

DIEMMEBI SPA

Explanatory document for the

**ORGANISATIONAL AND MANAGEMENT MODEL  
AS PER ITALIAN LEGISLATIVE DECREE No. 231/2001**

GENERAL PART

Document revisions

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## 1. The regulatory framework of reference: Italian Legislative Decree no. 231 of 2001

### 1.1. Introduction

On 8 June 2001, Italian Legislative Decree no. 231 was issued *“Governing the administrative liability of legal persons, companies, and associations even without a legal status”* (hereinafter the “Decree”).

The Decree constitutes the implementation of the mandate to the Government provided for by article 11 of Italian Law no. 300 of 29 September 2000, a law which harmonised the Italian legal system with European Union and international law, ratifying and implementing various international conventions to which Italy had long since adhered, such as the Brussels Convention of 26 July 1995 on protecting the European Union’s financial interests, the Convention of 26 May 1997 on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union, and the OECD Convention of 17 December 1997 on combating bribery of foreign public officials in international business transactions.

The Decree introduced administrative liability into the Italian legal system (comparable to criminal liability from a practical standpoint) against entities, understood as any entity with a legal status, companies and associations even without a legal status (hereinafter “Entities”). Excluded from the Decree’s application, however, are the State, public regional bodies, non-economic public bodies, and those bodies which perform functions of constitutional importance such as, for example, political parties and trade union organisations.

The substantive innovation introduced by the Decree is represented by the fact that corporate liability is added to that of the natural person who materially committed the offence. This liability is, in fact, independent, with the consequence that the Entity may be declared liable even if the natural person who committed the offence cannot be charged or cannot be identified.

### 1.2. The pre-requisites for corporate liability

The applicable pre-requisites for corporate liability, which will be dealt with in more detail below, may be summarised as follows.

- a. For the principle of legality, corporate liability exists only in the commission of an offence among those provided for by the Decree itself (article 2).
- c. Liability exists only if the offence was committed by a party functionally tied to the Entity and in the interests and/or to the advantage of the same (article 5).
- d. The Entity’s failure to adopt or to implement an Organisational and Management Model (hereinafter the “Model”) suitable to prevent an offence of the type that occurred from being committed.
- e. Failure to give independent powers of initiative and control to a specific body within the Entity, known as the Supervisory Body, (or insufficient supervision by said body) and the non-fraudulent circumvention of the Model by senior management.

#### 1.2.1. The types of offences envisaged by the Decree and by subsequent amendments

In application of the principle of legality, as referred to in article 2 of the Decree, corporate liability does not derive from any offence being committed but solely from the commission of those offences provided for by the Decree itself - and by laws that refer to the regulation thereof - and deemed an offence at the time it was committed (so-called predicate offences, hereinafter, overall, “Offences”).

Since the Decree came into effect, the number of “predicate offences” of corporate liability has increased significantly through legislative intervention.

The application scope of the new provisions, originally limited to articles 24, 25 and 26 of the Decree, has been subsequently expanded by changes to the Decree itself through references to the Decree.

As a result of these progressive extensions, at the time the Model was adopted, the predicate offences envisaged by the Decree fall into the following categories:

- a. Offences against the Public Administration (articles 24 and 25);
- b. Computer crime and unlawful data processing (article 24 bis);

- c. Organised crime (article 24 ter);
- d. Counterfeiting coins, legal tender, duty stamps, and instruments or signs of recognition (article 25 bis);
- e. Offences against industry and trade (article 25 bis 1);
- f. Corporate crime (article 25 ter);
- g. Offences for terrorism purposes or to subvert the democratic order (article 25 quater);
- h. Female genital mutilation (article 25 quater 1);
- i. Offences against the individual personality (article 25 quinquies);
- j. Market abuse (article 25 sexies);
- k. Manslaughter or serious or grievous bodily harm, committed in breach of the rules on occupational health and safety (article 25 septies);
- l. Receiving, laundering and using money, goods or assets of unlawful origin, as well as self-laundering (article 25 octies);
- m. Offences relating to breach of copyright (article 25 novies);
- n. Inducement to refrain from making statements or to make false statements to the judicial authorities (article 25 decies);
- o. Transnational crimes (article 10 of Italian Law no. 146/2006);
- p. Environmental offences (article 25 undecies);
- q. Employment of illegally staying third-country nationals (article 25 duodecies);
- r. Racism and xenophobia (article 25 terdecies);
- s. Fraud in sporting competitions (article 25 quaterdecies).

In consideration of the typical activities performed in and by DIEMMEBI SPA, as per the analysis carried out in preparation of this Model, the offences whose commission is potentially verifiable and relevant are the following, limited to the cases listed for each category:

**1. Offences against the Public Administration** (articles 24 and 25 of the Decree) if committed to the detriment of the State or another public body:

- embezzlement against the State (article 316 bis of the Italian Penal Code);
- undue receipt of disbursements to the detriment of the State (article 316 ter of the Italian Penal Code);
- corruption in exercising a function (article 318 of the Italian Penal Code);
- corruption by an act contrary to official duties (article 319 of the Italian Penal Code, article 319 bis of the Italian Penal Code);
- corruption in judicial documents (article 319 ter of the Italian Penal Code);
- undue inducement to give or promise benefits (article 319 quater of the Italian Penal Code);
- corruption of a person charged with performing a public service (article 320 of the Italian Penal Code);
- penalties for the corrupting party (article 321 of the Italian Penal Code);
- incitement to corruption (article 322 of the Italian Penal Code);
- misappropriation, extortion, and incitement to corruption of members of a European Union body or officials of the European Union or a Foreign State (article 322 bis of the Italian Penal Code);
- trafficking in unlawful influence (article 346 bis of the Italian Penal Code);
- aggravated fraud to the detriment of the State or another public body (article 640, paragraph 2, no. 1 of the Italian Penal Code);
- aggravated fraud to obtain public funds (article 640 bis of the Italian Penal Code).

**2. Computer crime and unlawful data processing (article 24 bis of the Decree):**

- abusive access to an IT or telematic system (article 615 ter of the Italian Penal Code);
- unlawful possession and disclosure of access codes to IT or telematic systems (article 615 quater of the Italian Penal Code);
- dissemination of IT equipment or devices or IT programs aimed at damaging or interrupting an IT or telematic system (article 615 quinquies of the Italian Penal Code);
- IT documents (article 491-bis of the Italian Penal Code).

### **3. Offences against industry and trade (article 25 bis 1 of the Decree):**

- fraud against national industries (article 514 of the Italian Penal Code);
- fraud in exercising trade (article 515 of the Italian Penal Code);
- sales of industrial products with untrue signs or statements (article 517 of the Italian Penal Code);
- manufacture and marketing of goods made by usurping industrial property rights (article 517 ter of the Italian Penal Code).

### **4. Corporate crime (article 25 ter of the Decree):**

- false corporate communications (article 2621 of the Italian Civil Code);
- minor offences (article 2621 bis of the Italian Civil Code);
- obstruction of checks (article 2625 of the Italian Civil Code);
- undue return of contributions (article 2626 of the Italian Civil Code);
- unlawful distribution of profits or reserves (article 2627 of the Italian Civil Code);
- unlawful transactions involving Company shares or shareholdings, or those of the parent company (article 2628 of the Italian Civil Code);
- transactions prejudicial to creditors (article 2629 of the Italian Civil Code);
- fictitious capital arrangement (article 2632 of the Italian Civil Code);
- corruption between individuals (article 2635 of the Italian Civil Code);
- unlawful influence on the shareholders' meeting (article 2636 of the Italian Civil Code);
- market manipulation (article 2637 of the Italian Civil Code);
- instigation to corruption between individuals (article 2635 bis of the Italian Civil Code).

### **5. Offences against the individual personality (article 25 quinquies of the Decree):**

- reducing to or maintaining of slavery or servitude (article 600 of the Italian Penal Code);
- unlawful intermediation and exploitation of labour (article 603 bis of the Italian Penal Code).

### **6. Manslaughter or serious or grievous bodily harm, committed in breach of the rules on occupational health and safety (article 25 septies of the Decree):**

- manslaughter (article 589 of the Italian Penal Code);
- culpable personal injury (article 590, paragraph 3 of the Italian Penal Code).

