of currency (Article 454 of the Italian Criminal Code);
- spending and introducing counterfeit money into the State without acting in concert (Article 455 of the Italian Criminal Code);
- spending of counterfeit money received in good faith (Article 457 of the Italian Criminal Code);
- forgery of revenue stamps, introduction into the State, purchase, possession or putting into circulation of forged revenue stamps (Article 459 of the Italian Criminal Code);
- counterfeiting watermarked paper used for the manufacture of public credit cards or stamps (Article 460 of the Italian Criminal Code);
- manufacture or possession of watermarks or instruments intended for the counterfeiting of money, revenue stamps or watermarked paper (Article 461 of the Italian Criminal Code);
- use of counterfeit or altered stamps (Article 464, paragraphs 1 and 2 of the Italian Criminal Code);
- counterfeiting, alteration or use of trademarks or distinctive signs or of patents, models and designs (Article 473 of the Italian Criminal Code);
- introduction into the State and trade in products with false signs (Article 474 of the Italian Criminal Code).

**e) offences against industry and trade (Article 25-*bis* 1 of the Decree):**

- disturbing the freedom of industry or trade (Article 513 of the Italian Criminal Code);
- unlawful competition with threats or violence (Article 513-*bis* of the Italian Criminal Code);
- fraud against national industries (Article 514 of the Italian Criminal Code);
- fraud in the exercise of trade (Article 515 of the Italian Criminal Code);

- sale of non-genuine foodstuffs as genuine (Article 516 of the Italian Criminal Code);
- sale of industrial products with misleading signs (Article 517 of the Italian Criminal Code);
  - manufacture of and trade in goods made by usurping industrial property rights (Article 517-*ter* of the Italian Criminal Code);
  - counterfeiting of geographical indications or designations of origin of agri-food products (Article 517-*quater* of the Italian Criminal Code).
- f) corporate offences** (Article 25-*ter* of the Decree):
  - false corporate communications (Article 2621 of the Italian Civil Code);
  - false corporate communications of minor importance (Article 2621-*bis* of the Italian Civil Code);
  - false corporate communications by listed companies (Article 2622, paragraphs 1 and 3 of the Italian Civil Code);
  - impeded control (Article 2625, paragraph 2 of the Italian Civil Code);
  - undue restitution of contributions (Article 2626 of the Italian Civil Code);
  - illegal distribution of profits and reserves (Article 2627 of the Italian Civil Code);
  - unlawful transactions on shares or quotas of the company or its parent company (Article 2628 of the Italian Civil Code);
  - transactions to the detriment of creditors (Article 2629 of the Italian Civil Code);
  - fictitious capital formation (Article 2632 of the Italian Civil Code);
  - improper distribution of company assets by liquidators (Article 2633 of the Italian Civil Code);
  - unlawful influence on the assembly (Article 2636 of the Italian Civil Code);
  - market manipulation (Article 2637 of the Italian Civil Code);
  - failure to disclose a conflict of interest (Article 2629-*bis* of the Italian Civil Code);
  - obstructing the exercise of the functions of the Public Surveillance Authorities (Article 2638, paragraphs 1 and 2 of the Italian Civil Code);
  - corruption between private individuals (Article 2635 of the Italian Civil Code);
  - incitement to bribery amongst private individuals (Article 2635-*bis* of the Italian Civil Code);
- g) offences for the purposes of terrorism or subversion of the democratic order** (Article 25-*quater* of the Decree);
- h) practices of mutilation of female genital organs** (Article 25-*quater*.1 of the Decree, provided for in Article 583-*bis* of the Italian Criminal Code);
- i) offences against the individual** (Article 25-*quinquies* of the Decree):
  - reduction or maintenance in slavery (Article 600 of the Italian Criminal Code);



- trafficking in persons (Article 601 of the Italian Criminal Code);
  - alienation and purchase of slaves (Article 602 of the Italian Criminal Code);
  - child prostitution (Article 600-*bis*, paragraphs 1 and 2 of the Italian Criminal Code);
  - child pornography (Article 600-*ter* of the Italian Criminal Code);
  - virtual pornography (Article 600-*quater*<sup>1</sup> of the Italian Criminal Code)
  - tourist initiatives aimed at the exploitation of child prostitution (Article 600-*quinquies* of the Italian Criminal Code);
  - possession of pornographic material (Article 600-*quater* of the Italian Criminal Code);
  - illegal intermediation and exploitation of labour (Article 603-*bis* of the Italian Criminal Code);
  - solicitation of minors (Article 609-*undecies* of the Italian Criminal Code);
- j) **market abuse offences** (Article 25-*sexies* of the Decree) provided for in Articles 184 and 185 of Legislative Decree 58/1998, as subsequently supplemented and amended;
- k) **other market abuse cases** (Articles 14 and 15 of EU Reg. no. 596/2014, referred to in Article 187 of Legislative Decree no. 58/1998, as subsequently supplemented and amended);
- l) **culpable homicide or grievous or very grievous bodily harm, committed in breach of the rules on accident prevention and on the protection of occupational health and hygiene** (Articles 589 and 590, third paragraph of the Italian Criminal Code, referred to in Article 25-*septies* of the Decree);
- m) **receiving, laundering and using money, goods or benefits of unlawful origin, as well as money laundering** (Articles 648 to 648-*ter*<sup>1</sup> of the Italian Criminal Code referred to in Article 25-*octies* of the Decree);
- n) **offences relating to copyright infringement** (Article 25-*novies* of the Decree):
- offences concerning the protection of copyright and other rights related to its exercise (Articles 171, 171-*bis*, 171-*ter*, 171-*septies*, 171-*octies* of Law No. 633 dated 22 April 1941);
- o) **the crime of inducement not to make statements or to make false statements to the judicial authority** (Article 25-*decies* of the Decree provided for in Article 377-*bis* of the Italian Criminal Code);
- p) **environmental offences** (Article 25-*undecies* of the Decree):
- environmental pollution (Article 452-*bis* of the Italian Criminal Code);
  - environmental disaster (Article 452-*quater* of the Italian Criminal Code);
  - culpable offences against the environment (Article 452-*quinquies* of the Italian Criminal Code);
  - trafficking in and abandonment of highly radioactive material (Article 452-*sexies* of the Italian Criminal Code);
  - criminal association or Mafia-type association aimed at committing any of the offences provided for in Title VI-*bis* of the Italian Criminal Code. (Article 452-*octies* of the Italian Criminal Code);

