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ORGANISATION, MANAGEMENT AND CONTROL MODEL of Itema S.p.A.

***Adopted pursuant to Italian Legislative
Decree no. 231 of 8 June 2001***

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FOREWORD - HISTORY AND STRUCTURE OF THE GROUP

Itema Group (hereinafter also referred to as “**Group**” or “**Itema**”) is one of the world's leading producers and suppliers of weaving machines and complementary products for the weaving industry; it was originated from the merger of top players in the global textile industry, such as Somet, Valmatex and Sulzer Textile.

The current corporate structure has a long tradition behind it: it was born in 1967 with Somet Meccanica Tessile S.p.A., Company founded by Gianni Radici and partially owned by Radici, Pezzoli and Arizzi families, operating in the mechanical-textile sector, more specifically in the production of weaving machines.

During the 80s and 90s, the Company experienced a period of great development, and, through important partnerships and acquisitions, it progressively expanded, acquiring other companies and branches of companies that had been operating in the same sector for a long time, including one of the world's leading manufacturers of yarn finishing machinery.

The 2000s witness an internal reorganization of the Group and the opening of important subsidiaries in China – in 2002, and in India – in 2003.

In 2011, as a strategic decision, Itema is chosen to be the sole brand and new weaving machine models are launched on the market, which determine the Company's success in the years to come.

A new chapter in Itema's history opened in 2017, with the acquisition of a company operating in the production of accessories for the mechanotextile industry, an expansion that continued in the following years with new acquisitions in Italy, Europe and around the world, leading to the Group's current structure.

The current structure, as set in the corporate organizational chart, includes Italian and foreign companies, as fully described in the corporate financial statements.

1. GENERAL PRINCIPLES

As part of its broader corporate policy, sensitive to the need to ensure conditions of fairness and transparency in the conduct of business and corporate activities, and in order to protect the Company itself and its shareholders, Itema S.p.A. has deemed it appropriate to analyse and strengthen all the company control and governance tools currently adopted, proceeding with the implementation and regular updating of the Organisation, Management and Control Model provided for by Italian Legislative Decree 231/2001.

Among the decisions made by Itema S.p.A. in its capacity as parent company, the Model has been adopted as part of a series of procedures aimed at ensuring compliance with corporate strategies and

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achieving effective and efficient processes, safeguarding business quality and value, as well as ensuring reliable and full accounting and management information. This series of processes has allowed Itema S.p.A. to define organisational standards based on the principles of fairness and of sound management for the specific purpose of ensuring that all the actions taken by the representatives of the entire Itema Group, the further governance system defined with this Model, are legal.

2. PURPOSE OF THE MODEL

Itema has adopted this Model in order to:

- Reiterate that all unlawful conduct is unreservedly condemned by the Company, even if based on misunderstood company interests and even if there was no apparent advantage to be gained;
- Raise awareness among all those who work in the name and on behalf of Itema of the duty to comply with the provisions contained therein and with company regulations in general;
- Inform Recipients that violation of the provisions of the Model constitutes conduct liable to disciplinary action and that in the event of the committing of an offence pursuant to the Decree, in addition to the penal sanctions applicable to them personally, the Company itself may also be held liable, with the same subject to sanctions as a consequence;
- Enable the Company, through strict control and monitoring of the areas of risk and sensitive activities identified by this Model, and the implementation of dedicated tools, to intervene promptly to prevent or combat the committing of the offences identified.

3. STRUCTURE OF THE MODEL

This document is made up of a General Section and a Special Section.

The General Section sets out the contents of the Decree, specifying the types of offence that result in administrative liability for an organisation, the possible sanctions involved and the conditions for exemption from liability (Part One), and provides a description of the organisational structure of the Company and the activities carried out for the construction, communication and updating of the Model (Part Two).

The Special Section contains the protocols; a set of rules and principles of control and conduct deemed appropriate for governing the areas in which the company has identified a risk of the offences concerning administrative liability pursuant to Italian Legislative Decree no. 231/2001 being committed.

The rules contained in the Model integrate with those of the Group Code of Ethics.

In particular:

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- The Code of Ethics is an instrument adopted autonomously and subject to general application by the parent company Itema and the companies within the Group in order to set out the principles of “business ethics” that Itema Group recognises as its own and to which it requires its counterparts to adhere;
- The Model responds to specific provisions set out in the Decree, aimed at preventing the committing of offences that may entail the attribution of administrative liability to the Company.

4. RECIPIENTS OF THE MODEL

The rules contained in the Model apply to all company representatives involved in the activities of Itema considered to be at risk pursuant to the aforementioned regulations.

In particular, the Model applies to the following recipients (hereinafter referred to as “**Recipients**”):

- All the members of the Board of Directors;
- Managers (classified as such according to the applicable national collective bargaining contract);
- Employees (workers with employment contracts, including fixed-term contracts);
- Third parties.

All third parties functionally tied to the organisation must be bound to comply with the requirements of Italian Legislative Decree 231/2001 and of the principles of ethics and behaviour adopted by Itema through the Organisational Model and the Code of Ethics, and through the signing of dedicated contractual clauses that allow the Company, in the event of breach, to unilaterally terminate the contracts entered into and to claim compensation for any damages incurred (including the possible application of sanctions pursuant to the Decree).

The signing of said contractual clauses may also be evaluated with regards to other parties.

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GENERAL SECTION

1. PART ONE - ITALIAN LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001

1.1. ADMINISTRATIVE LIABILITY OF ENTITIES

1.1.1. THE LEGAL REGIME OF ADMINISTRATIVE LIABILITY OF LEGAL ENTITIES

Italian Legislative Decree No. 231 of 8 June 2001 saw the first ever instance of the introduction of administrative liability of legal entities, companies and associations, including those without legal status, to Italian law.

Italian Legislative Decree 231/2001 is the result of implementation of international obligations and, in aligning with the regulatory systems of many European countries, establishes the responsibility of *societas*, considered as *“an autonomous centre of interests and legal relations, a point of reference for precepts of various nature, and a framework of decisions and activities of persons operating in the name of, on behalf of or in any case in the interest of said organisation”*.

The institution of administrative liability of Entities stems from the consideration that unlawful conduct committed within organisations is often the consequence of top management decisions and that such criminal behaviour can only be effectively prevented by also penalising the organisation, in its role as an actual beneficiary of the offence.

With regards to the actual nature of liability pursuant to Italian Legislative Decree 231/2001, this appears to be a combination of both administrative and criminal liability. This form of liability, being the consequence of an offence and linked to the provisions of the criminal system, takes the form of an autonomous type of liability *“that combines the essential features of the criminal and administrative systems in an attempt to reconcile the rationale of preventive effectiveness with the even more inescapable provisions of criminal sanctions”*.

In particular, Italian Legislative Decree 231/2001 provides for a detailed system of sanctions ranging from the lightest financial penalties to the most serious forms of disqualification, including the “capital” penalty of disqualification from carrying out business.

The administrative sanctions provided for by the Decree may in fact be applied exclusively by the criminal judge, and only if all the objective and subjective requirements established by the legislator are met; the committing of an offence in the interests or to the advantage of the organisation by qualified persons (senior or subordinate).

Administrative liability of an organisation follows whenever the unlawful conduct has the exclusive intention of providing a benefit to the organisation or in cases where the entity derives an indirect *advantage* from the unlawful conduct.

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On the contrary, when the figure conducting the crime (or of a third party to said) gains *exclusive* advantage, this excludes the organisation from liability, as it is absolutely and manifestly extraneous to the offence committed. Interest is also to be understood objectively, emphasising the final result of the conduct, while advantage is characterised as a series of benefits, especially of a financial nature, deriving from the offence, and can be evaluated after the offence has been committed.

With regards to the subjects, the legislator, in art. 5 of Italian Legislative Decree 231/2001, deems the organisation to be responsible if the offence is committed:

- a) *“By persons who cover roles of representation, administration or direction of the Organisation or of one of its organisational units provided with financial and functional autonomy as well as by subjects who carry out the management and the control of the same”* (the so-called senior management);
- b) *“By persons charged with the management or governance of one of the subjects in point a)”* (so-called subordinates¹).

For the purposes of establishing the organisation’s liability, in addition to the existence of the requirements referred to that allow the offence to be objectively linked to the organisation, the legislator also requires the organisation’s culpability to be ascertained.

This subjective requirement is identified as *organisational liability*, understood as a violation of rules self-imposed by the organisation itself in order to prevent the specific offence. On the contrary, it is not necessary for the natural person who committed the offence to be identified or chargeable, nor for the offence to be extinguished for any reason other than amnesty; in such cases, the liability of the organisation remains unaffected, provided that the requirements of the regulation are met.