### **7. Receiving, laundering and using money, goods or assets of unlawful origin, as well as self-laundering (article 25 octies of the Decree):**

- receiving stolen goods (article 648 of the Italian Penal Code);
- money laundering (article 648 bis of the Italian Penal Code);
- use of money, goods, or benefits of unlawful origin (article 648 ter of the Italian Penal Code);
- self-laundering (article 648 ter 1 of the Italian Penal Code).

### **8. Offences relating to breach of copyright (article 25 novies of the Decree):**

- making protected intellectual property, or part of it, available to the general public (article 171, paragraph 1, letter a-bis of Italian Law no. 633 of 22 April 1941);
- usurping authorship of work, or with deformation, mutilation, or another modification of the work itself, if the author's honour or reputation is damaged as a result (article 171, paragraph 3 of Italian Law no. 633 of 22 April 1941).

### **9. Inducement to refrain from making statements or to make false statements to the judicial authorities (article 25 decies of the Decree):**

- inducement to refrain from making statements or to make false statements to the judicial authorities (article 377 bis of the Italian Penal Code).

### **10. Environmental offences (article 25 undecies of the Decree):**

- environmental pollution (article 452-bis of the Italian Penal Code)

- environmental disaster (article 452-quater of the Italian Penal Code)
- culpable offences against the environment (article 452-quinquies of the Italian Penal Code)
- criminal sanctions (for discharges of industrial waste water without authorisation) (article 137 of Italian Legislative Decree no. 152 of 2006)
- unauthorised waste management activities (article 256 of Italian Legislative Decree no. 152 of 2006)
- site remediation (article 257 of Italian Legislative Decree no. 152 of 2006)
- breach of communication obligations, keeping mandatory records and forms (article 258 of Italian Legislative Decree no. 152 of 2006)
- unlawful trafficking of waste (article 259 of Italian Legislative Decree no. 152 of 2006)
- IT system for controlling the traceability of waste (article 260 bis of Italian Legislative Decree no. 152 of 2006)
- sanctions (article 279 of Italian Legislative Decree no. 152 of 2006)

#### **11. Employment of illegally staying third-country nationals (article 25 duodecies of the Decree):**

- use or employment of irregular workers (article 22, paragraph 12 of Italian Legislative Decree no. 286 of 25 July 1998).

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Finally, for the sake of completeness, the following offences - although applicable to the Company in the abstract - were not considered relevant, considering the typical activities carried out by the Company:

#### **12. Offences against the Public Administration (articles 24 and 25 of the Decree) if committed to the detriment of the State or another public body:**

- extortion (article 317 of the Italian Penal Code).

#### **13. Computer crime and unlawful data processing (article 24 bis of the Decree):**

- interception, obstruction, or interruption of IT or telematic communications (article 617 quarter of the Italian Penal Code);
- installation of equipment designed to intercept, obstruct, or interrupt IT or telematic communications (article 617 quinquies of the Italian Penal Code);
- damage to information, data or IT programs (article 635 bis of the Italian Penal Code);
- damage to information, data or IT programs used by the State or another public body or, in any case, of public utility (article 635 ter of the Italian Penal Code);
- damage to IT or telematic systems (article 635 quater of the Italian Penal Code);
- damage to IT or telematic systems of public utility (article 635 quinquies of the Italian Penal Code)
- computer fraud by the certifier of an electronic signature (article 640 quinquies of the Italian Penal Code).

#### **14. Organised crime (article 24 ter of the Decree):**

- Mafia-type associations, including foreign ones (article 416 bis of the Italian Penal Code);
- political-Mafia electoral exchange (article 416 ter of the Italian Penal Code).

#### **15. Counterfeiting coins, legal tender, duty stamps, and instruments or signs of recognition (article 25 bis of the Decree):**

- the non-complicit spending in and introducing into the State of counterfeit coins (article 455 of the Italian Penal Code);
- spending counterfeit coins received in good faith (article 457 of the Italian Penal Code);
- use of counterfeit or altered duty stamps (article 464 of the Italian Penal Code);
- counterfeiting, altering, or using distinctive marks of intellectual property or industrial products (article 473 of the Italian Penal Code);
- introduction into the State of, and the trade in, products with false marks (article 474 of the Italian Penal Code).

#### **16. Offences against industry and trade (article 25 bis 1 of the Decree):**

- disturbing the freedom of industry or trade (article 513 of the Italian Penal Code);
- unlawful competition with threats or violence (article 513 bis of the Italian Penal Code).

#### **17. Offence for terrorism purposes or to subvert the democratic process (article 25 quater of the Decree):**

- associations with the aim of terrorism, including international terrorism, or of subverting the democratic process (article 270 bis of the Italian Penal Code);
- assisting associates of such associations (article 270 ter of the Italian Penal Code);
- enrolment for terrorism purposes, including international terrorism (article 270 quater of the Italian Penal Code);
- offences committed in breach of article 2 of the International Convention for the Suppression of the Financing of Terrorism, signed in New York on 9 December 1999.

#### **18. Offences against the individual personality (article 25 quinquies of the Decree):**

- child pornography (article 600 ter);
- possession of pornographic material (article 600 ter);
- virtual pornography (article 600 quater 1);
- solicitation of minors (article 609 undecies).

#### **19. Transnational crimes (article 10 of Italian Law no. 146 of 16 March 2006):**

- inducement to refrain from making statements or to make false statements to the judicial authorities (article 377 bis of the Italian Penal Code);
- personal facilitation (article 378 of the Italian Penal Code);
- criminal association (article 416 of the Italian Penal Code);
- Mafia-type associations, including foreign ones (article 416 bis of the Italian Penal Code);

#### **20. Racism and xenophobia (article 25 terdecies of the Decree).**

#### **21. Environmental offences (article 25 undecies)**

- trafficking and abandonment of highly radioactive material (article 452-sexies of the Italian Penal Code);
- aggravating circumstances - aggravated hypotheses with reference to criminal association and Mafia-type association - (article 452-octies of the Italian Penal Code);
- organised activities for trafficking waste unlawfully (article 452 quaterdecies);
- killing, destruction, capture, collection, possession of species of protected wild animals or plants (article 727-bis of the Italian Penal Code);
- destruction of or deterioration to habitat within a protected site (article 733-bis of the Italian Penal Code);
- importation, exportation, possession, use for profit, purchase, sale, display or holding for sale or for commercial purposes of protected species (Italian Law no. 150/92, articles 1, 2, 3 bis, 6);
- malicious and negligent pollution (Italian Legislative Decree 202/07, articles 8 and 9)

1.2.2. The criteria for being charged with liability for the Entity and the Model's exemption function  
In the event that one of these offences is committed, the Entity may be held liable in the presence of certain conditions that qualify as criteria for charging the Entity.

The criteria for making a charge are objective and subjective.

As regards the objective criteria for making a charge, the liability envisaged by the Decree against the Entity exists when:

- a. the offence was committed by a party tied to the Entity through a qualified relationship and, namely, by:
  - a party who exercises the functions of representation, administration, or management over the Entity, or one of its organisational units, with financial and functional independence, or a party who exercises, even de facto, management and control over the same (so-called senior management);
  - a party subject to the direction or supervision of a member of senior management (so-called



subordinate party).

- b. the offence is committed in the interests or to the advantage of the Entity.

There is no corporate liability if the offence was committed in the exclusive interests of the author of the offence or a third party.

The interests of the Entity exist when the author of the offence acted with the intent to favour the Entity, regardless of whether this outcome was actually achieved.

The advantage exists when the Entity has obtained, or could have obtained, a positive, economic, or any other kind of outcome.

The interests and the advantage of the Entity are two alternate criteria; in order to establish corporate liability, just one of the two needs to have occurred.

The law does not require that the benefit obtained or hoped for by the Entity is necessarily economic in nature: liability exists, therefore, not only when the unlawful behaviour has resulted in a financial advantage but also in the event that, even in the absence of any such actual result, the offence was intended to favour the interests of the Entity.