- killing, destroying, capturing, taking or keeping specimens of protected wild animal or plant species (Article 727-*bis* of the Italian Criminal Code);
  - destruction or deterioration of habitats within a protected site (Article 733-*bis* of the Italian Criminal Code);
  - discharge of industrial waste water (Article 137, paragraphs 3 and 5, first sentence, paragraphs 2 and 5, second sentence, paragraphs 11 and 13 of Legislative Decree No. 152 dated 3 April 2006);
  - unauthorised waste management activities (Article 256, paragraph 1, sections a), b), paragraph 3, first and second sentences, paragraphs 5, 6, first sentence, of Legislative Decree no. 152 dated 3 April 2006);
  - failure to carry out remediation (Article 257 of Legislative Decree No. 152 dated 3 April 2006);
  - breach of the obligations to communicate, to keep compulsory registers and forms (Article 258, paragraph 4, second sentence, of Legislative Decree No. 152 dated 3 April 2006);
  - illegal trafficking in waste (Article 259, paragraph 1 of Legislative Decree No. 152 dated 3 April 2006);
  - activities organised for the illegal trafficking of waste (Article 452-*quaterdecies* of the Italian Criminal Code);
  - exceeding the emission limit values (Article 279, paragraph 5, of Legislative Decree No. 152 dated 3 April 2006);
  - offences relating to zootechnics and animal husbandry (Articles 1(1), 2(1) and (2), 3-*bis*(1) and 6(4) of Law No. 150 dated 7 February 1992);
  - use of stratospheric ozone-depleting and environmentally harmful substances (Articles 1 and 3(6) of Law No. 549 dated 28 December 1993);
  - malicious and culpable pollution caused by ships (Articles 9(1) and (2), 8(1) and (2) of Legislative Decree No. 202 dated 6 November 2007);
- q) employment of third-country nationals whose stay is irregular** (Article 25-*duodecies* of the Decree):
- Employment of workers without a residence permit (Article 22(12-*bis*) of Legislative Decree No. 286 dated 25 July 1998);
  - Article 12, paragraph 3, 3-*bis* and 3-*ter* of Legislative Decree 286/1998 (Consolidation Act on Immigration);
  - Article 12, paragraph 5 of Legislative Decree 286/1998 (Consolidation Act on Immigration);
- r) Racism and xenophobia** (Article 25-*terdecies* of the Decree)
- Propaganda and incitement to commit racial, ethnic and religious discrimination (Article 604-*bis* of the Italian Criminal Code);
- s) transnational offences** referred to in Article 10 of Law No. 146 dated 16 March 2006:
- criminal association (Article 416 of the Italian Criminal Code);
  - Mafia-type association, including foreigners (Article 416-*bis* of the Italian Criminal Code);

- criminal association for the purpose of smuggling foreign processed tobacco (Article 291-*quater*, Presidential Decree No. 43 dated 23 January 1973);
  - criminal conspiracy aimed at the illegal trafficking of narcotic or psychotropic substances (Article 74, Presidential Decree No. 309 dated 9 October 1990);
  - trafficking in migrants (Article 12, paragraphs 3, 3-*bis*, 3-*ter* and 5 of Legislative Decree No. 286 dated 25 July 1998);
  - inducement not to make statements or to make false statements to the judicial authorities (Article 377-*bis* of the Italian Criminal Code);
  - personal aiding and abetting (Article 378 of the Italian Criminal Code).
- t) Fraud in sporting competitions, unlawful gaming or betting and gambling by means of prohibited equipment** (Article 25-*quaterdecies* of the Decree):
- Crime of sporting fraud (Articles 1 and 4 of Law 401/1989).
- u) Tax offences** (Article 25-*quinquesdecies* of the Decree):
- fraudulent declaration through the use of invoices or other documents for non-existent transactions (Article 2 of Legislative Decree No. 74/2000);
  - fraudulent evasion of taxes (Article 11 of Legislative Decree No. 74/2000).

The inclusion of new predicate offences in the Decree or the enactment of legislation which, whilst not directly amending the Decree, makes it applicable to additional offences cannot be excluded in the future.

For a more analytical description of the types of offence currently included in the catalogue of "predicate offences", see Appendix 1 to this document.

### **1.3 Sanctions**

Article 9 of the Decree sets out the sanctions to be imposed on Entities in the interest of which the offence expressly provided for in the Decree has been committed or which have benefited from such commission, and identifies them as follows:

- financial penalty;
- disqualifying sanctions;
- confiscation of the price or profit of the offence;
- publication of the judgement.

The pecuniary sanction shall always apply and shall be calculated in instalments of no less than one hundred and no more than one thousand, the amount of which per instalment may vary between a minimum of approximately €258 and a maximum of approximately €1,549.

Disqualifying sanctions are:

- disqualification from exercising the activity;
- suspension or revocation of authorisations, licences or concessions functional to the commission of the offence;
- the prohibition of contracting with the public administration, except in order to obtain

the performance of a public service;

- exclusion from benefits, financing, contributions or subsidies and possible revocation of those already granted;
- a ban on advertising goods or services.

Specifically, notwithstanding the provisions of Article 25, paragraph 5 of the Decree, disqualification penalties shall apply for a period of no less than three months and no more than two years, in relation to the offences for which they are expressly provided for and when at least one of the following conditions applies:

- (a) in the case of an offence committed by persons in a senior position, when the Entity has derived a significant profit from the offence;
- (b) in the case of an offence committed by persons subject to the direction of others when the Entity has derived a significant profit from the offence and the commission of the offence was determined or facilitated by serious organisational deficiencies;
- (c) in the event of repeated offences.

#### **1.4 The Model as an exemption from administrative liability**

Articles 6 and 7 of the Decree provide that the Entity is not liable for the offence if it can prove that it has adopted and effectively implemented, before the offence was committed, an organisation, management and control model capable of preventing offences of the kind committed.

Pursuant to the Decree, the Model must meet the following requirements:

- (a) identify the activities in the context of which the offences provided for in the Decree may be committed (so-called "mapping" of risk activities);
- (b) provide for specific protocols aimed at planning the formation and implementation of the Entity's decisions in relation to the offences to be prevented;
- (c) identify ways of managing financial resources suitable for preventing the commission of said offences;
- (d) provide for information obligations as regards the body responsible for overseeing the operation of and compliance with the Model;
- (e) introduce a disciplinary system capable of sanctioning failure to comply with the measures specified in the Model.

Moreover, in accordance with Article 6, paragraph 2-*bis* of the Decree, the Model must provide for:

- a) on the part of senior persons, of those who are subject to the management or supervision of senior persons and of those who collaborate with the entity in any way, the obligation to submit, in order to protect the integrity of the entity, detailed reports of unlawful conduct, relevant under this decree, which, in good faith, on the basis of reasonable belief based on facts, they believe to have occurred, or of breaches of the organisation and management model of the entity of which they have become aware by virtue of their functions;
- b) alternative reporting channels, at least one of which must be suitable for guaranteeing, including by computerised means, the confidentiality of the identity of the reporter;
- c) appropriate measures to protect the identity of the reporter and to maintain the confidentiality of the information in any context subsequent to the report, to the extent that anonymity and confidentiality are enforceable by law;

- d) the prohibition of direct or indirect retaliatory or discriminatory acts against the whistleblower for reasons directly or indirectly linked to the report, notwithstanding the right of the persons entitled to protection if the whistleblower is found to have criminal or civil liability resulting from the falsehood of the statement;
- e) in the disciplinary system adopted pursuant to point e) above, sanctions against those who breach confidentiality obligations or engage in retaliatory or discriminatory acts against the whistleblower.

More specifically, in the event of an offence committed by persons in a senior position, the Entity is not liable if it proves that (i) the management body has adopted and effectively implemented, prior to the commission of the offence, an organisational and management model capable of preventing offences of the kind committed; (ii) the task of overseeing the operation of and compliance with the Model and of updating it has been entrusted to a body of the Entity with autonomous powers of initiative and control; (iii) the persons have committed the offence by fraudulently evading the Model and (iv) there has been no omission or insufficient oversight by the supervisory body.

If, on the other hand, the offence is committed by persons subject to the management or supervision of a senior person, the Entity is liable if the commission of the offence was made possible by failure to comply with the management and oversight obligations. Said non-compliance is, in any case, excluded if the Entity, before the offence was committed, had adopted and effectively implemented a Model capable of preventing offences of the kind committed.

It follows from the above rules that the adoption of the Model by the management body - i.e., by the Board of Directors vested with management powers - does not, however, constitute a sufficient measure for the Entity to be exempt from liability, given that it is rather necessary that the Model is also effective.

In order to be effective, the Model requires, pursuant to Article 7, paragraph 4 of the Decree:

- (a) a periodic check and possible amendment of the Model when significant breaches of the provisions are discovered or when changes occur in the organisation or activity of the Entity (updating of the Model);
- (b) a disciplinary system capable of sanctioning possible breaches of the Model.