The responsibility of the organisation also extends to offences committed abroad, unless the State of the place in which the offence was committed prosecutes and in the presence of the particular conditions set out by Italian Legislative Decree 231/2001.

Italian Legislative Decree 231/2001 contains a provision, based on the principle of *universality* of jurisdiction, according to which administrative liability may be imposed on an organisation with its head offices in Italy for the committing of one of the offences provided for in the list of offences specified in 231, even if committed entirely abroad. In particular, administrative liability of an organisation arises in all cases where, for an alleged offence committed abroad, the natural person who committed said offence must also be punished pursuant to articles 7, 8, 9 and 10 of the Italian Criminal Code.

In order for an Italian judge to exercise their jurisdiction and apply the administrative sanctions

¹ Subordinates are understood to be employees or suppliers of services who, although not subordinate to the organisation, have a relationship with the latter such as to suggest the existence of an obligation of supervision on the part of the organisation’s top management; for example, agents, partners in joint-venture operations, semi-subordinate staff in general, distributors, suppliers, consultants and collaborators.

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provided for by the Decree against the organisation, in the case that an offence is committed abroad, the following specific conditions must be met:

1. The offence has been committed abroad (and committed entirely abroad) by a qualified person (either “senior management” or “subordinate”);
2. The organisation has its head offices in Italy (Articles 2196 and 2197 of the Italian Civil Code);
3. One of the conditions provided for in Articles 7², 8, 9 and 10 of the Italian Criminal Code has been met;
4. The State in which the act was committed does not prosecute the organisation;
5. In cases where the law provides for the offender to be punished at the request of the Minister of Justice, proceedings are brought against the organisation only if the request is also made against the latter.

The so-called transnational offences referred to in Italian Law no. 146/2006 are an exception to the aforementioned rules, since they have by nature an element of transnationality and are always prosecutable by the Italian judicial authorities.

It is stressed that for the distinction between head offices and branch offices, reference is made to the Italian Civil Code and the obligation to declare the head offices. If not formally indicated, the head office of the organisation will be considered as the location of the “centre of the administrative, managerial and organisational management of the enterprise” (the so-called effective headquarters as defined by art. 46 of the Italian Civil Code).

1.1.2. OFFENCES ENTAILING ADMINISTRATIVE LIABILITY OF THE ORGANISATION

The offences that may result in the administrative liability of the Company are exclusively those expressly indicated by the legislator in the Decree. Currently, the list of offences subject to the application of Italian Legislative Decree 231/2001 includes, in particular, the following:

- Offences against Public Administration and against assets belonging to Public Administration (Articles 24 and 25);
- Cybercrimes and unlawful processing of data (art. 24-bis);
- Offences related to organised crime (art. 24-ter);

² Pursuant to article 7 of the Italian Criminal Code (**Offences committed abroad**):

1. Any Italian or foreign citizen who commits any of the following offences on foreign soil shall be punished under Italian law:
 1. Crimes against the Italian State.
 2. Offences concerning the forgery of the Seal of Office of the State and the use of said counterfeit seal.
 3. Offences concerning the counterfeiting of currency that is legal tender in the territory of the State, or of revenue stamps or Italian public credit cards.
 4. Offences committed by civil servants of the State, abusing their powers or violating the duties inherent to their roles.
 5. Any other offence for which special legal provisions or international conventions establish the applicability of Italian criminal law.

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- The counterfeiting of currency, legal tender or revenue stamps and identification instruments or signs (art. 25-bis);
- Offences against industry and commerce (art. 25-bis.1);
- Corporate offences, including corruption between private individuals and incitement to corruption between private individuals (Art. 25-ter);
- Offences committed with the intent of terrorism or subversion of democratic order (art. 25-quater);
- Mutilation of female genitals (art. 25-quater.1);
- Crimes against the individual (art. 25-quinquies);
- Crimes and administrative offences of market abuse and manipulation (art. 25-sexies);
- Crimes of negligent homicide and negligently causing serious or very serious personal injury committed in violation of occupational health and safety regulations (art. 25-septies);
- Handling stolen goods, laundering and use of money, assets or benefits of illegal origin, as well as self-laundering (art. 25-octies);
- Offences relating to non-cash means of payment (art. 25-octies.1);
- Offences related to copyright infringement (art. 25-novies);
- Inciting the refusal to testify or to commit perjury in the judicial authorities (art. 25-decies);
- Environmental offences (art. 25-undecies);
- Employment of citizens from third countries whose stay is irregular (art. 25-duodecies);
- Racism and xenophobia (art. 25-terdecies);
- Fraud in sports competitions and abusive gambling or betting and gambling with the use of banned equipment (art. 25-quaterdecies);
- Tax offences (art. 25-quinquiesdecies);
- Smuggling (art. 25-sexiesdecies);
- Transnational crimes (Italian Law no. 146 of 16 March 2006).

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1.1.3. CORPORATE GROUPS AND LIABILITY PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

The phenomenon of corporate groups presents a number of important particularities with respect to the identification of administrative liability of entities.

Groups are, by nature, composed of individual and distinct entities, each with its own legal status, but are usually governed by a single strategic form of management related to the existence of a single common interest and determined by the organisation within the group that exercises power of administration and coordination by virtue of its shareholding or contractual obligations (i.e., the parent or holding company).

Group companies retain subjective and functional autonomy; therefore, irrespective of whether the parent company has adopted an organisational model, said companies will not be exempt from implementing activities for the prevention of crime.

In this regard, the concept of "group interest" has been developed, which implies the attribution of administrative liability to the parent company in the event that a group company commits an offence, thereby generating an advantage for itself and the parent company.

With regards to the liability of the Chief Executive Officer ("CEO") of a parent company for offences committed by a subsidiary, as well as the issue of wilful liability (for voluntarily causing the Board Members of a subsidiary to commit an offence - aiding and abetting - and for voluntarily acting as Board Member of the subsidiary), the existence of direct liability for the exercising of administrative powers with criminal intent has also been recognised.

With regards to multinational groups, a problem of interpretation also arises concerning offences committed abroad. The application of the head-office criterion to multinational groups means that - in the case that an Italian company operates in a foreign country through a company with a different company name and its own registered offices - any 231 - offences committed entirely abroad by said foreign company cannot result in the Italian (parent) company being held liable.

This assumption is valid in principle and if the Italian company only has a stake in the share capital of the foreign subsidiary.

In practice, however, both case law concerning corporate groups and the head-office criterion must be taken into account.

Therefore, it is necessary to assess situations on a case-by-case basis, as the allocation of responsibility depends on a number of factors.

1.1.4. CHANGES IN THE STATUS OF THE ORGANISATION

Italian Legislative Decree 231/2001 governs the cases of liability of the organisation in the event of changes such as **transformation**, **merger**, **demerger** and **transfer**.

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1.1.5. PENALTIES APPLICABLE TO THE ORGANISATION

The sanctions provided for by Italian Legislative Decree 231/2001 enforceable against a company as a consequence of the committing or attempted committing of the offences mentioned above are:

- Financial penalty, calculated in instalments defined in relation to the offence;
- Interdictory sanctions (also applicable as a precautionary measure) of a duration of no less than three months and no more than two years, which, in turn, may consist of:
 - interdiction from business activity;
 - suspension or revocation of authorisations, licences or concessions relating to the offence committed;
 - a ban on entering into contracts with public administration;
 - the exclusion from benefits, loans, contributions or subsidies and the eventual revocation of those already granted;
 - a ban on advertising goods or services.
- Confiscation of the proceeds of the offence (and precautionary seizure);
- Publication of the judgement (in the event that an interdictory sanction has been applied).

Interdictory sanctions are applied to the offences for which they are expressly provided and in the event that at least one of the following conditions is met: the organisation has gained significant profit from the committing of the offence and the offence was committed by persons in a top-management position or by subordinates when, in the latter case, the committing of the offence was due to or facilitated by serious organisational deficiencies; in the event of repeated offences.

The decree also provides for special cases in which sanctions are not applied or are to be applied in specific ways.

1.1.6. EXEMPTION FROM LIABILITY: THE ORGANISATION, MANAGEMENT AND CONTROL MODEL

Italian Legislative Decree 231/2001 provides for exemption from administrative liability in the event that the organisation has adopted an effective and efficient organisation and management model suitable for the prevention of offences such as the one committed. Adequate organisation is therefore the only instrument capable of denying the “liability” of the organisation and, consequently, of excluding the application of sanctions against the same.