Articles 6 and 7 of the Decree govern the subjective criteria for making a charge regarding corporate liability. The criteria vary depending on whether the offence was committed by a member of senior management or a subordinate party.

In the case of an offence committed by a member of senior management, article 6 of the Decree provides for a specific form exempting the Entity of any liability, if the same can demonstrate that:

- the Entity's governing body had adopted and effectively implemented, prior to the offence being committed, an organisational, management and control model suitable for preventing offences of the type that occurred;
- the task of supervising the operation of and the compliance with the organisational, management and control model, as well as handling updates to it, was entrusted to a body within the Entity equipped with independent powers of initiative and control (the Supervisory Body);
- there was no omission or inadequate supervision by the Supervisory Body;
- the party(ies) who committed the offence acted by fraudulently circumventing the measures envisaged by the model.

The conditions listed above must be jointly combined so that the Entity may be excluded from any liability.

In the event that these offences are committed by a subordinate party, article 7 of the Decree provides that the Entity will be held liable only in the case in which the offence was made possible through the failure to comply with management and supervisory obligations, a failure which is considered excluded if the Entity, prior to the offence being committed, had adopted and effectively implemented a Model suitable for preventing such an offence.

### **1.3. Offences committed outside Italy.**

Pursuant to article 4 of the Decree, the Entity may be held liable in Italy for offences committed outside Italy provided that:

- the Entity has its main offices in Italy;
- the general conditions for prosecution, provided for by articles 7, 8, 9, 10 of the Italian Penal Code, exist in order to be able to prosecute an offence in Italy which was committed outside Italy;
- the offence was committed outside Italy by a party functionally tied to the Entity;
- the country in which the offence was committed is not pursuing the case.

### **1.4. The sanctions**

If the Entity's liability is ascertained, the sanctions given by articles 9 and following of the Decree shall be applicable, namely:

- a. pecuniary sanctions;
- b. prohibitory sanctions;
- c. publication of the ruling;
- d. confiscation.

The judge will be responsible for ascertaining whether corporate liability exists and to what extent. As specified above, the Entity is also considered liable in the case in which the offence was attempted, regardless of the outcome; in this case, the pecuniary sanctions and prohibitory sanctions are reduced between one third and one half (article 26 of the Decree).

Pursuant to article 26 of the Decree, the Entity will not be held liable when it voluntarily prevents the act from being completed or the event from being performed.

#### 1.4.1. Pecuniary sanctions

Pecuniary sanctions are payments of a sum of money established by the Decree - no less than 10,329.14 euro (article 12, paragraph 4) and no greater than 1,549,000.00 euro - and determined by the judge through a two-phase evaluation system (the so-called "by quota" system).

Pecuniary sanctions are applied by quotas not less than 100 and not greater than 1,000; the quota amount is between a minimum value of 258.00 euro and a maximum of 1,549.00 euro.

#### 1.4.2. Prohibitory sanctions

Prohibitory sanctions consist of:

- a. prohibitions against performing a business or activity;
- b. suspending or revoking authorisations, licences, or concessions functional to committing the offence;
- c. prohibiting, either temporarily or definitively, contracting with the Public Administration, other than to obtain a public service;
- d. being excluded from concessions, financing, contributions, and subsidies and potentially revoking those already granted;
- e. prohibiting, either temporarily or definitively, publicising goods or services.

Prohibitory sanctions apply, including jointly, only in relation to those offences expressly provided for by the Decree.

The conditions under which the prohibitory sanctions apply are:

- the Entity has obtained a significant profit from the offence and the offence was committed by a member of senior management or by a subordinate party when, in the latter case, committing the offence was made possible, or facilitated, by serious organisational shortcomings;
- offences are repeated.

Despite the presence of one or both of the above conditions, prohibitory sanctions, however, do not apply if just one of the following situations exists:

- a. the author of the offence committed the same predominantly for his or her own benefit or interest or that of a third party and the Entity did not derive any advantage or benefit from it, or obtained a minimum advantage or benefit;
- b. the pecuniary damage brought about is particularly tenuous;
- c. prior to the opening statements in the first instance proceedings, all the following conditions are met, considered obstacles to the application of a prohibitory sanction:
  - the Entity has provided full compensation for the damage and has eliminated the harmful or dangerous consequences of the offence or has, in any case, effectively attempted to do so;
  - the Entity has eliminated the organisational shortcomings which made the offence possible by adopting and implementing a Model;
  - the Entity has made the profit available in order for it to be confiscated.

Prohibitory sanctions can also be applied on a precautionary basis, although never jointly (upon the Public Prosecutor's request to the judge) when the following conditions arise:

- serious indications strongly suggest that a condition of corporate liability exists;
- there are well-founded and specific elements which strongly suggest that there is a danger that other offences of the same nature as the one being considered might be committed.

In ordering the precautionary measures, the judge considers the specific suitability of each one in relation to the nature and the extent of the precautionary needs to be met in the specific case, of the necessary proportion between the measure applied, the extent of the offence, and the sanction that can be definitively applied to the Entity.

### 1.4.3. Publication of the ruling

The publication of the ruling consists of announcing the same once, as an extract or in full, as indicated by the court, at the Entity's expense, in one or more newspapers indicated in the ruling, as well as displaying the same in the Municipality in which the Entity has its main offices.

The publication of the ruling can be ordered when a prohibitory sanction is made against the Entity.

### 1.4.4. Confiscation

Confiscation consists of the compulsory acquisition by the State of the price of or the profit from the offence, except for that part which can be returned to the injured party and without prejudice to, in any case, rights held by third parties in good faith; when confiscation in kind is not possible, it may involve money, goods, or other assets or benefits of a value equivalent to the price of or the profit from the offence.

### 1.5. Precautionary measures

Pending criminal proceedings, upon the request of the Public Prosecutor, the judge may order the aforementioned prohibitory measures as a precautionary measure.

The condition for applying these precautionary measures is the existence of serious indications that strongly suggest corporate liability as well as elements which strongly suggest that there is a danger that further offences of the same nature as the one being considered might be committed.

As for precautionary measures concerning proceedings against a natural person, including those relating to entities, these too must possess the requirements of proportionality, suitability and adequacy (article 46): they must be proportionate to the extent of the offence and to the sanction that might be imposed, suitable given the nature and degree of the precautionary needs, and adequate for the real precautionary need for which the measure has been requested, since it cannot be satisfied by any other measure. The duration of the sanctioning measures imposed in a precautionary way (article 51) is set by the judge and cannot, in any case, be longer than one year.

If a ruling in the first instance proceedings has already been made, the duration of the precautionary measures can correspond to that of the ruling, without prejudice to the limit of three and a half years (article 51, paragraph 2).

The legislator provides for the hypothesis of suspending the precautionary measures as well as their revocation and replacement.

Even as a precautionary measure, it is possible that, in place of prohibitory sanctions, the Entity is placed under compulsory administration for the entire duration of the sanction that would have been applied.

### 1.6. Events modifying the Entity

The Decree governs the impact of the events affecting the Entity itself, such as the transformation, merger, de-merger, and sale of the Company, on the administrative liability resulting from the offence.

The Decree has attempted to reconcile the need to prevent the aforementioned operations from being finalised as a simple way of avoiding liability, with the need to exclude excessively penalising effects which could constitute a limit to reorganisation actions by Entities without any intent of evasion.

Therefore, as a general criterion, that of regulating the range of pecuniary sanctions imposed on the Entity which complies with the principles in the Italian Civil Code, with regard to the liability of the Entity subject to modification for the debts of the original entity, is adopted, maintaining, conversely, the connection of the prohibitory sanctions with the business branch in which the offence was committed.

In the case of:

- the Entity's transformation, liability for the offences committed prior to the date on which the transformation took effect remains unaltered;
- merger, the Entity emerging from the merger, even by incorporation, is liable for the offences for which the entities involved in the merger were liable;

- partial de-merger, the liability of the de-merged Entity for the offences committed prior to the date on which the de-merger took effect remains unaltered. The beneficiary Entities from the de-merger, whether partial or total, are jointly obliged to pay the pecuniary sanctions owed by the de-merged Entity for the offences committed prior to the date on which the de-merger took place. The obligation is limited to the effective value of the net equity transferred to the individual Entity, except in the case of an Entity to which the business branch, in which the offence was committed, is transferred;
- sale or transfer of the company in which the offence was committed, the transferee is jointly obliged to pay the pecuniary sanctions, except for the right to enforce prior payment by the transferring Entity, and within the limits of the value of the company. The transferee's obligation is limited to the pecuniary sanctions which result from the mandatory accounting records, or due as a result of administrative offences of which the transferee was aware.