As mentioned, exemption from liability follows, pursuant to aforementioned Article 6 of the Decree, from the adoption and effective implementation of the Model prior to the commission of the offence. However, it is important to note that, pursuant to Article 17 below, the adoption and implementation - after the commission of the offence and before the declaration of the opening of the first degree trial - of a Model capable of preventing offences of the kind committed and in which the organisational deficiencies which led to the offence have been eliminated, enables the Entity, if the further conditions set out in the aforementioned provision are met, not to be subject to disqualification penalties, notwithstanding, however, the application of financial penalties.

On the basis of the above, it appears that, whilst the Model adopted before the possible commission of an offence must be aimed at the general prevention of possible criminal conduct, the adoption of the Model "ex post" can only start from the ascertainment of the current inefficiency of the existing Model and the identification of the necessary remedies, which take into account in a critical manner the events of the Entity and the risk signals highlighted by it.

The Decree also provides that models may be adopted, guaranteeing the requirements set out in Articles 6 and 7 of the Decree, on the basis of codes of conduct drawn up by associations representing the Entities and communicated to the Ministry of Justice which, having consulted the competent Ministries, may, within 30 days, make observations on the suitability of the models to prevent offences.

Lastly, paragraph 4 of Article 6 of the Decree provides that, in small entities, the tasks assigned to the supervisory body may be carried out directly by the management body.

## SECTION II

### 2 ADOPTION OF THE MODEL BY GWC

#### 2.1 *The Company*

GWC is a public limited company incorporated on 25 February 2015. The Company specialises in the design, manufacture and marketing of valves of all kinds and ancillary products, as well as the sale of such products and the provision of services relating to said products. The Company operates on a global scale, through three production plants located in Italy, the United States of America and China.

The Company adopts the traditional administration and control model, which is adequate to pursue the objective of an appropriate balance of powers and a precise breakdown of functions. Pursuant to the Articles of Association, the Company's management power lies with the Board of Directors, which has appointed a Managing Director (who also holds the office of Chairman of the Board of Directors) to whom all the Company's functions report directly or indirectly, as shown in the Organisational Chart appended to this Model as Appendix 3.

#### 2.2 *GWC's reasons for adopting the Model*

In order to ensure conditions of fairness and transparency in the performance of its business, the Company has launched a project to analyse the regulations on the administrative liability of entities and to assess the impact of applying them to its business, with a view to adopting an organisation and management model that complies with the contents of the Decree.

The Company believes that the adoption of the Model, together with the issuance of a code of ethics (hereinafter, the "**Code of Ethics**") - regardless of the provisions of the Decree, which indicate the model itself as an optional and not mandatory element - may be a valid tool to raise awareness amongst the Company's employees and other stakeholders (customers, suppliers, collaborators in various capacities), so that they, in the performance of their activities, adopt conduct of integrity and transparency, such as to prevent the risk of commission of the offences referred to in the Decree.

#### 2.3 *Purpose of the Model*

By express legislative provision (Article 6, paragraph 3 of the Decree), organisational and management models may be adopted on the basis of codes of conduct drawn up by the associations representing the entities and notified to the Ministry of Justice.

GWC is an industrial company that is a member of Confindustria.

GWC's Model has been prepared and adopted on the basis of the Guidelines prepared and approved by Confindustria on 7 March 2002, updated in March 2014, as allowed by Article 6, paragraph 3, of the Decree.

In preparing its model, GWC has therefore expressly taken into account:

- the provisions of the Decree, the accompanying ministerial report and Ministerial Decree No. 201 dated 26 June 2003 setting out the regulations for implementing the Decree;
- the Guidelines prepared and approved by Confindustria, updated in March 2014;
- of the doctrine and case law developed to date.

Specifically, the GWC Model has been prepared on the basis of a structured and organic system of procedures and control activities which, essentially:

- (a) identify the **areas and processes of possible risk** in the company's activity, i.e., the activities in the context of which the possibility of commission of offences is deemed to be highest;
- (b) define an **internal regulatory system** aimed at planning the formation and implementation of the Company's decisions in relation to the risks/offences to be prevented by means of:
  - a Code of Ethics, which contains general principles to be observed;
  - formalised procedures, designed to regulate, in detail, the operating methods in sectors deemed to be at risk;
  - a system of delegation of functions and powers of attorney for the signing of corporate deeds that ensures a clear and transparent representation of the process of decision-making and implementation;
- (c) determine a **coherent organisational structure**, aimed at inspiring and controlling correct behaviour, ensuring a clear and organic allocation of tasks, applying an adequate level of segregation of duties and ensuring that the desired structures of the organisational structure are actually implemented;
- (d) identify the **processes for the management and control of financial resources** in the context of activities at risk;
- (e) assign, to the Supervisory Body, the task of **overseeing the operation of and compliance with the Model and of proposing its updating**.

Therefore, the Model aims to:

- (a) set up a **structured and organic system of prevention and control**, aimed at reducing the risk of commission of offences relating to the company's activities, with specific regard to preventing and combating any unlawful conduct;
- (b) determine, in all those who work for and on behalf of the Company in the areas of activity deemed to be at risk, the **awareness that**, in the event of breach of the provisions set out therein, they **may incur in an offence punishable** by penal and administrative **sanctions**, not only against themselves but also against the Company;
- (c) inform all those who work in any capacity for, on behalf of or in the interest of the Company that the breach of the provisions contained in the Model shall entail the **application of appropriate sanctions or the termination of the contractual relationship**;
- (d) reiterate that **GWC does not tolerate unlawful conduct** of any kind and for any purpose whatsoever, given that said conduct (even if the Company is apparently in a position to benefit from it) is in any case contrary to the ethical principles with which the Company intends to comply.

#### **2.4 Methodological approach and structure of the Model**

The Company, in view of its current operations and organisational structure, has followed a path of elaboration of the Model which can be summarised according to the following fundamental points:

- (a) **identification of areas at risk**, aimed at verifying in which company areas offences may be committed;

- (b) **setting up a control system** capable of reducing risks through the adoption of appropriate protocols;
- (c) **obligation** on the part of the company departments and, especially, those identified as being most "at risk", to **provide information to the Supervisory Body, both on a structured basis (periodical information in implementation of the Model itself)** and to report anomalies or atypical features found in the information available (in the latter case, the obligation is extended to all employees without following hierarchical lines).

#### *2.4.1 Identification of activities at risk and definition of protocols*

In order to comply with the provisions of the Decree - which, it should be recalled, provides that the Model must "*identify the activities within the scope of which offences may be committed*" (see Article 6, paragraph 2, section a) - the Company has carried out a thorough review of its activities, as well as of its organisational structures, in order to identify the corporate processes within which the offences set out in the Decree could be committed and, consequently, to identify the risks of commission of the offences detectable in the various areas of activity.

The Model has been developed in several phases, which have been developed by keeping in mind the fundamental principles of documentation and verifiability of the activities, so as to enable the understanding and reconstruction of all the project activities carried out, as well as compliance with the provisions of the Decree.

The Model was designed and implemented by an in-house working group with the support of external consultants.

The working group, chaired by Chief Executive Officer Paolo Antonio Palella and coordinated by Chief Financial Officer Nicola Rossi, made use of the non-permanent support of the Managers of the individual business areas and the advice of the Gianni, Origoni, Grippo, Cappelli & Partners law firm and the LG Advisory company.

#### *1 phase: collection and analysis of all essential documentation*

Firstly, a survey was carried out of the documentation useful for performing the analysis made available by the Company relating to:

- the presentation of the group;
- the organisational chart;
- service orders;
- proxies and powers of attorney;
- operational regulations and procedures;
- significant contracts;
- the reporting used;
- certifications and authorisations.



The aforementioned documentation was then examined in order to provide an information platform on the structure and operations of the Company, as well as the allocation of powers and responsibilities.