Liability is excluded if the organisation can prove that:

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- a) Board of Directors adopted and efficiently implemented organisation and management models which are capable of preventing the offences specified in the decree before the offence in question was committed;
- b) The task of overseeing the functioning and the observance of models and responsibility for updating of the same has been delegated to a body that is vested with powers to act on its own initiative and to conduct audits;
- c) The offence was committed by persons who fraudulently evaded the organisation and management models;
- d) The body referred to in point b) had not failed to perform or had not inadequately performed its supervisory role.

The adoption of a Model in line with the risks to which the organisation is exposed constitutes the measure of diligence defined by the legislator and represents the first form of protection provided by the system implemented to control risk.

The mere adoption of the Model by the Board of Directors is not sufficient to exempt the organisation from liability, as it is necessary for the Model to also be *effective* and *efficient*.

In detail, the Decree deems a Model to be effective if:

1. It identifies the activities in relation to which offences may be committed (the “mapping” of activities at risk);
2. It provides specific protocols aimed at planning the formation and implementation of the organisation’s decisions in relation to offences to be prevented;
3. It identifies methods for the managing of financial resources that are suitable for preventing offences from being committed;
4. It sets out obligations for the provision of information to the Supervisory Board responsible for overseeing the functioning and observance of the models.

The *effectiveness* of the Model is related to its *effective implementation*, which, according to the Decree, requires:

5. The periodical verification and amendment of the Model when significant violations of the same are discovered or in the event of changes within the organisation or in its activities (updating of the Model);
6. A suitable disciplinary system for penalising failure to comply with the measures indicated in the Model;

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7. Adequate staff information and training initiatives.

The adoption of an Organisation, Management and Control Model is optional for organisations, although it allows them to benefit from exemption from liability and from reduced penalties.

1.1.6.1. EXEMPTION FROM ADMINISTRATIVE LIABILITY WITH REGARDS TO OCCUPATIONAL HEALTH AND SAFETY

In 2007, Article 25-septies was introduced into the Decree, thus providing for administrative liability for the offences of negligent homicide and negligently causing serious or very serious personal injury committed in violation of occupational health and safety regulations.

The proof that the offence was committed through fraudulent evasion of the safeguards set up by the organisation within its organisation is not applicable in this case, precisely because of the involuntary nature of the harmful event (death or serious or grievous bodily harm).

In such cases, the organisation will be obliged to prove that the negligent breach committed by its representative was committed despite the fact that an effective system had been put in place to monitor the application of the general and special rules aimed at avoiding the risk of the event occurring.

The essential and unifying element of the various and possible forms of liability in matters of safety is the failure to adopt all the safety and prevention measures that are technically possible and practically feasible within the organisation in light of experience and the most advanced technical and scientific knowledge.

Furthermore, the safety obligations of organisations must be considered not only as the adoption of preventative and safety measures, but also as the obligation to inform and train workers on the risks inherent in their work and on the appropriate measures to avoid risks or reduce them to a minimum.

Article 30 of Italian Legislative Decree 81/2008, expressly refers to Italian Legislative Decree 231/2001, providing, in particular, for the exclusion from administrative liability of any organisation that has adopted and effectively implemented a Model that ensures a corporate system aimed at fulfilling all the legal obligations regarding:

- Compliance with legal technical and structural standards regarding equipment, systems and workplaces, as well as chemical, physical, and biological agents;
- Risk assessment activities and preparation of subsequent prevention and protection measures;
- Organisational activities such as emergencies, first aid, management of tenders, periodic safety meetings, consultation with workers' safety representatives;
- Health monitoring activities;

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- Information and training activities for workers;
- Supervisory activities regarding workers' compliance with safe work procedures and instructions;
- The acquisition of legally required documentation and certification;
- Periodical audits on the application and effectiveness of the adopted procedures.

For all the activities listed above, the Model must provide for suitable systems for documenting implementation and, moreover, in accordance with the nature and size of the organisation and the type of activity carried out, an articulation of functions to ensure the technical competences and powers necessary for the verification, assessment, management and control of risks, also with a view to constant updating in order to ensure the continued suitability of the measures adopted over time.

Lastly, the aforementioned regulation requires that the Model provides for an appropriate control system regarding the implementation of the Model itself, as well as a disciplinary system suitable to sanction non-compliance with the measures indicated therein.

The organisational model must be reviewed and modified if necessary every time significant violations of occupational health and safety regulations are detected, or in the event of changes in the organisation and activity due to scientific and technological progress.

Paragraph 5 of Article 30 of Italian Legislative Decree 81/2008 states that upon initial application, company organisation models defined in accordance with the UNI-ISO guidelines for an occupational health and safety management system of 28 September 2001 or with the British Standard OHSAS 18001:2007 (replaced by ISO 45001:2018) are presumed to comply with the above requirements.

1.2. SOURCES FOR THE CONSTRUCTION OF THE MODEL: GUIDELINES FROM THE MAIN TRADE ASSOCIATIONS

By express legislative provision (art. 6, paragraph 3 of Italian Legislative Decree 231/2001), organisation and management models may be adopted on the basis of codes of conduct drawn up by the associations representing the organisations and communicated to the Ministry of Justice.

In addition to the provisions of the civil and criminal codes, the main legal instruments used to define and update the Model include the Guidelines drawn up by the industrial association Confindustria.

In 2021, Confindustria issued an updated version of its *"Guidelines for the construction of Organisation, Management and Control Models pursuant to Italian Legislative Decree 231/01"*, in which it provided, considerations and interpretations relating to legal issues (e.g. the exhaustiveness of the list of offences, the definition of interest and advantage of the organisation) as well as updated indications regarding the importance of integrated compliance.

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The Ministry of Justice approved these Guidelines, deeming the update to be *“on the whole adequate and suitable for achieving the purpose set out in Article 6 of the Decree”*.

In addition to Confindustria’s Guidelines, December 2018 saw the publication of the document *“Consolidated principles for the preparation of organisational models and the activities of the Supervisory Board and prospects for the revision of Italian Legislative Decree no. 231 of 8 June 2001”*, which offers a higher level of analysis than the Guidelines and principles issued on a case-by-case basis by each of the aforementioned organisations.

In preparing the Model, Itema expressly considered:

- The provisions of Italian Legislative Decree 231/2001, the accompanying ministerial report and Italian Ministerial Decree No. 201 of 26 June 2003 containing the implementing regulation of Italian Legislative Decree 231/2001;
- The most up-to-date version of the guidelines prepared by Confindustria;
- The document *“Consolidated principles for the preparation of organisational models and the activities of the Supervisory Board and prospects for the revision of Italian Legislative Decree no. 231 of 8 June 2001”* (prepared by CNDCEC, ABI, CNF and Confindustria);
- Doctrine and jurisprudence to date.

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2. PART TWO - THE CONTENT OF THE ITEMA S.P.A. MODEL

2.1. ADOPTION OF THE MODEL

2.1.1. THE ACTIVITY AND ORGANISATIONAL STRUCTURE OF ITEMA S.P.A.

The current structure of the Itema Group, consolidated in its corporate organisation chart, includes both Italian and foreign organisation, as fully described in the company financial statements.

It is the responsibility of the competent Company departments to promptly inform the Supervisory Board of any developments and/or changes within the company.

The Company is administered by a Board of Directors that carries out the operations necessary to implement the corporate purpose. The appointment of Board Members and the prior determination of their number and the limits of their powers is the responsibility of the Ordinary Shareholders' Meeting.

The Company employs corporate control bodies such as the Board of Statutory Auditors, Independent Auditors and the Internal Audit & Compliance department.

Lastly, it is the task of each Function Manager to provide suitable instructions and guidelines:

- On the conduct to be adopted by the personnel of the respective Company within the scope of the risk activities managed by said Function Manager;
- On compliance with and application of the Model's procedures and measures, providing the relative Supervisory Board with any updates;
- On the preservation of documents relating to Areas at Risk.

The Function Manager is:

- The representative responsible for managing relations with third parties within the framework of the procedures to be carried out;
- Fully aware of the fulfilments to be carried out and the obligations to be observed in the performance of the operations falling within the Area of Activities at Risk for which they are responsible, being familiar with the measures and procedures of the Model.

2.1.2. THE GUIDING PRINCIPLES OF THE MODEL

This Model has been prepared in compliance with the particularities of the Company's activity and its organisational structure, as well as the specific tools already existing in Itema and aimed at planning the forming and implementation of corporate decisions and carrying out controls on corporate activities, in

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particular the following:

- *Governance* tools;
- Internal Control System.