## 1.7. Indications in the Decree regarding the Model's characteristics

The Decree does not analytically regulate the nature and characteristics of the Model, but restricts itself to setting certain general principles providing that - in relation to extending the delegated powers and the risk that an offence might be committed - the Models must have the following characteristics:

- to identify the company activities in which there is the possibility that offences might be committed;
- to provide for specific protocols aimed at scheduling the formation and implementation of the Entity's decisions in relation to the offences to be prevented;
- to identify ways of managing financial resources which can prevent offences from being committed;
- to ensure information obligations towards the Supervisory Body;
- to introduce a disciplinary system suitable for dealing with the failure to comply with the provisions established by the Model.

In addition, the Decree states that:

- the Model must provide for suitable measures to ensure that activities are performed in compliance with the law and to promptly identify situations of risk, bearing in mind the type of activity carried out as well as the nature and size of the organisation;
- the effective implementation of the Model requires:
  - a) periodic verification of and potential changes to the Model when significant breaches of the law are discovered or if the Company's organisation or the Company's activities undergo significant alterations;
  - b) a disciplinary system suitable for dealing with the failure to comply with the measures given in the Model.

From a formal point of view, the adoption and effective implementation of a Model does not constitute an obligation for Entities, but purely an option. Therefore, not adopting a Model pursuant to the Decree does not lead to, per se, any sanctions for the Entity. However, the adoption and effective implementation of a suitable Model constitutes a prerequisite for the Entity in order to be able to benefit from the exemption provided for by the Decree in the event that an offence is committed by a member of senior management and/or by a subordinate party.

The Model, therefore, constitutes the set of rules, principles, procedures, and controls that regulate the organisation and management of the Company with the aim of preventing offences from being committed. The Model varies and takes into account the nature and size of the Entity and the type of business that it operates. Therefore, it is not a static tool but, rather, a dynamic apparatus that allows an Entity to mitigate, through the proper and effective implementation of the apparatus over time, the risk of offences being committed.

## 1.8. The guidelines developed by trade associations

Pursuant to article 3 of the Decree, Models can be adopted on the basis of the codes of conduct prepared by trade associations representing the Entities.

In March 2002, Confindustria issued the guidelines for the construction of Models (hereinafter the "Guidelines") which provide associations and companies with methodological instructions on how to construct a model suitable for preventing offences from being committed and to act, therefore, as an

exemption from the liability and the sanctions provided for by the Decree.

The Guidelines were updated and definitively approved by the Ministry in June 2004 and subsequently updated in March 2008 and most recently in March 2014.

This Model has been prepared by taking the instructions contained in the Guidelines into account.

## 2. The Organisational and Management Model adopted by DIEMMEBI SPA

### 2.1. The Company

#### 2.1.1. A brief history of DIEMMEBI SPA

Diemmebi spa is an Italian company founded on 19.10.83. Originally based in the town of San Fior until the mid-1990s, it transferred to Colle Umberto and, since 2006, has been based in the current facility in the industrial zone of the town of Vittorio Veneto.

In 2006, with the transfer to the current , Diemmebi facility, the Company changed from an SRL (an Italian limited liability company) to an SPA (an Italian joint-stock company), whilst in July 2008 – after 25 years of business – the corporate structure was changed from 5 managing partners to the current 3.

Diemmebi began as a manufacturer of metal structures for furniture and, over the years, built up its expertise to reach today's production of finished elements and furniture, and in particular chairs and tables designed to furnish communities, urban spaces, and domestic environments.

In 1998, among the first in the sector, the Company gained ISO 9001 quality certification and since 2012 has been registered and supports the consortium for sustainable development, ECOMETAL (a non-profit consortium promoted by Assogalvanica and which was established in 1994 by some associated companies, thanks to the initiative and support of the Veneto Region's Department for the Environment).

Today, the Company employs 60 people, carries out product research and development, and cuts, bends, moulds, welds, and paints metal structures, handling the assembly of finished products and packing them for shipping. Diemmebi represents the endpoint of a chain that involves about sixty companies, large and small, suppliers of semi-finished products and raw materials, of which about 60% are based in the Treviso area.

Products are subjected to fatigue and durability tests, in compliance with European and American standards, and every element which makes them up is inspected, from the screws to the painting to the packing.

Quality of life and the quality of the environment, both in terms of the workplace and in terms of the natural space, are of fundamental importance to the Company; that is why every product is recyclable and made using production technologies that do not pollute and that safeguard our employees' health and safety.

Production has been deliberately designed and measured in order to improve the quality of environments, both in functional terms as well as being aesthetically pleasing, by harmonising materials, shapes, and colours.

DIEMMEBI distributes its products throughout the world; exports, up to 2014, represented about two thirds of overall revenue. Since 2015, with the acquisition of an important Italian customer, the Italy-Overseas ratio is roughly equal.

Truly significant is the growth trend which has remained constant even during recent years of great complexity and instability in the market; implicit recognition of the quality and competitiveness that the Company has been able to express thanks, in part, to partnerships with supplier companies.

Community, Home, Urban time are the three pillars of DIEMMEBI that meet in the most disparate city spaces. Their design aims to welcome, accommodate, and be suitable for any environment: the logo merges these three universes of production and creates a unique, original combination that fully represents the Company's spirit and reflects the colours of the Italian flag, highlighting the fact that the products are Made in Italy.

The creative and productive philosophy is based on the work of Achille Castiglioni, one of the fathers of Italian industrial design; and it is precisely with this in mind that Diemmebi is proud to be able to support the activities of the foundation that bears his name.

The Company's key strengths *"to propose objects on our design that offer qualified performance in comfort, with pleasing aesthetics but which are also essential, simple, and functional; objects which immediately convey our brand thanks to their originality"*.

## 2.1.2. The Company's purpose

When this Organisational and Management Model was introduced, the main activities making up the **DIEMMEBI SPA** corporate purpose were the manufacture of metal and plastic furnishings, including the related processes as well as metalworking in general.

## 2.1.3. The Company's organisational system

On the date on which this Model was approved, **DIEMMEBI SPA** was organised as described in the attachment 01\_1\_Company Organisation Chart.

## 2.1.4. The assigned tasks

The tasks assigned to the functions indicated in the Company's organisation chart are given in the documentation which is managed in accordance with the rules established by the specific document management procedure in the ISO 9001 quality system.

## 2.1.5. The Company's governance model

In consideration of its organisation and the activities carried out, the Company has adopted a so-called traditional organisational and control system.

The Company's corporate governance system is, therefore, currently set up as follows:

### - Shareholders' meeting:

the shareholders' meeting represents every shareholder; shareholder meeting resolutions, adopted in compliance with the law and articles of association, are binding on every shareholder.

Currently there are three shareholders in the Company: Giacomo Pavan, Alberto Falsetti and Adriano Lot;

### - Board of Directors:

the Company is administered by a Board of Directors made up of a variable number of members, from two to seven, as determined at the time it is appointed. The Board of Directors is invested with the broadest powers of ordinary and extraordinary management of the Company and has the power to perform all the deeds it deems appropriate to execute and achieve the corporate goals, excluding those which, by law or by the article of association, rest with the shareholders' meeting.

The chairperson of the Board of Directors and the executives delegated to the extent of the mandate, are authorised to represent the Company before third parties including a court of law.

The director, Giacomo Pavan, is delegated with - following the resolution of 16.05.18 – the powers and responsibilities of the employer as per Italian Legislative Decree no. 81/2008 regarding health and safety at work, pursuant to article 2381 of the Italian Civil Code.

### - the Board of Statutory Auditors:

the Company has appointed a Board of Statutory Auditors which supervises compliance with the law and with the articles of association, respect for the principles of administrative correctness and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company and its proper operation.