### II phase: identification of activities at risk

A detailed mapping of company operations was carried out, based on the Company's organisational structure and performed, also on site, through direct observation of the main company work phases and by means of interviews and survey questionnaires.

This activity has made it possible to highlight the corporate activities the performance of which could entail the risk of commission of the offences referred to in the Decree and, therefore, to be subject to analysis and monitoring.

Subsequently, a detailed analysis of each individual activity was carried out, specifically aimed at verifying the precise contents, the actual operating methods, the division of responsibilities, as well as the existence or non-existence of each of the cases of offence specified by the Decree.

On this point, therefore, the reference to the principles contained both in this Model and in the Code of Ethics, whereby company representatives and collaborators are bound to comply with the values of solidarity, protection of individual personality, correctness, morality and respect for the law, has been considered exhaustive.

The results of the phase in question - including the typological list of activities in the context of which a risk of commission of the offences provided for in the Decree has been identified or the conditions or instruments for the commission of such offences could be created - are analytically described in the "**Risk Assessment**" document set out in Appendix 4.

### III phase: organisational and procedural safeguards

Pursuant to the provisions of Article 6, paragraph 2 of the Decree, the Model must, *inter alia*, "*provide for specific protocols aimed at planning the formation and implementation of the entity's decisions in relation to the offences to be prevented*".

The aforementioned provision emphasises the need to establish - or improve, where they exist - appropriate mechanisms for documenting and verifying decisions, in order to make the various stages of each business process documented and verifiable.

It is therefore clear that the set of organisational structures, activities and operating rules applicable - on the instructions of the management - within the company must be prearranged for this specific purpose, with the aim of ensuring, with reasonable certainty, the achievement of the purposes falling within an adequate and efficient risk monitoring system, including that of incurring the sanctions provided for by the Decree.

GWC's management believes that the most relevant elements of this preventive control system are as follows:

- code of ethics;
- formalised organisational system;
- appropriate formalisation of company procedures;

- adequate provision of authorisation and signing powers, assigned on the basis of the functions covered in order to achieve adequate operational oversight without redundancies or overlapping of powers;
- efficient control and management systems;
- communication activities and staff training.

Therefore, the Company intends to base its Model on the following principles:

- verifiability, documentability, consistency and congruence of each operation;
- segregation of duties (no one person can manage all stages of a process independently);
- documentation of controls;
- introduction of an adequate system of sanctions for breaches of the rules and procedures set out in the Model;
- identification of a Supervisory Body characterised by autonomy and independence, professionalism and continuity of action.

The company procedures are therefore mainly designed to ensure, through the precise and formalised definition of the operational phases and sub-phases and the breakdown of the relevant competences on the basis of the principle of segregation, the highest degree of efficiency and transparency in the performance of all company activities in the context of which there is a risk of committing one or more of the offences covered by the Decree.

## **2.5 Target audience**

As explained above, the Model is addressed to all those who work for and on behalf of GWC and, specifically, those who carry out the activities identified as being at risk.

The provisions contained in the Model must therefore be complied with by the directors and statutory auditors, the managerial staff and the other employees, being appropriately trained and informed of the contents of the Model itself, according to the procedures specified below.

Compliance with the Model is also required by the provision of contractual clauses that oblige external collaborators, consultants and business partners to respect the principles contained in the Code of Ethics as well as the protocols specifically relating to the activity carried out, failing which GWC may withdraw from the contract or terminate it.

With respect to any partners with whom GWC has joint venture relationships, it is expected that the Company - before entering into stable contractual ties with third parties - shall carry out adequate due diligence.

## **2.6 Amendments and additions to the Model**

Pursuant to Article 6, paragraph 1, section a) of the Decree, the adoption of the Model, as well as subsequent amendments and additions, is the responsibility of the Company's Board of Directors.

On an annual basis, the Board of Directors shall - as part of its activity of verifying and assessing the adequacy of the control systems adopted and also at the instigation of the Supervisory Body - review the organisational and procedural controls implemented pursuant to this Model.

### 3 SUPERVISORY BODY

#### 3.1 Identification of the Supervisory Body

Pursuant to the Decree (Article 6, paragraph 1, section b), the task of overseeing the operation, effectiveness and compliance with the Model, as well as ensuring that it is updated, must be entrusted to a "*body within the entity*", endowed with autonomous powers of initiative and control (hereinafter, the "**Supervisory Body**" or, for brevity, the "**SB**").

The Supervisory Body has the task of overseeing, with autonomous powers of initiative and control:

- (a) the effectiveness and adequacy of the Model in relation to the company structure and its effective capacity to prevent the commission of the offences provided for in the Decree;
- (b) compliance with the provisions contained in the Model by the Recipients;
- (c) the advisability of updating the Model, where there is a need to adapt and/or supplement it in relation to changed company and/or regulatory conditions, in addition to being as a result of the possible discovery of breaches.

In the absence of specific indications in the Decree, each Entity shall be able to define the structure and composition of the aforementioned body on the basis of its own dimensional characteristics and governance rules, taking into account the need to achieve a fair balance between costs and benefits.

The members of the SB must have in-depth knowledge of the Company's activities and must be independent enough to ensure the credibility and authority of both the SB and its functions.

In light of the above, the Board of Directors of the Company considers the following features essential for the effective and efficient implementation of the Model:

- (a) autonomy and independence which are fundamental to ensure that the Supervisory Body is not directly involved in the management activities that are the subject of its control activity. Consequently, the Supervisory Body must be guaranteed hierarchical independence, which can also be achieved by being placed in a senior position in the company organisation. The Supervisory Body - precisely to guarantee its independence and the high level of its function - shall carry out periodic reporting directly to the Board of Directors. Furthermore, the members of the Supervisory Body and the qualifications of its members must be such as to ensure, both objectively and subjectively, the full autonomy of the relevant assessments and decisions;
- (b) professionalism, necessary for the performance of the functions assigned to it under the Decree and the Model;
- (c) continuity of action; to this end, the Supervisory Body must:
  - verify compliance with the Model on an ongoing basis, which presupposes the granting of the necessary powers of investigation;
  - verify the actual implementation of the Model and urge its constant updating;
  - be a constant point of reference for all the Company's staff and management, promoting, also in cooperation with the competent corporate functions, the dissemination of knowledge and understanding of the Model within the corporate context.

In view of the aforementioned characteristics, but also of the size of GWC, the Board of Directors is of the opinion that entrusting the tasks of the Supervisory Body to a monocratic body is the solution that sufficiently meets the purposes of the Decree and the features highlighted above, whilst taking into due account the need to strike a fair balance between costs and benefits.

The duties of the Supervisory Body are therefore assigned to a monocratic body and, specifically, to a professional external to the Company, particularly qualified and experienced in matters functional to the proper fulfilment of the task, such as legal, organisational, accounting, risk analysis and assessment.

The appointment of the member of the Supervisory Body is the responsibility of the Board of Directors; the person appointed as Supervisory Body remains in office for the entire duration of the relative mandate and may be re-elected.

Any revocation of the Supervisory Body, to be ordered exclusively for reasons connected with significant and serious breaches of the mandate conferred, shall be decided by the Board of Directors and shall be notified in advance to the supervisory body.

### **3.2 Grounds for ineligibility and/or disqualification**

The following constitute grounds for ineligibility as a member of the Supervisory Body:

- (a) conviction (or plea bargaining), even if not irrevocable, for having committed one of the offences provided for in the Decree;
- (b) the conviction, even if not irrevocable, to a punishment entailing the disqualification, even temporary, from holding public office or the temporary disqualification from holding management offices of legal entities and companies;
- (c) being subject to preventive measures ordered by the judicial authorities, notwithstanding the effects of rehabilitation.