2.1.2.1. GOVERNANCE INSTRUMENTS

Itma's Model takes into account the Company's organisational governance tools that guarantee the functioning of the same and that can be summarised as follows:

- The articles of association, a fundamental document on which the corporate governance system is based. It defines the company's purpose, registered offices, corporate purpose, duration, share capital, and the powers and responsibilities of senior management;
- Company documentation describing the structure, work processes, tasks and responsibilities of organisational units. The main corporate organisational documents are:
 - the system of powers and delegations granted;
 - the resolutions of the Board of Directors;
 - internal documents governing the structure of responsibilities and describing the company organisational chart.
- The Code of Ethics, which consists of a set of principles and values that all internal and external parties who have a direct or indirect relationship with the Company must respect;
- The set of internal procedures, consisting of procedures, operating instructions and internal communications aimed at clearly and effectively governing the relative Company processes;
- Other detailed tools.

The rules, procedures and principles contained in the documents listed above, although not set out in detail in this Model, constitute an essential tool for guarding against unlawful conduct in general, including the offences referred to in Italian Legislative Decree no. 231/2001, which is part of the broader system of organisation, management and control that the Model intends to implement and that all recipients are required to comply with, in accordance with the type of relationship they have with the Company.

2.1.2.2. THE INTERNAL CONTROL SYSTEM

The current internal control system implemented by Itma is a structured and organic system of activities, procedures, rules of conduct, service information and organisational structures aimed at continuously monitoring the Company's risks, which covers the entire business activity and involves a

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range of subjects.

The main objectives of the Company's internal control system are to ensure the achievement of:

- Operational goals of the internal control system concerning the effectiveness and efficiency of the Company in deploying resources, protecting itself from losses and safeguarding corporate assets;
- Information goals: preparation of timely and reliable reports for decision-making within the organisation and in order to ensure reliable documentation for external publication, while ensuring the confidentiality of the company's information assets;
- Compliance goals: ensuring that all operations are conducted in compliance with laws and regulations, prudential requirements and relative internal procedures.

The control system involves every sector of the Company's activity through the separation of operational tasks and control tasks, avoiding any possible conflict of interest.

The following general principles form the foundation for this control system:

- All operations, transaction and actions must be verifiable, documented and coherent;
- No one person should be able to manage an entire process independently (segregation of duties);
- The control system must be able to document the completion of controls, including supervision.

The controls also involve the Board of Directors, within the scope of and in accordance with applicable laws, regulations and codes of conduct. The responsibility for the proper functioning of the Internal Control System lies with each organisational structure for all processes for which it has management responsibility.

The existing corporate control structure is based on international standards and an integrated approach to the internal control system, and is structured on three levels:

- **Level one:** defines and manages the so-called line controls inherent in operational processes; these are procedural, IT, behavioural, administrative-accounting and so-on controls carried out both by figures implementing a given activity and by those who are responsible for supervising said activity;
- **Level two:** oversees the risk assessment and control process, ensuring that it is consistent with the company's objectives, meeting organisational segregation criteria in a manner sufficient to allow effective monitoring;
- **Level three:** ensures the proper design and functioning of the Internal Control System as a

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whole. This activity is carried out by the *Audit&Compliance* function and the Supervisory Board through monitoring of the risks and the line controls in place.

The existing system of corporate governance and control contains elements that can also be used for the prevention of the offences covered by the Decree. In any case, the Board of Directors has decided to re-examine its organisation, management and control tools, in order to verify the correspondence of the behavioural principles and procedures already adopted to the purposes envisaged by the Decree as amended in recent years, adjusting them where necessary in order to render them compliant with the aforementioned purposes. This verification process will be repeated in the future in order to systematically monitor correspondence between the principles mentioned and the purposes of the Decree.

2.1.3. THE CONSTRUCTION OF THE MODEL

The decision taken by the Iteima Board of Directors to adopt a Model is part of the Company's broader business policy, which takes the form of actions and initiatives aimed at raising awareness among all recipients regarding the transparent and proper management of the Company, respect for the legal provisions in force and the fundamental principles of business ethics in the pursuit of the corporate purpose.

The process of preparing and updating the Model was developed in several stages, based on compliance with the principles of traceability and verifiability of the activities carried out.

The starting point was the assessment of the risk of the offences being committed in the course of carrying out the identified sensitive activities.

The mapping of these processes involved the precise identification of the possible conduct that may theoretically lead to the offences being committed.

The internal control system to monitor the identified risks was then assessed, and the Code of Ethics and specific **Protocols** were adopted for the governing of the risk profiles identified as a result of the mapping of corporate activities in accordance with the requirements of the Decree.

This was then followed by:

- Definition of the characteristics, roles and tasks of the **Supervisory Board** (paragraph 2.2) responsible for overseeing the actual application of the Model and its constant verification in terms of adequacy and effectiveness;
- Outlining of a **system of sanctions** (paragraph 2.4) for all forms of violation of the Model;
- Definition of the methods of **communication** of the Model and related staff training (paragraph 2.5);

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- Definition of the methods for **updating** the Model itself (paragraph 2.6).

2.1.3.1. MAPPING OF THE RISK ACTIVITIES

Itema's Model is based on the identification of a map of activities at risk, i.e., the activities within the scope of which offences may be committed, in accordance with the provisions of the Decree.

The mapping of activities at risk was carried out by assessing the specific operational areas and organisational structure of the Company, with reference to the risk of offences actually being committed.

Itema also deemed it necessary to take into account certain typical and support activities of the Group carried out by personnel of the Group's foreign companies that also have repercussions in Italy, as well as activities carried out abroad by personnel of the Italian parent company.

For preventive purposes, the following activities were taken into account:

- Activities carried out by employees of the Parent Company Itema S.p.A. abroad (during transfers or secondments to foreign countries);
- Activities carried out by Directors and Managers of Subsidiaries that have a functional relationship with the Parent Company;
- Activities carried out by Subsidiaries abroad as agents or business finders of Itema S.p.A.;
- Interference by the Parent Company in decision-making processes relating to the organisation and management of foreign subsidiaries;
- Activities carried out by employees and Directors and Managers of foreign companies that (also) operate in Italy, or that in any case have some form of connection with Italy.

The map was constructed through the following steps:

1. Collection and analysis of all relative documentation

Collection of related official documentation available within the Company in order to better understand the Company's activities and identify the corporate areas to be analysed.

2. Risk assessment

Prior identification of company processes, sub-processes and activities and then identification of the areas of risk, i.e., the company areas in which offences may be committed.

The results of this activity were formalised in specific documents called "Risk Assessment Matrices", which were then shared and approved by the resources interviewed and are at the disposal of the

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Supervisory Board for carrying out its assigned institutional role.

In particular, the following risk areas have been identified:

1. Procurement management for production and general goods and services;
2. Management of advisory and professional assignments;
3. Management of money and financial flows;
4. Accounts management and budget preparation;
5. Administrative management of warehouse and customs activities;
6. Sales management (looms);
7. Sales management (spare parts);
8. Management of relationships with agents and business finder;
9. Management of intellectual property;
10. Management of disputes and settlements agreements;
11. Selection, employment, and management of human resources;
12. Management of extraordinary transactions regarding assets and capital;
13. Management of intercompany relations;
14. Management of gifts and representation expenses;
15. Participation in and organisation of events and preparation of promotional material;
16. Management of information systems and ICT;
17. Management of health and safety regulations compliance;
18. Management of production, quality certification and compliance with the Directive on Machinery;
19. Management of environmental compliance;
20. Management of compliance and relations with Public Administration.

3. Gap Analysis

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Identification, for each area of risk, of the existing organisational, control and behavioural safeguards to protect against the specific offences referred to in the Decree, the assessment of their suitability in preventing the risks highlighted in the previous risk assessment phase, and consequently the improvement actions to be taken.

Analysis was therefore carried out, comparing the existing organisation (“*as is*”) and a reference model to be evaluated on the basis of the contents of the Decree, the indications of extensive case law and the guidelines issued by Confindustria (“*to be*”). This comparison identified areas for improvement in the existing internal control system that will be implemented in the Protocols and the set of procedures.

2.1.3.2. PROTOCOLS

Following the identification of activities at risk and on the basis of the existing control system, the Company drew up **specific Protocols**, in compliance with the requirements of the Decree, which contain a set of rules and principles of control and conduct deemed suitable to govern the identified risk profile.