The Board of Statutory Auditors is made up of three standing auditors and two substitute auditors.



2.1.6. The control system and certificates.

#### Managing quality

The quality standard to which the management system refers is UNI-EN-ISO 9001.

## **2.2. The aim, the recipients, and the structure of the Model**

The aim of the Model is to create an organisational structure with an internal control system designed to prevent - whether for the interests or to the advantage of the Entity - predicate offences from being committed. The Model integrates with the control system already in place within the Company and is part of the process of spreading a corporate culture based on correctness, transparency, and lawfulness.

The Organisational and Management Model meets the following needs:

- to identify those activities at risk i.e. those activities within which an offence, as given by the Decree, might be committed, the so-called “sensitive activities”,
- to provide for specific protocols aimed at scheduling the formation and implementation of the Entity’s decisions in relation to the offences to be prevented;
- to identify ways of managing financial resources which can prevent offences from being committed;
- to establish, with everyone who operates in the name and on behalf of **DIEMMEBI SPA** in those areas of activity at risk, the awareness of being able to run into, in the event that one of the provisions herein is breached, an offence which brings sanctions, not only against the author but also against the Entity, and committing such an offence is heavily censured by the Entity as being contrary to its interests, even if, apparently, it might have some immediate benefit;
- to raise awareness of and to disseminate, at every level in the Company, rules regarding behaviour and company procedures;
- to introduce a disciplinary system suitable for dealing with the failure to comply with the measures given in the Model;
- to set up a specific Supervisory Body responsible for monitoring the functioning of and the compliance with the Model and to provide for specific information obligations in favour of the same;
- to assign the Supervisory Body specific powers of control over the effectiveness and correct operation of the Model;
- to allow the Entity, thanks to monitoring those areas of the business at risk, to intervene promptly in order to prevent or counter offences from being committed;
- to verify, *ex post*, corporate behaviour and the operation of the Model, with subsequent periodic updates to the same.

The rules contained in the Model apply to everyone (both internal and external) who works to achieve the aim or the objectives of DIEMMEBI SPA.

This Model is intended to be sent to every party who performs a representative, administrative, executive function, as well as those who perform, even *de facto*, management and control functions, employees, contractors and anyone who, even if not part of the Company, operates upon a mandate from the same.

DIEMMEBI SPA condemns any behaviour that runs contrary to the law, to the provisions in the Model, and to the Code of Ethics, even when this behaviour is done in the interests of the Entity and/or with the aim of achieving a benefit for the same.

The Model is divided into two parts:

- the General Part, containing the applicable regulations covering every company activity in relation to the offences to be prevented;
- the Special Part, which describes the specific procedures, aimed at preventing certain offences, adopted by the Entity following an in-depth study to map those activities at risk and those sensitive activities in relation to the types of predicate offences.

## 2.3. The construction of the Model

The activity carried out with regard to constructing the Organisational and Management Model was aimed at identifying and analysing these activities, that is to say the Company's sensitive activities, within which it may be possible to commit those types of offence provided for by Italian Legislative Decree no. 231/2001.

The methodology used was based on an analysis of the current situation (an as-is analysis), which is to say an assessment of the measures which have already been adopted by the Company to control the offence risk factors which have been highlighted.

The "risk assessment process" can be thought of as a process of estimating the risk factors associated with specific activities within the Company.

This process is made up of the following phases:

### **i. identifying the Company's activities/processes**

In this phase, "company check-up" activities were carried out with the aim of determining the size and complexity of the Entity (in terms of revenue, number of employees, activity area), the type of activity performed, the organisational arrangement, and the workplace environment.

To this end, the corporate documentation provided was duly analysed; the Company structure was also reconstructed with detailed interviews with those people responsible for the various areas of activity.

### **ii. identifying the risk factors and assessing the level of risk**

In this phase, the potential risks were identified and were assigned to the individual activities and processes identified previously.

The various corporate areas identified, the individual processes, and operation activities were then related to the individual predicate offences in order to check which, on the basis of the Diemme spa organisation and business, could potentially be carried out by describing, for each individual process, the potential methods of committing the offence.

Having identified the potential risks, a value was assigned to the risk categories identified.

The criteria used to assess the level of risk were the probability that the event would happen and the impact/damage in terms of the consequences of the event happening with regard to pecuniary sanctions and prohibitory sanctions.

The potential risk that an offence will be committed is determined as the product of the event probability and the seriousness/impact.

In assessing the probability that an event-offence will be committed, the frequency of carrying out certain activities within the Company's areas and processes was taken into account, as was the appropriateness of the Company's Internal Control System.

The Entity's Internal Control System was analysed on the basis of international reference models including the CoSo Report.

The Internal Control System was analysed through audits and interviews with parties responsible for the various activities/processes at risk and through analysing the documentation provided by these parties.

### **iii. classifying the activities based on potential risk**

Once the potential risk of an offence being committed was identified, a map could be produced of the individual company activities classified by the attributed level of risk (01\_2\_RISK ASSESSMENT BY INDIVIDUAL OFFENCE).

### **iv. Gap Analysis**

Finally, a comparison was done between the current control situation and the level deemed optimal, in terms of effectiveness, of the protocols.

Where a gap was found between the current situation ("as-is") and the optimum level of effectiveness and efficiency ("to be"), the work team provided guidance to the management team in defining a risk acceptability threshold and assessing the protocols and prevention measures to be introduced in order to prevent an offence from being committed, through comparing the "cost" of the monitoring activity and the "cost" resulting from an offence being committed.

## 2.4. Approving the Model and making changes and additions to it

The Model was adopted by the Administrative Body.



Subsequent changes, which may be required to increase the Model's suitability and to prevent offences, or due following legislative changes, are the Administrative Body's responsibility.

The Supervisory Body is assigned the power to propose changes in order to improve organisational structures and to adapt the Model to legislative changes.

## 2.5. Training and education

### 2.5.1. Staff training and education

**DIEMMEBI SPA** believes that, in order to ensure that the Model is effective, both employees and external workers need to be aware of the Model's contents and the rules it contains regarding behaviour.

Every employee, both current and future, will need to be aware of and to comply with the Model.

The Company organises (assigning both financial and human resources for the purpose) training and education courses at various levels of detail based on how involved, or otherwise, the same resources are in "sensitive activities".

The Entity considers staff training and education as a necessary condition to implement the Model. This to be done periodically and in ways that can guarantee compulsory participation with checks on attendance, the quality of the course content, and how much the attendees have learnt.

Staff training and education for the purposes of implementing the Model is managed by the administrative team working closely with the Supervisory Body and is organised as follows:

a. Management personnel and personnel appointed to represent the Entity:

- initial sessions extended, from time to time, to include new hires;
- yearly update session;
- occasional email updates;
- information in the new hire's letter of appointment;

b. other personnel:

- internal informational notice;
- information in the new hire's letter of appointment;
- email updates.

### 2.5.2. Information for external workers and consultants

The communication activity regarding the contents of the Model is also addressed to third parties who have contractually regulated relationships with the Company, or who represent the Company without any tie of employment or dependency (commercial partners, agents, consultants, resellers and distributors, business dealers, and other independent contractors).

To this end, the Company will provide a descriptive summary of the Model, the Code of Ethics, and the Disciplinary System to the most significant third parties.

The Model and the Code of Ethics will also be published on the Company's website [www.diemmebi.com](http://www.diemmebi.com).

## 2.6. The whistleblowing system

DIEMMEBI SPA, in order to ensure responsible management, in line with legislative provisions, has implemented a whistleblowing system, adapted to the legislative changes that happened in 2017, regarding "*Provisions protecting parties who report an offence or an irregularity of which they become aware in the context of a public or a private employment relationship*".