The following constitute grounds for disqualification from the office of Supervisory Body:

- (a) the occurrence of a cause of ineligibility;
- (b) the occurrence of circumstances such as to seriously and justifiably undermine the independence or autonomy of judgement of the Supervisory Body;
- (c) serious breach - due to negligence or inexperience - of the duties entrusted to the Supervisory Body;
- (d) the application of disciplinary sanctions.

In order to guarantee the independence of the Supervisory Body, the person who takes on the role of Supervisory Body shall not, for the entire term of the appointment, also:

- (a) hold, directly or indirectly, economic relations with the Company, with its subsidiaries, with the executive directors, with the shareholder or group of shareholders controlling the Company, of a significance such as to condition the autonomy of judgement, also assessed in relation to the specific financial condition of the subject;
- (b) own, directly or indirectly, shareholdings of such a size as to entail control or significant influence over the Company;
- (c) be in a family relationship with executive directors of the Company or persons in the situations specified in the two previous points;

- (d) be, in any case, the bearer of interests in conflict, even potentially, with the Company such as to prejudice his/her independence of judgement.

For all other operational aspects, the Supervisory Body shall self-govern by means of a specific Regulation accompanied by any specific rules guaranteeing its best operation. The adoption of these rules shall be brought to the attention of the Board at its first meeting.

### **3.3 Functions and powers of the Supervisory Body**

The Supervisory Body carries out its functions in full autonomy, as it does not report to any other company department or to the Board of Directors, to which it does, however, report the results of its activities. The Supervisory Body, therefore, acts on the basis of the purposes assigned to it by the law and directs its concrete operations towards the pursuit of those purposes.

The Supervisory Body exercises its powers of initiative and control over all areas of the Company, including the Board of Directors and its members, as well as external collaborators and consultants.

In fulfilment of the tasks assigned to it by the Decree, the Supervisory Body is entrusted with the following activities:

- (a) verifying the efficiency and effectiveness of the Model also in terms of compliance between the operating methods adopted in practice and the standards of conduct and procedures formally provided for by the Model itself;
- (b) ensuring that the Model is constantly updated, formulating, where necessary, proposals to the management body for any updates and adjustments to be made by means of amendments and/or additions that may become necessary as a result of: i) significant breaches of the provisions of the Model; ii) significant changes to the internal structure of the Company and/or the way in which the business activities are carried out; (iii) regulatory changes;
- (c) detecting any behavioural deviations which may emerge from the analysis of information flows and reports to which the heads of the various departments are subject, as well as from their own verification activities carried out on sensitive processes;
- (d) promptly reporting, to the management body, for the appropriate measures, any ascertained breaches of the Model which may entail a liability for the Company;
- (e) promoting and defining initiatives for the dissemination of knowledge and understanding of the contents of the Decree and of the Model, as well as for the training of staff and raising their awareness of the principles contained in the Model;
- (f) setting up an effective internal communication system to enable the transmission of relevant information for the purposes of the Decree, guaranteeing the protection and confidentiality of the reporter;
- (g) periodically reporting, to the Board of Directors and the supervisory body, on the state of implementation and operation of the Model.

The task of the Supervisory Body to ensure that the Model is updated is carried out in the following activities:

- (a) monitoring the evolution of the relevant legislation;
- (b) taking appropriate measures to keep the mapping of risk areas up to date, in accordance with the methods and principles followed in adopting this Model;

- (c) overseeing the adequacy and updating of the protocols with respect to the requirements of crime prevention and verifying that each part that contributes to the implementation of the Model is and remains responsive and appropriate to the purposes of the Model as identified by the law;
- (d) assessing, in the event of actual commission of offences and significant breaches of the Model, the advisability of introducing amendments to the Model;
- (e) proposing amendments to the Model to the Board of Directors;
- (f) verifying the effectiveness and functionality of the amendments to the Model adopted by the Board of Directors;
- (g) overseeing the adequacy of the system of powers of attorney and proxies in order to ensure the constant effectiveness of the Model. The Supervisory Body shall therefore also carry out cross-checks to verify the actual correspondence between the activities actually carried out by the representatives and the powers conferred through the existing powers of attorney.

In order to ensure the full effectiveness of its action, the Supervisory Body has free access to any and all company documents relevant to the performance of the functions assigned to it under the Decree.

In carrying out its duties, the Supervisory Body may request information or address communications to the Board of Directors, the control body and the auditing firm, which may in turn request a meeting.

In carrying out its supervisory and control tasks, the Supervisory Body may make use of the support of other internal functions of the Company, as well as of external consultants of proven professionalism in cases in which this is necessary for the performance of verification and control activities, or for updating the Model.

The Supervisory Body is allocated an adequate annual budget, set out by resolution of the Board of Directors, so that it can carry out its duties in full autonomy, without limitations that may arise from insufficient financial resources.

In any case, the Supervisory Body may ask the Board of Directors for financial and logistical means in addition to the endowment fund, necessary to enable it to carry out its normal operations and to carry out analyses and investigations deemed necessary to verify the adequacy of the Model.

### **3.4 Reporting to corporate bodies**

In order to guarantee its full autonomy and independence in the performance of its functions, the Supervisory Body reports directly to the Company's Board of Directors and, in the ways specified below, to the control body.

Reporting to the aforementioned bodies, which are competent to convene the Shareholders' Meeting, is also the best guarantee of the ultimate control over directors' actions, which is entrusted to the shareholders by law and by the Articles of Association.

The Supervisory Body shall report to the Board at least every six months on the activities carried out, the reports received and any disciplinary sanctions imposed by the competent bodies, the necessary and/or appropriate corrective and improvement measures for the Model and their implementation.

The Supervisory Body also draws up a general report on its work and its management of expenditure which, at least once a year, is brought to the attention of the Board of Directors at the meeting in which the draft financial statements are approved, together with the audit plan planned

for the following year.

### **3.5 Information flows to the Supervisory Body**

#### **3.5.1 Reports by company representatives or third parties**

The Decree includes, amongst the requirements of suitability of the Model, the establishment of information obligations towards the Supervisory Body.

To this end, the Supervisory Body identifies, in general or on a specific basis, the information - necessary and/or appropriate for the purposes of verifying the adequacy of and compliance with the Model - which must be transmitted thereto, within the timeframe and in the manner defined by the Supervisory Body itself, by the Recipients of the Model.

In any case, the corporate bodies are required to report to the Supervisory Body any information relevant to compliance with and operation of the Model.

Staff, whether or not employees, must report any information relating to conduct constituting a breach of the provisions of the Model or relating to the commission of offences.

Specifically:

- (a) any reports relating to breach of the Model or in any case resulting from conduct not in line with the rules of conduct adopted by the Company must be collected;
- (b) the Supervisory Body shall assess the reports received and any consequent initiatives at its reasonable discretion and responsibility, hearing, if necessary, the author of the report and/or the person responsible for the alleged breach and justifying, in writing, any decision not to proceed with an internal investigation;
- (c) reports shall be in writing and not anonymous and shall concern any breach or suspected breach of the Model. The SB shall act by adopting appropriate measures to protect the identity of the person making the report and to maintain the confidentiality of the information in any context subsequent to the report, so as to guarantee the persons making the report against any form of retaliation, discrimination or penalisation, also ensuring the confidentiality of the identity of the person making the report for reasons associate, directly or indirectly, with the report, notwithstanding legal obligations and the protection of the rights of the Company or of persons wrongly accused and/or in bad faith;
- (d) in order to facilitate the flow of reports and information to the Supervisory Body, "dedicated" information channels shall be set up, at least one of which shall be suitable to guarantee, also by computerised means, the confidentiality of the identity of the reporting person.