For each area of risk that was not deemed sufficiently covered by the internal set of procedures, a protocol was created, inspired by the concept of rendering the various stages of the decision-making process documented and verifiable, allowing the motivation that led to the decision taken to be identified.

The following aspects are noted for each protocol:

- The purposes of the document;
- The area of application;
- The roles involved in the area of risk;
- Principles of conduct;
- Principles of control;
- Reporting to the Supervisory Board.

The control principles set out in the Protocols refer to:

- Authorisation levels;
- Functional segregation of authorisation, operational and control activities;
- Principles of conduct;
- Specific controls;

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- Formalisation;
- Traceability of the decision-making process and archiving of supporting documentation.

The definition of the Protocols is completed and supplemented with the Code of Ethics, to which the Company intends to align the management of its activities, also in relation to conduct that may correspond to the types of offence governed by Italian Legislative Decree no. 231/2001.

The Company undertakes to:

- Operate in compliance with the law and current regulations;
- Base relations with Public Administration on principles of ethics, transparency, correctness, legitimacy and integrity;
- Ensure that relations with customers, suppliers and contractors are constantly characterised by collaborative behaviour based on loyalty and helpfulness and aimed at avoiding conflict of interest.

Where deemed appropriate, internal procedures will be issued to implement the individual provisions in detail.

2.2. SUPERVISORY BOARD

2.2.1. CHARACTERISTICS OF THE SUPERVISORY BOARD

Exemption from liability also requires the mandatory establishing of a Supervisory Board within the organisation, endowed with both autonomous power of control (enabling it to constantly monitor operation of and compliance with the Model), and autonomous power of initiative, to ensure that the Model itself is up to date and is consequently effectively and efficiently implemented.

The **autonomous powers of initiative and control** granted to the Supervisory Board are respected if:

- The Supervisory Board is hierarchically independent of all corporate bodies and reports directly to the Board of Directors;
- Its members do not participate directly in supervisory decisions or activities for which a conflict of interest is identified;
- Is endowed with financial autonomy: the Supervisory Board is assigned an annual budget, established by resolution of the Board of Directors.

In addition to the **autonomy of powers**, the company has also resolved to comply with the requirements of **professionalism** and **continuity of action**.

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2.2.2. IDENTIFICATION OF THE SUPERVISORY BOARD

The practical establishment of the SB is left to the organisational initiative of the organisation, as always in accordance with the framework outlined in the Decree.

The Company has chosen to set up a collegial Board composed of a number of figures defined by the Board of Directors, one of whom is to act as chairperson, in order to ensure greater effectiveness of the controls assigned to the Supervisory Board by Decree 231/2001.

Each member of the Supervisory Board remains in office for a period not exceeding three years and may be re-elected at the end of each term.

Appointment as a member of the Supervisory Board is conditional on the presence of the subjective eligibility requirements, the continuing existence of which will be ascertained annually by the Board of Directors.

The Supervisory Board is required to be **independent, professional and honourable**.

The Decree also defines certain conditions that result in the disqualification of members of the Supervisory Board.

Each member of the Supervisory Board, both at the time of appointment and during the term of office, must maintain a professional and personal profile based on ethical conduct and free from influences that may compromise their independent judgement.

The appointment of the members of the Supervisory Board by the Board of Directors becomes effective only after each member has issued formal written acceptance of the appointment, confirming that they meet the relative requirements.

Each member of the Supervisory Board may renounce their role at any time, subject to written notice to be submitted to the Board of Directors and copied to the other members of the Supervisory Board.

In the event of the appointment of an internal member, the termination of their employment relationship constitutes grounds for disqualification from their role on the Board.

Members of the Supervisory Board may only be dismissed for reasons related to serious breaches of their mandate.

The revocation of the mandate must be decided by the Board of Directors of the Company by an act clearly specifying the reasons for the decision taken.

In the case of grounds for disqualification from office, the member of the Supervisory Board concerned must immediately inform the Board of Directors in writing as well as the other members of the Supervisory Board.

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Even in the absence of the aforementioned communication, each member of the Supervisory Board who becomes aware of the existence of cause for the disqualification of another member must promptly notify the Board of Directors in writing.

In the event of resignation, incapacity, death, revocation or disqualification of a member of the Supervisory Board, the Board of Directors shall appoint a replacement without delay.

In the event of resignation, incapacity, death, revocation or disqualification of the Chairperson, they shall be succeeded by the most senior member, who shall remain in office until the date on which the Board of Directors resolves to appoint a new Chairperson of the Supervisory Board.

During any period of vacancy due to the occurrence of one of the events outlined above, the surviving members of the Supervisory Board remain in office with the responsibility of requesting the Board of Directors to promptly replace the missing member.

2.2.3. THE DEFINITION OF THE TASKS AND POWERS OF THE SUPERVISORY BOARD

The Decree expressly states that the tasks of the SB are to supervise the functioning of and compliance with the Model, as well as to ensure that it is updated.

In carrying out its supervisory and control activities, and without requiring any prior authorisation, the Supervisory Board:

- Will have unhindered access to all structures and offices of the Company, freely acquiring all information, documents and data it deems relevant;
- May request access to data and information as well as the production of documents from members of the corporate bodies, the independent auditor, third parties and, in general, from all the recipients of the Model;
- May carry out periodical inspections concerning the various corporate functions, also with regards to specific transactions (including those in progress) carried out by the Company.

The Supervisory Board avails itself of the support of the corporate structures institutionally endowed with the technical human and operational skills and resources suitable to guarantee the ongoing carrying out of checks, analysis and other necessary tasks.

The Supervisory Board also has the power to delegate specific verification and control activities to the aforementioned corporate functions, the results of which must be reported back to the Board.

Lastly, with regard to occupational health and safety and environmental protection, the Board may also avail itself of the Environment/Quality/Safety Management System Managers and all the resources implemented for the management of the relative aspects (Employer, Health and Safety Officer and representative for the management of environmental matters) as well as additional resources

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envisaged by sector regulations and, in particular, by Italian Legislative Decree no. 81/2008 and Italian Legislative Decree no. 152/2006.

Whenever it deems it necessary, depending on the specific nature of the topics in question, the Supervisory Board may call on external consultants for specific competences that the Supervisory Board deems appropriate.

For all other aspects, in order to preserve its autonomy and impartiality, the Supervisory Board will self-regulate through the formalisation, within a regulatory framework, of a set of rules to ensure that it functions in the best possible manner. The Supervisory Board will forward a copy of the aforementioned regulation to the Board of Directors of the Company for information.

The Supervisory Board is provided with a special email address, to which any recipient of the Model may write to request clarification on the application of the Model itself and of the regulations referred to.

The email address for the Supervisory Board of Itema S.p.A. is: odv@itemagroup.it.

2.2.4. THE REPORTING ACTIVITY OF THE SUPERVISORY BOARD

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

The Supervisory Board submits an annual report to the Board of Directors on issues related to the administrative liability of entities and of interest to the Board of Directors.

Information regarding the activities carried out, the reports received, any disciplinary sanctions proposed, and suggestions regarding corrective measures to be taken to resolve any anomalies found that limit the effective capacity of the Model in preventing the committing of the offences referred to in the Decree, are all communicated in a written annual report submitted to the Board of Directors.

The Supervisory Board shall promptly report any serious anomalies in the functioning and observance of the Model or violations of its provisions to the Board of Directors or the Chairperson.

The Supervisory Board may be convened at any time by the Board of Directors or may, in turn, make a request - should it deem it appropriate or necessary - to address the Board of Directors or the Chairperson to report on particular events or situations relating to the operation of and compliance with the Model, soliciting, where appropriate, the intervention of the Board of Directors.

In order to guarantee the correct and effective flow of information, the Supervisory Board may also request clarification or information directly from the Chairperson and the persons with main operational responsibility.

The aforementioned meetings with the bodies to which the Supervisory Board reports must be

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minuted, and copies of the minutes must be kept by the Supervisory Board and the bodies involved on a case-by-case basis.

2.3. THE REPORTING SYSTEM PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

2.3.1. OBLIGATIONS TO INFORM THE SUPERVISORY BOARD

The Supervisory Board must be informed by the recipients of the Model of events that may give rise to liability pursuant to the Decree or that represent breaches of the provisions of the Model.

Any document reporting said circumstances must be forwarded to the Supervisory Board.

The Company Managers who have operational responsibility for each area of corporate activity in which a potential risk of offences being committed has arisen.