Therefore, pursuant to article 6, paragraph 2 bis, of Italian Legislative Decree 231/01, DIEMMEBI SPA:

- a) has established dedicated reporting channels which allow parties, as per article 5, paragraph 1, letters a) and b) of Italian Legislative Decree 231/01, to submit, in order to safeguard the Entity's integrity, reports of relevant unlawful conduct pursuant to this Decree or conduct in violation of the Model, of which they become aware by virtue of the functions performed by them;
- b) guarantees that the reporting party's identity will remain confidential;
- c) prohibits every act of retaliation or discrimination, direct or indirect, against the reporting party for reasons connected with, directly or indirectly, the report made by them;

d) safeguards, through *ad hoc* measures, the reported party.

d) has provided for, in the disciplinary system adopted, sanctions against those who breach the measures put in place to protect the reporting party, as well as against those who make fraudulent or grossly negligent reports that are found to be without grounds.

Specifically, with regard to the reporting channels, DIEMMEBI SPA has created a dedicated web page in order to ensure that reporting parties (whistleblowers) and the reported party are protected. The Company has also provided for an alternate channel and reports may be sent to DIEMMEBI SPA, Organismo di Vigilanza [the Supervisory Body], Via dell'Industria 14, 31029 Vittorio Veneto (TV), Italy.

The body receiving these reports is the Supervisory Body at DIEMMEBI SPA.

With regard to the specific procedure for managing reports (attachment 01\_4\_WHISTLEBLOWING PROCEDURE), it should be noted that, as of now, a breach of the confidentiality obligations concerning the reporting party's data is considered to be a breach of the Model 231 and, therefore, it will be sanctioned in accordance with the sanctions and disciplinary system pursuant to this Model 231. The retaliatory or discriminatory dismissal of the reporting party will be nullified as too will be any changes to his or her duties pursuant to article 2103 of the Italian Civil Code, as well as any other retaliatory or discriminatory measure taken against the reporting party. It will be the employer's responsibility, in the case of a dispute connected with the application of disciplinary sanctions, or downgrading, dismissal, transfer, or submitting the reporting party to another organisational measure having a negative effect, direct or indirect, on their employment conditions, following the submission of the report, to show that such measures are based on reasons unrelated to the report made.

The adoption of discriminatory measures against reporting parties may be reported to the National Labour Inspectorate [*Ispettorato nazionale del lavoro*], for the measures under its responsibility, as well as by the reporting party, and by the trade union organisation indicated by the same.

Also sanctioned will be any party who, through wilful misconduct or gross negligence, makes a report which is found to be without grounds: such behaviour will be considered a serious breach of the Model 231 and the Code of Ethics.

## 3. The disciplinary system

### 3.1. General principles

Drafting an effective sanctions system to apply in the event of a breach of the Organisational and Management Model, as per Italian Legislative Decree 231/2001, adopted by the Company constitutes an essential and necessary condition to the same Model's effectiveness.

In this sense, article 6, paragraph 2, letter e) of Italian Legislative Decree 231/2001 establishes that the Organisational and Management Model must "*introduce a disciplinary system suitable for dealing with the failure to comply with the measures given in the Model*" and article 7, paragraph 4, letter b) establishes that the effective implementation of the Model also requires "*a disciplinary system suitable for dealing with the failure to comply with the measures given in the Model*".

Applying disciplinary sanctions is independent of any criminal proceedings starting or concluding, in the event that conduct includes one of the relevant offences referred to by Italian Legislative Decree 231/2001.

The principles on which the Disciplinary System is based are:

**Legality:** article 6, paragraph 2, letter e) of Italian Legislative Decree no. 231/01 requires that the Organisational and Management Model introduce a disciplinary system suitable for dealing with the failure to comply with the measures given the Model itself; and, therefore, the Organisation is responsible for:

- preparing, in advance, a set of Rules of Behaviour and procedures to implement the Model;
- clearly specifying the cases which will be disciplined and the relative sanctions.

**Complementary:** the disciplinary system provided for by the Organisational and Management Model is complementary to - not alternate to - the disciplinary system established by the current National Collective Bargaining Agreement applicable to various types of employee category in effect at DIEMMEBI SPA.

**Awareness:** DIEMMEBI SPA will ensure this document's broadest and greatest awareness through, first and foremost, publicising the same in a place or places accessible to everyone (article 7, paragraph 1, the Workers' Statute), as well as sending a copy, by hand or by email, to each person, and publishing it on the Company's intranet.

**Cross-examination:** the guarantee of a cross-examination is provided for, in addition to the prior publication of the Organisational and Management Model, by the prior, written rebuttal in a specific, immediate and unchangeable way of the charges (article 7, paragraph 2, Workers' Statute).

**Progressive:** disciplinary sanctions are decided and applied based on the seriousness of the infraction, taking into consideration the circumstances, both objective and subjective, aggravating or otherwise, that characterised the behaviour observed and the level of harm to the protected corporate assets.

**Typical nature:** the behaviour observed must be expressly provided for and there must be a connection between the reported charge and the charge underlying the disciplinary sanction.

**Timeliness:** the disciplinary procedure and any application of sanctions must take place within a reasonable, fixed amount of time from the moment proceedings begin (article 7, paragraph 8, Workers' Statute).

**Presumption of fault:** a breach of a rule of behaviour or a procedure provided for by the Model is assumed to be intentional and the seriousness of it shall be assessed.

**Effectiveness and sanctions following an attempted breach:** in order to make the disciplinary system suitable, and therefore effective, sanctions will also be applicable for behaviour that puts the rules, prohibitions, or procedures provided for by the Model at risk, including just the initial behaviour aimed at attempting a breach (article 6, paragraph 2, letter e) of Italian Legislative Decree 231/01).

## 3.2. Breaches of the Model

For the purposes of this Disciplinary System, any behaviour, commissive or omissive, that does not comply with the provisions set forth in the Organisational and Management Model and/or the principles in the Code of Ethics, constitutes a breach that may be sanctioned.

## 3.3. Recipients.

The Chairperson and the members of the Board of Directors, the Board of Statutory Auditors, the Supervisory Body, executives and managers, employees, contractors and third parties in general who have a contractual relationship with DIEMMEBI SPA are subject to this disciplinary system.

The Sanctions System is structured differently based on the recipient concerned and clearly sets out the disciplinary sanctions to be taken with reference to each individual breach, infraction, or circumvention of the Model.

### 3.3.1. Measures for employees

The behaviour by an employee in breach of the individual rules on behaviour, as provided for by the Organisational and Management Model, constitutes a disciplinary offence pursuant to article 2104 of the Italian Civil Code and may lead to disciplinary sanctions being applied.

Article 2104 of the Italian Civil Code, by identifying the worker's duty to "obedience", states that the employee must observe, in performing his or her work, the provisions given to him or her by the employer.

If these provisions are not observed, the employer may impose disciplinary sanctions, proportionate to the seriousness of the infraction, in compliance with the provisions in the National Collective Bargaining Agreement of reference (*rectius* the National Collective Bargaining Agreement for workers employed in the private metalworking and plant installation sector).

The disciplinary system must, in any case, respect the limits on sanctioning power imposed by Italian Law no. 300/1970 (the so-called Workers' Statute), both in terms of the sanctions that can be imposed and the form of exercising the disciplinary power.

In light of the aforementioned regulatory and collective bargaining references, the disciplinary system:

- must be duly publicised, by being posted in a place or places accessible to everyone and potentially the subject of specific training and update courses;
- must respect the principle of proportionality of the sanctions with regard to the infraction, the specification of which is left, pursuant to article 2106 of the Italian Civil Code, to the collective bargaining agreement for the sector. In any case, the sanction must be selected by taking account of the intent behind the behaviour, the level of negligence, imprudence or incompetence highlighted, the employee's previous behaviour, with particular regard to the existence or otherwise of prior disciplinary proceedings, the employee's position and the tasks they perform and all other relevant circumstances, including possible shared responsibility, including of an omissive nature, of the sanctioned behaviour;
- cannot provide for disciplinary sanctions of a fine exceeding two hours of the contractual minimal wage or salary and contingency allowances, basic pay;
- cannot provide for the disciplinary sanction of being suspended from work for a maximum of three days;
- must ensure that the worker who has been accused of the charge has the right to a defence (article 7, Italian Law no. 300/1970 and article 2106 of the Italian Civil Code). Any objection must be timely and the worker can send a written response within 5 working days from the charge being made. If requested, the worker must be guaranteed the right to be heard. In any case, the more serious disciplinary measures of verbal or written warning cannot be applied before five working days have elapsed since the charge was made in writing of the event(s) which led to the sanction.