In any case, each department manager is obliged to inform the Supervisory Body of any anomaly, atypical feature or breach of the Model that may be found during the checks carried out in the area or department under his/her responsibility.

All information, documentation and reports gathered in the performance of institutional duties must be filed and kept by the Supervisory Body, ensuring that the documents and information acquired are kept confidential.

It is expressly prohibited to adopt any act of retaliation or discrimination, be it direct or indirect, against whistleblowers for reasons directly or indirectly linked to the report, notwithstanding the provisions of the sanctions system (see point 5.) against those who make reports that turn out to be unfounded.

### 3.5.2 *Reporting obligations relating to official acts*

In addition to the reports referred to in the preceding paragraph, it is mandatory for information to be sent to the Supervisory Body concerning:

- (a) measures and/or news concerning the existence of criminal proceedings, even against unknown persons, relating to facts of interest to the Company;
- (b) measures and/or news concerning the existence of significant administrative proceedings or civil disputes relating to requests or initiatives by independent authorities, the financial administration, local administrations, contracts with the Public Administration, requests for and/or management of public funding;
- (c) requests for legal assistance made to the Company by staff in the event of criminal or civil proceedings against them;
- (d) reports drawn up by the heads of company departments as part of their control activities, from which facts may emerge that are relevant to compliance with the Model;
- (e) the system of delegated powers adopted by the Company and any amendments thereto.



## 4 TRAINING OF STAFF AND DISSEMINATION OF THE MODEL IN THE CORPORATE CONTEXT

### 4.1 Staff training and dissemination in the corporate context

The Supervisory Body shall ensure the proper training of staff on the application of the Model, overseeing compliance with the Code of Ethics and the correct application of the related protocols and organisational procedures. With particular reference to specific training on occupational safety, reference should be made to the special part of the Model relating to occupational safety prepared *ad hoc*, anticipating here that the Company considers training on this subject an essential component of the Model and that the performance of tasks that may affect occupational health and safety requires adequate expertise, to be verified and nurtured through the provision of education and training aimed at ensuring that all staff, at all levels, are aware of the importance of the compliance of their actions with the Model and the possible consequences of conduct that deviates from the rules set out by the Model. Each worker must receive sufficient and appropriate training with particular reference to his or her job and duties. This must take place when hiring or changing jobs or introducing new work equipment or new technologies, new substances, etc.

Specifically, as regards communication, the following are provided for:

- the posting on the notice board of an extract from the Model and all the information necessary for its understanding and implementation;
- the sending of a letter signed by the Managing Director to all staff, on the contents of the Decree and the information/training methods provided for within the Company;
- dissemination of the Model on the company Intranet and sending it by email to all employees;
- delivery of a hard copy of the Model and of the Code of Ethics to the members of the corporate bodies and to persons with functions of representation of the Company at the time of acceptance of the office conferred upon them;
- the delivery, to new employees, together with the documentation provided at the time of hiring, of an information "kit", also by email, containing the Model, with which they can be assured of the knowledge considered of primary importance.

As regards training, diversified interventions are provided for, depending on the target, with a view to personalising courses and meeting the needs of individual structures/resources. Therefore, as a general rule, general training modules and specific, targeted in-depth training modules are planned for each area considered to be at risk.

Specifically, the training plan provides for:

- basic training (also by means of e-learning) *enabling the timely and widespread dissemination of the contents common to all staff - reference legislation (Decree and underlying offences), the Model and its operation, the contents of the Code of Ethics - enriched by self-assessment and learning tests;*
- specific classroom interventions for persons working in departments in which the risk of unlawful conduct is higher, during which the specific Protocols are also described;
- in-depth modules in cases of regulatory updates.

Participation in the training sessions described above shall be formalised by requesting a signature of attendance and entering the names of those present in the SB database.

The provisions of this paragraph shall also apply *mutatis mutandi* to the contract staff employed by GWC from time to time.

#### **4.2 Information to external collaborators**

GWC also promotes knowledge of and compliance with the Model amongst its business partners, consultants, collaborators and suppliers. The latter shall therefore be provided with specific information on the principles, policies and procedures adopted by the Company on the basis of this Model, as well as the texts of the contractual clauses which, consistently with these principles, policies and procedures, shall be adopted by the Company.

## 5 PENALTY SYSTEM

### 5.1 *General principles*

A qualifying point in the construction of the Model is the provision of an adequate disciplinary system capable of sanctioning failure to comply with the measures indicated in the Model itself, including the related protocols and organisational procedures and in the Code of Ethics.

Specifically, sanctions shall apply to breaches of the Model committed by persons in a "senior management" position, insofar as they hold the functions of representation, administration and management of the Entity or one of its organisational units with financial and functional autonomy, or hold the power, even if only de facto, to manage or control the Entity; breaches of the Model committed by members of control bodies; breaches committed by persons subject to the direction or supervision of others or operating for and/or on behalf of the Company.

Said breaches, firstly, damage the relationship of trust established with the Entity and also constitute a breach of the worker's obligations of diligence and loyalty referred to in Articles 2104 and 2105 of the Italian Civil Code.

Therefore, given that the rules of conduct imposed by the Model and the Code of Ethics are assumed by the Company in full autonomy, regardless of the offence that any conduct may determine, the application of disciplinary sanctions is irrespective of the outcome of any criminal proceedings.

The penalty system described below is based on the Decree. Specifically, the following constitute a disciplinary offence:

- (a) breach of the rules of conduct contained in the Code of Ethics;
- (b) breach of the provisions contained in this Section II of the Model;
- (c) breach of the procedures and protocols formalised in Appendix 4 (Risk Assessment) of the Model;
- (d) breach of the obligations to provide information to the Supervisory Body;
- (e) obstruction of controls, unjustified obstruction of access to information and documentation by persons in charge of controlling procedures and the supervisory body, or other conduct likely to breach or circumvent the control systems provided for in the Model.

The Company shall always be entitled to claim compensation for damages resulting from the breach of the Model.

The new precepts shall be subject to the procedural guarantees set out in Law No. 300 dated 20/05/1970 ("**Workers' Statute**") and the specific provisions of the National Collective Bargaining Agreement ("**CCNL** for its acronym in Italian").

This disciplinary system is posted at the company's headquarters, in a place accessible to all, so as to ensure that the Recipients identified below are fully aware thereof.

Failure to comply with the provisions contained in the Decree and the application measures defined in the Model and the Code of Ethics also constitutes a valid reason for the termination of the contractual relationship with collaborators not subject to subordination ties, against whom the general remedies under civil law shall be applied.

Breach of the rules on occupational health and safety pursuant to Legislative Decree 81/2008 and in environmental matters constitute a disciplinary offence punishable by sanctions.

Failure to comply also with the provisions of Article 20 of Legislative Decree no. 81/2008 constitutes grounds for application of the sanctions provided for in the disciplinary system adopted by the Company.

Acts or omissions unambiguously aimed at breaching the principles set out in the Model shall be penalised, even if the action is not carried out or the event does not occur.

Specifically, each worker must take care of his own health and safety and that of the other persons present in the workplace, upon whom the effects of his/her actions or omissions fall, in accordance with his/her training and the instructions and means provided by the employer.

The type and extent of the sanction shall be determined in relation to:

- the intentionality of the conduct or the degree of negligence, incompetence or inexperience, also as regards the foreseeability of the event;
- the overall conduct of the person committing the disciplinary offence, with particular regard to the existence or otherwise of previous disciplinary proceedings against that person, within the limits allowed by law;
- the duties of the person committing the disciplinary offence;
- the functional position of the persons involved in the facts constituting the offence;
- other particular circumstances surrounding the disciplinary infringement.

Once the Supervisory Body has ascertained any breaches, it shall communicate them to the Managing Director for the initiation of the necessary actions.