The Managers must be formally assigned the task of guaranteeing and applying the principles and rules of conduct defined in the Code of Ethics, in the remaining system of procedures and internal regulations, as well as in the Model and Protocols, and of assisting the Supervisory Board in performing the tasks and activities related to the responsibilities it has been assigned with.

An obligation to report to the Supervisory Board has therefore been established, which takes the form of information flows **pre-defined by the Model**. These flows are divided into:

- a) **Periodic information flows**, addressed to the Supervisory Board, with a defined frequency, by the Managers involved in activities at risk pursuant to Italian Legislative Decree no. 231/2001, which attest to the level of implementation of the Model, with a focus on compliance with internal procedures and regulations;
- b) **Event-driven information flows**, addressed to the Supervisory Board by all the recipients of the Model, upon the occurrence of a single event from which critical issues may emerge with respect to the application of the Model or the potential committing of Offences, as provided for in the Special Section Protocols.

These flows must indicate any information, data, news, report or document that the Special Section Protocols require to be forwarded to the Supervisory Board *without delay*, as well as any circumstance not expressly regulated, but which raises doubts, interpretations and/or applications or other aspects that impose exceptions to the application of the Protocols themselves.

In addition to the pre-defined information flows, the requirements to which the Model must respond also include the provision of *one or more channels* enabling the recipients of the Model to submit, *for the protection of the organisation's integrity*, detailed reports of unlawful conduct pursuant to Italian Legislative Decree no. 231/2001 and based on *precise and congruous facts*, or of violations of the Model of which they have become aware through their duties (known as **occasional reports**).

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Finally, **information flows on the request of the Supervisory Board** must be provided for, i.e., any information specifically requested by the Supervisory Board considered relevant for the purposes of supervision by the same of the efficiency, effectiveness and updating of the Company's Model.

Violation of the obligation to provide information constitutes a corporate offence, sanctioned in accordance with the disciplinary system set out in the Model, by law and by applicable contracts.

2.3.2. REPORTING CHANNELS AND GUARANTEE OF THE REPORTING PARTY'S RIGHT TO CONFIDENTIALITY

As prescribed by art. 6 paragraph 2-bis of Italian Legislative Decree 231/2001, all reporting channels guarantee the confidentiality of the identity of the reporting party in the handling of the report, from the moment the report is received onwards.

Reports must be made in writing and sent to the Supervisory Board through the following communication channels:

- An email address dedicated to the SB and accessible only by members (odv@itemagroup.it);
- An IT platform suitable for guaranteeing the confidentiality of the identity of the reporting party (preferable means), which the Company undertakes to communicate to all recipients;
- A physical address to which to send the report in a sealed envelope externally marked "confidential/personal": Itema S.p.A. - Supervisory Board, Via Cav. Gianni Radici 4, 24020 Colzate (BG), Italy.

Alternatively, the reporting party may request a hearing with the Supervisory Board, in order to present the report orally. This procedure requires a written record of the report.

In the exclusive case that the subject of the report is conduct by a member of the Supervisory Board, or by the entire Supervisory Board, the reporting party should directly address the company's Board of Directors. This procedure provides for the identification and appointment by the Board of a person responsible for handling the report.

The Supervisory Board, or the person responsible for handling the report, assesses the reports and information received and any consequent initiatives to be taken; receiving the author of the report and/or the person responsible for the alleged breach if necessary, justifying any decisions in writing and carrying out any checks and investigations it deems necessary.

The Supervisory Board, or the person responsible for handling the report, will also assess reports received anonymously, provided they are based on *precise and congruous facts*, while it will not consider and will immediately archive reports that are clearly irrelevant, insufficiently substantiated or with defamatory content.

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All reports and the attached documentation will be kept by the Supervisory Board, or by the person responsible for handling the report, in a special database (either digital or analogue) for the period deemed appropriate, in compliance with the regulations in force.

The Supervisory Board, or the person responsible for handling the report, will ensure that the documents and information acquired remain confidential, also in compliance with privacy legislation.

2.3.3. PROTECTING THE REPORTING PARTY

It is expressly forbidden by law to carry out retaliatory or discriminatory acts, either directly or indirectly, against the reporting party for reasons directly or indirectly connected with the report.

The SB, or any other person responsible for handling the report, must therefore guarantee that reporting parties are protected from any form of retaliation, discrimination or penalisation, and ensure the utmost confidentiality with regard to the identity of the reporting party and to any news, information or report, under penalty of specific sanctions, without prejudice to the requirements relating to the conducting of investigations in the event that the support of consultants external to the SB or other corporate structures is required.

The adoption of discriminatory measures against persons making the reports referred to in paragraph 2-bis of article 6 of Italian Legislative Decree no. 231/2001 may be reported to the National Labour Inspectorate, for measures within its power, not only by the reporting party but also by the trade union organisation indicated by the same.

Retaliatory or discriminatory dismissal of the reporting party will be considered as null and void.

Any change of role pursuant to article 2103 of the Italian Civil Code, as well as any other retaliatory or discriminatory measures taken against the reporting party will also be considered null and void.

In the event of disputes relating to the imposition of disciplinary sanctions, or to demotions, dismissals, transfers, or the subjecting of the reporting party to any other organisational measures with either direct or indirect negative effects on their working conditions, following the submitting of the report, the onus is on the employer to prove that such measures are based on reasons unrelated to the report itself.

2.4. DISCIPLINARY SYSTEM FOR VIOLATION OF THE MODEL

For the purposes of assessing the effectiveness and suitability of the Model in preventing the offences set out in Italian Legislative Decree no. 231/2001, it is opportune for the Model to identify, by way of example, and sanction conduct that may favour the committing of offences.

Moreover, in application of the provisions of art. 6, paragraph 2-bis, letter (d) of Italian Legislative Decree no. 231/ 2001, said disciplinary system must also provide for sanctions against *“anyone who breaches the measures adopted to protect the reporting party, as well as against anyone who makes*

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malicious or grossly negligent reports that prove to be unfounded”.

Even in the event that a certain form of conduct is not envisaged among those identified below, if said form of conduct is in breach of the Model, it may still be subject to sanctions.

2.4.1. FUNCTIONS OF THE DISCIPLINARY SYSTEM

In order to encourage those acting in the name or on behalf of Itema to operate in compliance with the Model, the Company has set up a specific disciplinary system, aimed at punishing all forms of behaviour that constitute violations of the Model, the Code of Ethics and the Protocols, through the application of specific sanctions deriving from the relationship between the provisions of labour law and the principles and requirements of the Model.

The disciplinary system is addressed to all persons who collaborate with Itema as employees, Board Members, self-employed workers, collaborators and third-party consultants operating on behalf of or within the Company and all those who have contractual relationships with the Company for the performance of any professional services.

If the Supervisory Board identifies a possible breach of the Model, the Code of Ethics or the Protocols, it will initiate disciplinary proceedings against the author of the potential breach, independently of any criminal proceedings carried out by the judicial authorities against said author, as well as in relation to any other possible action that may be appropriate or necessary (e.g. action for damages).

The actual liability arising from the violation of the Model and the imposition of the relevant sanctions shall be ascertained in compliance with current legal provisions, applicable collective bargaining regulations, internal procedures, provisions regarding privacy and in full observance of the fundamental rights to dignity and reputation of the persons involved.

Any application of disciplinary sanctions must be inspired by the principles of timeliness, immediacy and fairness.

2.4.2. RECIPIENTS OF THE DISCIPLINARY SYSTEM

The disciplinary system, as well as the Model, of which it is an integral part, is addressed to all Recipients, namely the members of the Board of Directors, Managers, employees, third parties and other parties.

2.4.3. THE SANCTION PROCEDURE

The disciplinary procedure for violations of the provisions of the Organisational Model or the Code of Ethics, in its essential elements, is the same for all the Itema Group Companies involved in the “231 System”, without prejudice to any mandatory provisions of locally applicable law.

Each procedure begins with the identification/reporting of an actual or alleged violation of the

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procedures and/or prescriptions set out in the Model.

The stages of the procedure are:

- The **Pre-investigation phase** aimed at verifying the existence of the violation. This phase is conducted by the individual Supervisory Board, within a maximum of 15 days from the discovery or reporting of the violation, unless there is an unforeseeable and documentable impediment. If the discovery/report proves to be manifestly unfounded, the Supervisory Board archives the report/detection complete with justification, which will be stated in periodical reports. In other cases, the Supervisory Board communicates the findings of the pre-investigation phase in a written report:
 - to the CEO and the Group HR Director of the Company for violations by employees, middle Managers, Managers and Directors;
 - to the Board of Directors in the case of violations by some members of the Board, or to the Board of Statutory Auditors in the case of violations by all Board Members;
 - in any case, on the occasion of the six-monthly report to the Board of Directors, and on the occasion of the annual report to the Shareholders' Meeting, the Supervisory Board will report on the investigations carried out in relation to the most significant violations and all those relating to alleged violations by Board Members and employees with power of attorney, regardless of the outcome of the subsequent sanction procedures.