The sanction must be adequate in order to ensure the effectiveness of the Organisational and Management Model.

The applicable disciplinary sanctions are:

- the verbal and written warning, generally applicable in the case of the first breach;
- the fine, generally applicable in the event of recidivism or particularly serious breaches, also considering the duties performed by the author of the breach;
- the suspension from service and remuneration (no longer than three days), applicable, in the event of recidivism or particularly serious breaches, also considering the duties performed by the author of the breach;
- dismissal on justified, objective grounds;
- dismissal for just cause, applicable if the author of the breach adopts behaviour that runs contrary to the provisions in the Model which constitutes a significant breach of it, directed unequivocally to committing an offence sanctioned by Italian Legislative Decree no. 231/2001 or that determines the effective application against the Company of the measures provided for by Italian Legislative Decree no. 231/2001; in the event of recidivism of the behaviour that led to suspension in the last twelve months, unfair competition, damage to plants or systems or materials; theft or disclosure of models, sketches, documents, designs, or reproduction of the same, formulas, recipes, particular processing methods; voluntary damage to or the removal of devices designed to protect against accident; acts involving wilful misconduct or gross negligence with damage or injury to the Company.

It is understood that every provision and guarantee provided for by law and by employment contracts concerning disciplinary proceedings will be followed; the following will, in particular, be observed:

- the commitment - in relation to applying disciplinary measures - to charge the employee with the offence and then to hear their rebuttal or explanation by way of defence;
- the commitment, with the sole exception of a verbal warning, that the charge is made in writing and that this measure is not taken until the days specifically indicated by the charge have elapsed.

### 3.3.2. Measures against executives and directors

In the event that the rules regarding behaviour, as given in the Code of Ethics, are breached by an executive, the facts and behaviour will be assessed and appropriate action will be taken against those responsible, pursuant to the law and the applicable national collective bargaining agreement, bearing in mind that such breaches constitute non-fulfilment of the obligations deriving from the employment relationship.

In the event that a director at DIEMMEBI SPA breaches the Code, the Supervisory Body will notify the entire Board of Directors, which will then take the appropriate steps, in accordance with the law.

### 3.3.3. Measures against contractors, consultants and other third parties

Behaviour taken by contractors, consultants, suppliers, partners, or third parties connected to the Company through a non-employee contractual relationship, in breach of the provisions set out in the Organisational and Management Model and/or in the Code of Ethics, may determine, in accordance with that provided for in the specific contractual clauses contained in the assignment letter and in the contract, the termination of the relationship.

Such behaviour will be fully assessed by the Supervisory Body which will consider the view of the manager of the team/department who requested the intervention of the professional and, subject to formal notice to the party in question, will promptly and in writing report to the Chairperson of the Board of Directors and, in those cases deemed more serious, also to the Board of Statutory Auditors.

DIEMMEBI SPA also reserves the right to seek compensation, even independently of the termination of the contractual relationship.

### 3.3.4. Whistleblowing: sanctions against those who breach the protection measures surrounding the reporting party, as well as those who make fraudulent or grossly negligent reports that are found to be without grounds

In the event of a breach of the measures set up to protect the reporting party, the party responsible for the said breach may be sanctioned in accordance with that provided for by this policy document, which will also be applicable against the reporting party in the event that the same makes a report involving fraud or gross negligence which is subsequently found to be without grounds.

### 3.3.5. Measures against executives

In the event that an executive breaches the internal procedures provided for by the Model or adopts, when carrying out an activity in an area at risk, behaviour that runs contrary to the Model's provisions, the following sanctions may be applied against the party responsible:

- in the case of a non-serious breach of one or more rules of behaviour or of procedure, as provided for by the Model, the executive involved will receive a written warning, in compliance with the Model, which constitutes a necessary condition in maintaining a relationship of trust with the Company;
- in the case of a serious breach of one or more of the provisions in the Model, such as to constitute a significant violation, the executive involved will be dismissed with notice;
- where the breach of one or more of the provisions in the Model is of such seriousness as to irreparably damage the relationship of trust with the Company, such as not to permit the continuation, even temporarily, of an employment relationship, the executive involved will be dismissed without notice.

### 3.3.6. Measures against members of the Board of Directors and members of the Board of Statutory Auditors

In the event that the Model is breached by the Chairperson of the Board of Directors, a member of the Board of Directors, or a member of the Board of Statutory Auditors, the Supervisory Body will inform, without delay and in writing, the entire Board of Directors and the entire Board of Statutory Auditors.

The corporate body to which the party responsible for the breach belongs will be responsible for taking the most appropriate and suitable steps, in line with the seriousness of the breach and in accordance with the powers provided for by the law and/or by the articles of association.

### 3.3.7. Measures against members of the Supervisory Body

In the cases in which the Supervisory Body, through negligence or incompetence, has been unable to identify and, consequently, endeavour to eliminate, breaches of the Model, and, in the most serious of



cases, offences being committed, the Board of Directors will promptly inform the Board of Statutory Auditors.

The Board of Directors will carry out all the necessary investigations and will take, in accordance with the law and the articles of association, in concert with the Board of Statutory Auditors, the appropriate steps, including revoking the assignment for just cause, making use of the support of senior management in the case of an employee.

In any case, the Company maintains the right to seek compensation for the greater damage suffered as a result of the Supervisory Body's behaviour.

### 3.4 The disciplinary procedure

This section contains the procedures to be followed to ascertain whether a breach has been committed and to impose a sanction.

It is deemed opportune to outline the procedure with regard to each category of recipient, indicating, for each category:

- the phase of charging the party involved with the breach;
- the phase of determining the facts and the subsequent imposition of the sanction.

In any case, the sanction imposition procedure begins once the competent bodies, as determined and indicated below, have received the notification with which the Supervisory Body reports that a breach of the Model has occurred. More specifically, every time the Supervisory Body receives a report (even anonymously) or acquires, during its monitoring and verification activities, information leading to the conclusion that there is a danger that a breach of the Model will occur, it is obliged to take action in order to perform verifications and checks that fall within its area of responsibility and which are deemed appropriate. Once the verification and control activities have been completed, the Supervisory Body assesses, on the basis of the information in its possession, whether a breach (which carries sanctions) of the Model or the Code of Ethics has been effectively verified. If a breach is indeed confirmed, the Supervisory Body reports it to the competent bodies; otherwise, it sends the report to the Board of Directors, where any potential relevance, in terms of conduct, can be assessed with regard to other applicable laws and regulations. If the bodies within the Entity who are responsible for imposing sanctions should find that the breach of the Model reported by the Supervisory Body also involves one or more breaches of the provisions established by the Entity's disciplinary regulations and/or the collective bargaining regulations, at the outcome of the prescribed procedure a sanction may be imposed, from among those specifically applicable, including a sanction even more severe than that proposed by the Supervisory Body.

#### Proceedings against directors and members of the Board of Statutory Auditors.

If a breach is discovered of the Model or the Code of Ethics which was committed by a director who is not tied to the Entity through a subordinate employment relationship, the Supervisory Body sends a report to the Board of Directors which contains:

- a description of the behaviour observed;
- an indication of which provisions in the Model were breached;
- the details of the party responsible for the breach;
- any documents supporting or proving the breach and/or any other relevant evidence;
- a proposal regarding which sanction is considered appropriate with regard to the specific case.

Within ten days from receiving the Supervisory Body's report, the Board of Directors summons the member indicated by the Supervisory Body to a meeting of the Board, which shall be held no later than thirty days from the date on which the report was received.

The summons shall:

- be done in writing;
- contain an account of the behaviour observed and the provisions of the Model said to have been breached;
- indicate the date of the meeting, with a notice to the party involved of their right to submit any statements and/or rebuttals, both written and verbal.

The summons shall be signed by the Chairperson or by at least two members of the Board of Directors.

At the Board of Directors' meeting, to which the Supervisory Body is also invited: - the party involved is able to present his or her case, the party involved is able to present any statements or rebuttals, and any further verification or investigation deemed appropriate is undertaken.