## **5.2 Sanctions for employees**

The conduct of employees in breach of the individual rules of conduct set out in the Model and the Code of Ethics is defined as a disciplinary offence.

The sanctions that may be imposed upon said workers are those specified below, in compliance with the limits provided for in Article 7 of the Workers' Statute and the National Collective Bargaining Agreement.

### **A) Verbal reprimand**

The sanction of a verbal reprimand may be applied, by way of example, provided that it is committed for the first time and can only be qualified as culpable, for a breach of the procedures set out in the Model.

It should be noted that the above shall only apply if the breach is not such as to entail negative external effects that could compromise the effectiveness of the Model.

The culpable breach of the principles of the Code of Ethics and/or procedural rules set out in the Model or procedural errors, not having external relevance, due to the employee's negligence constitutes a relevant reason. By way of example but not limited thereto, an employee who, through negligence, neglects to accurately keep the supporting documentation required to reconstruct the Company's operations in the areas at risk of offence shall be punished with a verbal reprimand.

*B) Written reprimand*

This sanction shall be adopted in the event of repeated misconduct punishable by a verbal reprimand or for the following shortcomings:

- (a) culpable breach of the procedural rules set out in the Model or procedural errors, having external relevance, due to the employee's negligence: by way of example but not limited to, an employee who negligently fails to verify compliance with the Model and the relevant procedures commits a disciplinary offence punishable by a written reprimand;
- (b) delayed communication to the Supervisory Body of information due under the Model and relating to situations not particularly at risk.

Again, the extent of the breaches must be such that they do not undermine the effectiveness of the Model.

*C) Fine not exceeding 3 hours' pay*

This sanction is incurred by anyone who, by breaching one of the protocols and principles set out in the Model and in the Code of Ethics or by adopting, in the performance of activities in "sensitive" areas, conduct that does not comply with the requirements deriving from the aforementioned documents, exposes the company to a situation of risk of committing one of the offences to which the Decree applies.

*D) Suspension from work and pay for a period not exceeding 3 days*

This is taken in the event of repeated breaches of the preceding points or for the following shortcomings:

- (a) culpable and/or negligent behaviour which, due to the level of hierarchical or technical responsibility, or in the presence of aggravating circumstances, could undermine, even potentially, the effectiveness of the Model. By way of example, but not limited to:
  - (i) failure to comply with the procedures set out in the Model concerning a procedure;
  - (ii) adoption of improper, non-transparent, uncooperative or disrespectful conduct as regards the law and company procedures, in all activities aimed at preparing the financial statements and other company communications;
- (b) serious procedural breaches of the Model such as to expose the Company to liability towards third parties. For example:
  - omission or issue of false declarations concerning compliance with the Code of Ethics and the Model;
  - non-compliance with the provisions on signing powers and the delegation system;
  - failure to oversee the conduct of staff operating within their sphere of responsibility in order to verify their actions in the areas at risk of offence and, in any case, in the performance of activities instrumental to operational processes at risk of offence;
  - non-compliance with the provisions contained in the Code of Ethics.
- (c) any and all other non-compliance with contractual regulations or specific company provisions communicated to the employee.

*E) Dismissal due to significant breach of the employee's contractual obligations (dismissal with notice for justified reason)*

Dismissal for justified reason is the consequence of a significant breach of contract by the employee, i.e., reasons inherent in production activity, the organisation of work and its proper functioning.

The following are significant reasons:

- (a) repeated and negligent breaches, individually punishable by lighter penalties, not necessarily of a malicious nature, but nevertheless the expression of significant non-compliance on the part of the employee;
  - (b) adoption, in the performance of activities classified as being at risk under the Decree, of conduct which does not comply with the rules of the Model and which is unequivocally aimed at committing one or more of the offences provided for in the Decree;
  - (c) repeated failure to comply with the provisions contained in the Code of Ethics;
  - (d) failure to notify the Supervisory Body of relevant information or reports of unlawful conduct, relevant under the Decree, or of breaches of the Model, made with gross negligence to the Supervisory Body and which prove to be unfounded.
- F) Dismissal for such serious misconduct that the relationship cannot be continued, even temporarily (dismissal without notice for just cause)*

The prerequisite for the adoption of the measure in question is represented by any serious misconduct (either due to the wilfulness of the act, or its criminal or pecuniary consequences, or its recidivism) that irreparably damages the relationship of trust between the Company and the worker and does not allow, in any case, the continuation, even provisional, of the employment contract itself.

Therefore, just cause for dismissal shall include all non-negligent offences in relations with third parties, both insofar as they are directly liable to cause the Company to incur the liability referred to in the Decree and insofar as they clearly damage the relationship of trust between the Company and the employee.

It is clear that disciplinary dismissal for just cause shall be considered not only appropriate, but also necessary, in all events directly referred to by legislation on corporate criminal liability and, in any case, when breaches of the principles of conduct set out in the Code of Ethics are found to have been committed with malicious intent.

By way of example, the following may result in dismissal without notice:

- (a) wilful breach of externally relevant procedures and/or circumvention thereof;
- (b) fraudulent conduct unequivocally aimed at committing an offence included amongst the offences provided for in the Decree such as to undermine the relationship of trust with the employer;
- (c) breach and/or circumvention of the control system, carried out with malicious intent by removing, destroying or altering the documentation provided for by the procedure, or by preventing control or access to information and documentation to the persons in charge, including the SB;
- (d) lack of, incomplete or untrue documentation of the activities carried out with regard to the way in which acts and procedures are documented and kept, fraudulently aimed at preventing the transparency and verifiability thereof;
- (e) reports of unlawful conduct, relevant under the Decree, or breaches of the Model, made with malicious intent to the Supervisory Body and which prove to be unfounded.

### 5.3 Measures against managers

In the event of significant non-compliance by managers with the rules set out in the Model and the Code of Ethics or of conduct, during the performance of activities at risk pursuant to the Decree, that does not comply with the provisions of the Model, as well as - limited to senior management - negligence or inexperience in identifying and consequently eliminating breaches of the Model and, in the most serious cases, the commission of offences, the most appropriate measures shall be applied against those responsible, in accordance with the provisions of the National Collective Bargaining Agreement for Managers of Companies Manufacturing Goods and Services.

In assessing the most appropriate initiatives to be taken, the specific circumstances, conditions and methods in which the conduct in breach of the Model and/or the Code of Ethics occurred shall be taken into account: if, following said assessment, the bond of trust between the Company and the manager is irreparably damaged, dismissal shall be envisaged.

By way of example and without limitation, a breach punishable by dismissal is committed by a manager who:

- (a) commits repeated and serious breaches of the provisions of the Model and/or of the Code of Ethics;
- (b) fails to oversee the conduct of staff operating within his/her sphere of responsibility in order to verify their actions in the areas at risk of offence and, in any event, in the performance of activities instrumental to operational processes at risk of offence;
- (c) fails to promptly report any irregularities or anomalies relating to the correct implementation of the procedures set out in the Model of which he/she becomes aware, such as to compromise the effectiveness of the Model itself or to determine a potential or current danger for the Company of the imposition of sanctions under the Decree;
- (d) fails to promptly and fully report, to the Supervisory Body, any critical issues, relating to areas within the scope of application of the Model, which may have emerged following inspections, checks, communications, etc. of the competent authorities;
- (e) makes payments to public officials;
- (f) submits untrue declarations to national or Community public bodies in order to obtain public grants, contributions or soft loans;
- (g) uses sums received from national or EU public bodies by way of grants, contributions or loans for purposes other than those for which they were intended;
- (h) fails to draw up, in writing, the assignments given to external collaborators or signs them in breach of the delegations received;
- (i) makes a payment in cash *or in kind*;
- (j) makes untrue statements to national or EU public bodies for the purpose of obtaining grants, contributions or funding or, in the case of obtaining the latter, fails to issue an appropriate statement;
- (k) engages in improper, non-transparent, uncooperative or disrespectful conduct with respect to the law and company procedures, in all activities aimed at preparing the financial statements and other corporate communications.