The Supervisory Bodies to be set up within the Subsidiaries involved in the "231 System" will report to the Supervisory Board of the Parent Company with regards to the investigative activities carried out.

- **Investigation phase** aimed at verify the validity of the report on the basis of the findings of the Supervisory Board's activities. This phase shall be conducted within a maximum of 30 days unless there is an unforeseeable and documentable impediment:
 - by the Group HR Director and the CEO, for violations of workers, administration staff, management, executives;
 - by the Board of Directors, for violations of the Board Members;
 - by the Board of Statutory Auditors, for violations committed in agreement among all the Board Members.

Should the breach prove to be unfounded, the bodies in charge of the investigation shall proceed to dismiss the case through a justified ruling to be archived at the Company's head office.

In the case of an investigation against the Board Members, the measures taken (including archiving) must be presented to the shareholders' meeting.

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- **Disciplinary phase** and possible imposition of the sanction in compliance with the local regulations in force (for Itema S.p.A. Law 300/70 and the applicable national collective bargaining agreement), in accordance with the Disciplinary System and respective responsibilities, conducted by:
 - the Group HR Director for violations by employees, management, Managers;
 - the Shareholders' Meeting for violations by all members of the Board of Directors, as provided for in Section III of the Disciplinary System.

In the event that the establishment of violations is particularly problematic, the time limits set for the pre-investigation phase and the investigation phase may be extended until said phases have been concluded, notifying the persons involved.

2.4.4. SANCTIONS

2.4.4.1. MEASURES AGAINST NON-MANAGERIAL STAFF

Violations of the rules of conduct provided for in the Model and the Code of Ethics, as well as the principles of control set out in the Protocols, committed by employees constitute a breach of contract and may therefore entail the adoption of disciplinary sanctions, within the limits established by the collective bargaining agreement applicable to the employment relationship.

In particular, the National Collective Bargaining Agreement for Employees in the Engineering Sector (Title VII, arts. 8 onwards) provides for the application of the following disciplinary measures for breach of contract:

- a) Verbal warning
- b) Written warning
- c) Financial penalty
- d) Suspension
- e) Precautionary suspension
- f) Termination of contract

With reference to the possible sanctions, it is stressed that these will be adopted and applied in respect for the procedures set out by the National collective bargaining contract applied and in line with the relative internal procedure.

All the provisions of Article 7 of Law No. 300 of 20 May 1970 (the so-called Worker's Statute), recalled below, remain unaffected with regards both to the displaying of the disciplinary code and to the

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obligation of prior notice of charges to the employee, also in order to allow the latter to prepare appropriate defence and to provide justification.

In compliance with the provisions of the Worker's Statute, the type and entity of the sanction will be identified on the basis of the seriousness of the offence, whether it is repeated conduct, and/or the degree of guilt, in particular assessing:

- The intentionality and the circumstances, either mitigating or aggravating, of the overall conduct;
- The role and the level of hierarchical responsibility, and the autonomy of the employee;
- Any agreed sharing of responsibility with other employees in carrying out the violation;
- Any similar disciplinary precedents within the two-year period provided by law;
- The importance of the obligations violated;
- The consequences for the Company, the extent of the damage or risk in terms of consequences for the Company and its stakeholders.

The disciplinary sanctions provided for in **points (a) and (b)** are applicable to employees who, through negligence, violate the rules, principles and procedures provided for by the Model, the Code of Ethics and the Protocols, adopt conduct that does not comply with said rules, principles and procedures or is inadequate, but that is, in any case, such as not to undermine the effectiveness of the aforementioned documents.

The disciplinary sanctions referred to in **points (c) and (d)** are imposed on employees in the event of repeated violations referred to in the preceding points or in the event of wilful and/or negligent conduct on the part of employees working in areas at risk, which may even potentially undermine the effectiveness of the Model, the Code of Ethics and/or the Protocols.

Upon receiving notice of violation of the rules of conduct of the Model, the Code of Ethics and the Protocols by a non-managerial employee, the Supervisory Board informs the Board of Directors regarding the adoption of the appropriate initiatives.

The procedure will be assigned to the Group HR Director, which will proceed with imposing the sanctions in accordance with the law and the contract.

The Supervisory Board must be informed of disciplinary proceedings regarding violations of the model together with evidence of the sanctions applied or the dismissal of proceedings, together with the relative motivation.

It should be stressed that the disciplinary system also provides for sanctions against anyone who

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breaches the measures adopted to protect the reporting party and against anyone who makes malicious or grossly negligent reports that prove to be unfounded.

2.4.4.2. MEASURES AGAINST MANAGER

Compliance of Itema management with the provisions and procedures set forth in the Model, the Code of Ethics and the Protocols, as well as their fulfilment of the obligation to enforce compliance with the provisions of the aforementioned documents, are fundamental elements of their relationship with Itema.

With regards to relations with Managers and Directors, the Company has provided for the inclusion in the individual letters of contract of a specific clause providing for the application of sanctions in the event of conduct in conflict with the rules set out in Italian Legislative Decree no. 231/2001 and with the Model and the Code of Ethics adopted by the Company, and/or failure to supervise and coordinate activities carried out by the Function Manager.

Each Manager will receive a copy of the Model, the Code of Ethics and the Protocols and, if a Manager is found to have adopted conduct that does not comply with the provisions of the Model, or if it is proven that they have allowed employees lower than them in the hierarchy to engage in conduct constituting a violation of the Model, the Code of Ethics and the Protocols, the Company shall apply to the Manager the sanction it deems most appropriate, on the basis of the seriousness and/or repeated nature of the Manager's conduct and in any case on the basis of the provisions of the applicable National collective bargaining contract.

This is without prejudice to the right of the Company to claim compensation for any greater damage suffered as a result of the conduct of the Manager.

The Manager may also have any powers of attorney or proxies granted to them revoked.

The type and entity of the sanction will be identified on the basis of the seriousness of the offence, whether it is repeated conduct, and/or the degree of guilt or wilfulness, in particular assessing:

- The intentionality and the circumstances, either mitigating or aggravating, of the overall conduct;
- The role and the level of hierarchical responsibility, and the autonomy of the employee;
- Any agreed sharing of responsibility with other employees in carrying out the violation;
- Any similar disciplinary precedents over the previous two years as per law;
- The importance of the obligations violated;
- The consequences for the Company, the extent of the damage or risk in terms of

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consequences for the Company and its stakeholders.

This includes, for example, a serious breach of the obligation to inform the Supervisory Board of the committing of the relative offences, even if only attempted.

Upon receiving notice of violation of the rules of conduct of the Model, the Code of Ethics and the Protocols by a Manager, the Supervisory Board informs the Board of Directors regarding the adoption of the appropriate initiatives.

The procedure will be assigned to the Group HR Director, which will proceed with imposing the sanctions in accordance with the law and the contract.

The Supervisory Board must be informed of disciplinary proceedings regarding violations of the Model together with evidence of the sanctions applied or the dismissal of proceedings, together with the relative motivation.

2.4.4.3. MEASURES APPLIED TO BOARD MEMBERS

In the event of an ascertained violation of the Model, the Code of Ethics and the Protocols by one or more Board Members, the Board of Directors, upon notification of the breach by the Supervisory Board and pursuant to Article 2406 of the Italian Civil Code and in accordance with the applicable provisions of law, shall immediately or in any case promptly convene the Shareholders' Meeting to deliberate on the possible revocation of the mandate or the taking of action against the Board Members pursuant to art. 2393 of the Italian Civil Code.

Once it has examined the report, the Shareholders' Meeting will, if deemed appropriate, prepare a written complaint regarding the Board Member, and will communicate it to the person concerned and to the Supervisory Board.

At a subsequent meeting, in compliance with the most appropriate terms of defence, the Assembly will decide on the application and type of sanction, in accordance with the principle of proportionality, and will notify the person concerned and the Supervisory Board thereof.

For Board Members who violate the provisions of the Model and the measures to protect reporting parties pursuant to art. 6, paragraph 2-bis) of Italian Legislative Decree no. 231/2001, and who wilfully or with gross negligence make reports that prove to be unfounded, the disciplinary sanctions applied by the company are without prejudice to liability action and consequent claims for compensation for damages pursuant to the Italian Civil Code, with the application of the relative regulations.

2.4.4.4. MEASURES AGAINST STAFF WITH POWER OF ATTORNEY (PROXIES)

Compliance by senior figures with power of attorney (non-managerial) within Itema with the provisions and procedures set forth in the Model, the Code of Ethics and the Protocols, as well as their fulfilment of the obligation to enforce compliance with the provisions of the aforementioned documents, are

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fundamental elements of their relationship with Itema.

With regards to relations with proxies, Itema has provided for the inclusion in the individual letters of contract of a specific clause providing for the application of sanctions in the event of conduct in conflict with the rules set out in Italian Legislative Decree no. 231/2001 and with the Model and the Code of Ethics adopted by the Company, and/or failure to supervise and coordinate activities carried out by the Function Manager, and/or violation of measures for the protection of the reporting party pursuant to art. 6, paragraph 2-bis of Italian Legislative Decree no. 231/2001 and/or the making, wilfully or with gross negligence, of reports that prove to be unfounded.

Each proxy will receive a copy of the Model, the Code of Ethics and the Protocols and, in the event of the ascertained adoption by a proxy of conduct that does not comply with the provisions of the Model, the Company will apply the sanction it deems most appropriate to the person responsible on the basis of the seriousness and/or repeated nature of the proxy's conduct. In particular, the Board of Directors will consider all appropriate measures to be taken against the proxy, up to and including the revocation of office.

2.4.4.5. MEASURES AGAINST THIRD PARTIES AND OTHER PARTIES

In the pursuit of its objectives, Itema also makes use of parties outside the corporate structure ("Third Parties"). Contracts entered into with Third Parties must always respond to an effective requirement of the Companies within the Group, and external parties must be adequately selected according to objective criteria of quality, competence and professionalism, in accordance with established internal policies and procedures based on the principles of fairness and transparency.

The stages of stipulating contracts, payment of remuneration and verification of performance are carried out in strict compliance with company procedures and the policies referred to therein.

In any case, agency, distribution, brokerage, service provision and consultancy contracts will not be entered into or renewed with persons who have received a definitive conviction for one of the offences provided for by Italian Legislative Decree no. 231/01 or by Special Laws imposing administrative liability of legal entities.

To this end, said contracts will include a declaration by the contractor that they are not involved in legal proceedings relating to the criminal offences set out in Italian Legislative Decree no. 231/01 or in Special Laws imposing administrative liability of legal entities.

Any conduct by persons external to the Company that, in violation of the law, this Model, the Code of Ethics and the Protocols, is likely to entail the risk of committing one of the offences to which the Decree applies, shall, in accordance with the provisions of the specific contractual clauses included in letters of appointment, contracts or commercial agreements, lead to the early termination of the contractual relationship, without prejudice to the further right to compensation before the competent courts should said conduct result in tangible damage to the Company.

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The same early termination of the contractual relationship is provided for in the event of a breach of the measures for the protection of reporting parties pursuant to art. 6 paragraph 2-bis of Italian Legislative Decree no. 231/2001 and/or the making, wilfully or with gross negligence, of reports that prove to be unfounded.

Said conduct will be assessed by the Supervisory Board which, after hearing the opinion of the Manager of the Department/Function that requested the intervention of the Third Party and/or the Other Party, will promptly report to the CEO and, in the most serious cases, to the entire Board of Directors.

2.4.4.6. MEASURES AGAINST THE MEMBERS OF THE SUPERVISORY BOARD

Without prejudice to the provisions of paragraph 2.2.2, in the event of the ascertained adoption of a conduct by a member of the Supervisory Board that does not comply with the provisions of the Model, or of violation of measures for the protection of reporting parties pursuant to art. 6 paragraph 2-bis of Italian Legislative Decree no. 231/2001 and/or the making, wilfully or with gross negligence, of reports that prove to be unfounded, the Company will apply the sanction it deems most appropriate to the person responsible in accordance with the seriousness and/or repeated nature of the proxy's conduct. In particular, the Board of Directors will consider all appropriate measures to be taken against the proxy, up to and including the revocation of office.

2.5. DISTRIBUTION OF THE MODEL

The administrative liability regime provided for by the law and the adoption of the Organisation, Management and Control Model by Itema form a system that must be received in a coherent and effective manner, expressed through the operational conduct of the Recipients. In this respect, initial communication and training activities concerning the adoption of the Model, as well as specific communication related to each subsequent update of the document, are essential.

In this light, the Company has set out an internal communication, information and training plan targeted at all company employees but diversified according to the Recipients to whom it is addressed, the aim of which is to create widespread knowledge and a corporate culture appropriate to the issues in question, thus mitigating the risk of offences being committed.

The plan is managed by the competent company structures, in coordination with the Supervisory Board.

In terms of **communication** provision is made for:

- Initial communication on the initiative of the Board of Directors to the members of any corporate and supervisory bodies, and to the independent auditor and to employees;
- The communication of the Model and the Code of Ethics on the Company portal in a dedicated area;
- Communicating the Model and the Code of Ethics via alternative means on request by all

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figures who do not have access to the Company portal;

- Appropriate communication tools to be adopted to update the Recipients regarding any changes to the Model and/or the Code of Ethics and Protocols.

With regard to means of **information**, it is expected that:

- The members of the corporate bodies and persons with roles of representation of the Company receive information on where to find the Model and the Code of Ethics when accepting the office conferred on them, signing a declaration of compliance with the principles contained therein;
- Third Parties and Other Parties are provided, by proxies with institutional contact with the same, in accordance with opinion of the Supervisory Board, with specific information on the principles and policies adopted by Itema on the basis of this Model and of the Code of Ethics, as well as on the consequences that behaviour contrary to the legislation in force or to the ethical principles adopted may have with regard to contractual relations, in order to ensure that they are aware of Itema's requirement that their behaviour be compliant with the law, with particular reference to the provisions of Italian Legislative Decree no. 231/2001;
- On appointment, new employees receive a copy of the Model and the Code of Ethics or information on where to find said documentation, together with any other documentation required. The signing of a declaration confirms the delivery of the documents or information on where to find them.

Lastly, in terms of **training**, provision is made for a training programme with the aim of familiarising all Managers and employees with the contents of the Decree, the new Model and the Code of Ethics.

The training plan takes into account multiple variables, in particular:

- The target groups (the recipients of the actions, their organisational level and role);
- Content (the topics relevant to people's roles);
- Methods of delivery (classroom, e-learning).

The programme provides for:

- Basic training for all staff concerning the relative legislation (Italian Legislative Decree no. 231/2001 and offences), the Model and its function, the contents of the Code of Ethics, and also includes self-assessment and learning tests (the results of which are monitored by the Supervisory Board) and is repeated in the case of new employees;
- Specific in-class sessions for persons working in structures where the risk of unlawful conduct

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is higher, during which the specific Protocols are also illustrated;

- In-depth modules in the event of updates to regulations or internal procedures.

Training represents an essential element of the Model and adherence to it is to be considered binding and mandatory, to the extent that non-adherence to training programmes is to be considered a violation of the Model and consequently punishable.

2.6. UPDATING OF THE MODEL

The activity of updating the Model, both in terms of integration and modification, is aimed at guaranteeing that the Model is appropriate and suitable in terms of preventing the committing of Offences pursuant to Italian Legislative Decree no. 231/2001.

The adoption and effective implementation of the Model is, by express legislative provision, the responsibility of the Board of Directors.

Therefore, the Board of Directors is responsible for updating the Model, which is carried out directly by resolution or by delegation to one of its members and in the manner provided for the adoption of the Model.

Specifically, the Company grants the Board of Directors the power to adopt amendments and/or additions to the Model and its annexes, also on the basis of indications and proposals made by the Supervisory Board, that may become necessary as a result of:

- Significant violations of the requirements of the adopted Model;
- Changes in legislation entailing the extending of the administrative liability of entities to other types of offence that are seen to be at risk of being committed in the interests or to the advantage of the Company;
- Significant changes in the organisational structure, the system of powers and the operating methods for carrying out activities at risk and applying the controls protecting said activities.

In order to make any formal and non-substantial amendments to the Model that may become necessary over time, the Company's Board of Directors may, as part of its autonomy in making decisions, grant one of its members the power to make said amendments, with the obligation for the Member of the Board vested with said powers to formally notify the Member of the Board of any amendments made.