The right of the Company to claim compensation for any greater damages suffered as a result of the manager's conduct shall remain unaffected.

If a manager is informed of a breach of the provisions and rules of conduct of the Model and of the Code of Ethics, the Supervisory Body shall inform the Company's Board of Directors so that it

can take the appropriate initiatives. The procedure shall be carried out by the competent company departments, which shall do so in accordance with the law and the contract.

Where the manager concerned holds a power of attorney with the power to represent the Company externally, the application of the more serious measure of a written warning shall also entail the automatic revocation of the power of attorney.

#### **5.4 Measures against directors**

Upon receiving notice of a significant failure by the directors to comply with the rules set out in the Model and/or the Code of Ethics or of conduct, during the performance of activities at risk under the Decree, which does not comply with the provisions of the Model, the Supervisory Body shall promptly inform the entire Board of Directors and the supervisory body, for the adoption of any appropriate initiative.

Serious non-compliance includes the failure to report, to the Supervisory Body, any breach of the rules set out in the Model of which the directors become aware, as well as the failure - due to negligence or inexperience - to identify and consequently eliminate breaches of the Model and, in the most serious cases, the commission of offences.

By way of example but not limited thereto, a director commits a breach relevant to this paragraph if he/she:

- (a) commits serious breaches of the provisions of the Model and of the Code of Ethics;
- (b) fails to promptly report any irregularities or anomalies relating to the correct implementation of the procedures set out in the Model of which he/she becomes aware, such as to compromise the effectiveness of the Company's Model or to determine a potential or current danger for the Company of the imposition of sanctions under the Decree;
- (c) does not promptly identify, including through negligence or inexperience, any breaches of the procedures set out in the Model and does not take steps to eliminate such breaches and the commission of offences resulting therefrom;
- (d) engage in conduct liable to constitute the types of offence provided for in the Decree;
- (e) engages in any situation of conflict of interest - even potential - as regards the Company or the Public Administration;
- (f) distributes gifts or presents to public officials outside the scope of the Code of Ethics or agrees other advantages of any kind (e.g., promises of employment);
- (g) performs services in favour of business partners that are not adequately justified in the context of the relationship established with them;
- (h) submits untrue declarations to national or Community public bodies in order to obtain public grants, contributions or soft loans;
- (i) uses sums received from national or Community public bodies by way of grants, contributions or loans for purposes other than those for which they were intended;
- (j) pay fees to external collaborators that are not adequately justified in relation to the type of task to be carried out and local practices;
- (k) does not strictly observe all the rules set out by law to protect the integrity and effectiveness of the share capital, or does not act in compliance with the internal company procedures based on said rules;
- (l) does not ensure the proper functioning of the Company and of the corporate bodies or does not guarantee or facilitate any form of control over the management of the Company



provided for by law, as well as the free and correct formation of the intention of the shareholders' meeting.

The Board of Directors shall carry out the necessary investigations and may, in accordance with the law and the Articles of Association and having consulted with the Board of Statutory Auditors, take the appropriate measures such as, for example, calling a Shareholders' Meeting to revoke the mandate, and/or a liability action pursuant to Article 2393 of the Italian Civil Code.

The right of the Company to claim compensation for the greater damages suffered as a result of the director's conduct shall remain unaffected.

#### **5.5 Measures against the supervisory body**

Upon receiving notice of breach of the provisions and rules of conduct of the Model by the control body, the Supervisory Body shall promptly inform the Board of Directors of what has happened, so that any appropriate action can be taken.

The Board of Directors shall carry out the necessary investigations and may, in accordance with the law and the Articles of Association, take the appropriate measures, such as, for example, calling a Shareholders' Meeting for revocation and corporate liability action pursuant to Article 2407 of the Italian Civil Code.

The right of the Company to claim compensation for greater damages suffered as a result of the conduct of the Board of Statutory Auditors shall remain unaffected.

#### **5.6 Measures against the Supervisory Body**

In cases in which the Supervisory Body: (i) due to negligence or inexperience, has failed to identify and consequently eliminate, breaches of the Model and, in the most serious cases, the commission of offences; or (ii) has breached the confidentiality obligations referred to in paragraph 3.5.1 above or has carried out acts of retaliation or discrimination against the whistleblower, the Board of Directors shall promptly inform the supervisory body.

The Board of Directors shall carry out the necessary investigations and may, in accordance with the law and the Articles of Association, take the appropriate measures, including revocation of the appointment for just cause, in agreement with the control body.

In any case, the right of the Company to claim compensation for greater damages suffered as a result of the conduct of the Supervisory Body shall remain unaffected.

#### **5.7 Measures to be implemented in relation to external collaborators of the Company**

Any behaviour adopted by collaborators, consultants or other third parties bound to the Company by a contractual relationship (other than an employment contract) that is in conflict with the lines of conduct identified by the Model and/or the Code of Ethics may result, in accordance with the provisions of the specific contractual clauses included in the letters of appointment or in the negotiated agreements, the termination of the contractual relationship.

This shall not affect the Company's right to claim compensation for greater damages suffered as a result of the conduct of the employee, consultant or third party, even if the contractual relationship is not terminated.

The Supervisory Body shall be responsible for monitoring the ongoing suitability of the contractual clauses drawn up for the purpose referred to in this paragraph, as well as for assessing the suitability of the initiatives taken by the relevant corporate function as regards the

aforementioned persons.

### **5.8 Body responsible for imposing disciplinary sanctions**

Following a report by the Supervisory Body of breaches of the Model, the Personnel Department, in concert with the heads of other departments, where necessary, shall open the disciplinary procedure and instruct it, according to the usual procedures already provided for by law.

The preliminary investigation phase, aimed at ascertaining the grounds for the breach on the basis of the findings of the activities of the SB is therefore conducted, in the time strictly necessary, by the specified corporate function.

If the breach proves to be unfounded, the bodies entrusted with the investigation, according to their respective competences, shall proceed to file a reasoned decision to be kept at the Company's headquarters and communicated to the Supervisory Body.

The dispute phase and the possible imposition of sanctions, in compliance with current legislation (Italian Civil Code, Workers' Statute and National Collective Bargaining Agreement), is conducted:

- ✓ by the Personnel Department as regards breaches committed by employees (i.e., blue collar workers, white collar workers, middle management and executives) and self-employed workers, external consultants and business partners;
- ✓ by the Board of Directors or the Shareholders' Meeting, as the case may be, for breaches committed by members of the Board of Directors or members of the Board of Statutory Auditors.

## **6 UUPDATING OF THE MODEL**

The Board of Directors is, according to the express provisions of the Decree, the body permanently responsible for the adoption and effective implementation of the Model. It is therefore up to the latter, also on the basis of the impetus and suggestions periodically formulated by the Supervisory Body, to assess the actual implementation of updating, integration or, in general, modification of the Model.

In any case, this updating activity shall be aimed primarily at ensuring the ongoing adequacy and suitability of the Model, assessed in relation to the preventive function of committing the offences specified in the Decree.

In accordance with the provisions of the Decree, the Supervisory Body has the task of verifying the need to update the Model, proposing to the Board any intervention deemed useful for the above purposes, where the Supervisory Body finds the need to adjust and/or supplement the Model in relation to changed business conditions (e.g., changes in the internal structure) and/or legislation, in addition to as a result of the detection of breaches and circumventions that have highlighted its ineffectiveness or inconsistency for the purposes of preventing offences.

Amendments, updates and additions to the Model must always be communicated to the Supervisory Body.