The Board of Directors, if the conditions exist, on the basis of the information learned, decides on the sanction deemed applicable, justifying any change from the sanction proposed by the Supervisory Body. If the sanction deemed applicable involves a reduction in compensation or the revocation of the assignment, the Board of Directors will, without delay, convene a Shareholders' Meeting for the necessary resolutions to be taken. The Board of Directors' resolution and/or that of the Shareholders' Meeting, depending on the case, will be communicated in writing, by the Board of Directors, to the party involved as well as to the Supervisory Body, for the appropriate checks.

The procedure described above is applicable, even if the breach of the Model or the Code of Ethics is committed by a member of the Board of Statutory Auditors, to the extent permitted by applicable law.

In every case in which a breach of the Model is committed by a director tied to the Entity through a subordinate employment relationship, the procedure set out in the following paragraphs for senior managers or for employees will be followed.

If, at the outcome of this procedure, the sanction of dismissal is imposed, the Board of Directors shall convene a Shareholders' Meeting without delay to resolve the director's removal from office.

#### Proceedings against other senior managers

If a breach of the Model is committed by a senior manager, the procedure for verifying and ascertaining the offence is carried out in compliance with the provisions set forth by article 7 of the Workers' Statute, as well as by the applicable collective bargaining agreements.

Specifically, the Supervisory Body sends a report to the Board of Directors containing:

- a description of the behaviour observed;
- an indication of which provisions in the Model were breached;
- the details of the party responsible for the breach;
- any documents supporting or proving the breach and/or any other relevant evidence;
- a proposal regarding which sanction is considered appropriate with regard to the specific case.

Within ten days from receiving the Supervisory Body's report, the Entity charges the senior manager involved in the breach discovered by the Supervisory Body by means of a written notification containing:

- a detailed account of the behaviour observed and the provisions of the Model said to have been breached;
- a notice of the right to submit any statements and/or rebuttals in writing within eight days from receiving the notification, as well as to request the intervention of a representative from the trade union to which the senior manager belongs or to whom the senior manager grants a mandate.

Following any counterclaims or rebuttals by the senior manager, the Board of Directors announces its decision and which sanction, if any, will be imposed, justifying any change from the sanction proposed by the Supervisory Body.

In any case, the disciplinary measures cannot be imposed before eight days have elapsed since the date on which the senior manager involved received the written charge against him or her. Any disciplinary action must be communicated to the party involved no later than eight days from the expiry of the period given to submit statements or rebuttals and/or written justifications.

The Board of Directors is responsible for effectively applying the sanction in compliance with the law and regulations, as well as the provisions in the collective bargaining agreements and other regulations, where applicable.

The Supervisory Body, to which the measure to impose sanctions is sent for information, will check that the same is appropriately applied.

Without prejudice to the right to make an appeal before a judicial authority, the senior manager may, in the twenty days following receipt of the notification of the disciplinary measure, call on a conciliation and arbitration panel, in compliance with that provided for in the collective bargaining agreement applicable to the specific case.

In this case, the disciplinary sanction shall be suspended until the panel announces its decision. If a breach of the Model or the Code of Ethics is committed by another senior manager, the provisions set out in paragraph 5 shall apply with regard to the procedure for charging the party involved and the potential imposition of a sanction. In this case, however, any sanction shall be determined directly by the Board of Directors without involving the Shareholders' Meeting.

#### Proceedings against employees

If the Supervisory Body uncovers a breach of the Model committed by an employee, including managers not part of senior management, the provisions set out in the paragraph *Proceedings against other senior managers* shall apply with regard to the procedure for charging the party involved and the potential imposition of a sanction.

Without prejudice to the right to make an appeal before a judicial authority, the employee may, in the twenty days following receipt of the notification of the disciplinary measure, call on a conciliation and arbitration panel, in compliance with that provided for in the collective bargaining agreement applicable to the specific case. In this case, the disciplinary sanction shall be suspended until the panel announces its decision.

#### Proceedings against third-party recipients

If a breach of the Model is committed by a third-party recipient, the Supervisory Body sends a report to the Board of Directors containing:

- a description of the behaviour observed;
- an indication of which provisions in the Model were breached;
- the details of the party responsible for the breach;
- any documents supporting or proving the breach and/or any other relevant evidence;
- a proposal regarding which sanction is considered appropriate with regard to the specific case.

Within ten days from receiving the Supervisory Body's report, the Board of Directors announces its decision and which sanction to impose, justifying any change from the sanction proposed by the Supervisory Body.

The Board of Directors then sends the party involved a written notification containing an account of the behaviour observed and the provisions of the Model or the Code of Ethics said to have been breached, as well as the applicable remedy contractually provided for.

The definitive imposition of a sanction is communicated in writing to the party involved by the Board of Directors, which also sees to the effective application of that sanction in compliance with the law and regulations.

The Supervisory Body, to which the notification is sent for information, will check that the applicable remedy, contractually provided for, is appropriately applied.

## 4. The Supervisory Body

### 4.1. Composition and requirements

Among the conditions for exemption from the administrative liability of legal persons, article 6, paragraph 1, letter b, of Italian Legislative Decree no. 231 of 2001, identifies the appointment of "*a body within the entity having independent powers of initiative and control*" to which is entrusted the task of monitoring the functioning of and the compliance with the Model, as well as seeing that it is updated.

The Law does not provide precise indications regarding the composition of the Supervisory Body: this allows entities to decide on a single-member or a multi-member composition. In the multi-member case, parties internal to or external to the Entity may be invited to make up the Supervisory Body provided that they have the necessary requirements as specified below.

Italian Legislative Decree no. 231 of 2001 does not identify the body responsible for establishing the Supervisory Body (the administrative body or the shareholders' meeting): however, it is believed that the responsibility for appointing the Supervisory Body is that of the administrative body, to which article 6 of the Decree attributes the power to adopt the Organisational and Management Model.



The first appointment of the Supervisory Body occurs with the same resolution to approve and adopt the Model. Thereafter, the appointment is renewed through a specific decision made by the administrative body and the Supervisory Body remains in office for the number of financial years established at the time the same is appointed.

Nominations to join the Supervisory Body are made in writing and members must formally accept their appointment, again in writing, with a specific declaration that they possess the requirements required by law.

As for the content of the assignment, since no indications are given by law, it is believed necessary, for the purposes of the Body's correct legal-functional framework, to explain the following aspects: functions, duration, reasons for forfeiture, compensation, obligations, and responsibilities.

The Supervisory Body appoints, from amongst its members, a Chairperson who will be entrusted with, amongst others, the task of completing the relative formalities regarding the body's convocation, determining the subjects to deal with, from time to time, and chairing the body's meetings.

The administrative body also approves the Supervisory Body's charter which governs, amongst other things, the appointment and composition of the body, the term of office, termination, hierarchical reporting, information reporting, professional and integrity requirements, reasons for non-eligibility and incompatibility, and the financial resources to be allocated.

The Supervisory Body has independent powers of initiative and control. It has the right to access, without requiring any authorisation, any Company document.

In view of the peculiarity of its duties and professional requirements, the Supervisory Body, in carrying out its responsibilities, will make use of the support of those corporate functions that are judged to be useful in the pursuit of the body's aims.

The Supervisory Body appointed in compliance with Italian Legislative Decree no. 231 of 2001, must have the following requirements: autonomy, independence, professionalism, integrity, and continuity of action.

The independent powers of initiative and control cited in article 6 of the Decree shall be understood as freedom to act and freedom of self-determination.

These requirements appear to be ensured by the creation of the Body in question as a staff unit in the highest possible hierarchical position and providing that the Body should only report to the very highest level of management i.e. the Board of Directors.

In order to ensure the necessary independence, it is essential that the Supervisory Body does not hold any operating responsibility within the Body which might compromise its objectivity and judgement, and that the Body can carry out its tasks without any interference or conditioning from the Entity itself and, in particular, from the Company's management.

The requirement of independence, although not expressly referred to by the Decree, is included among the Supervisory Body's requirements as it identifies the necessary absence of conflicts of interests towards the Entity and, therefore, its management.

The requirement of professionalism refers to the technical-professional skills required of the members of the Supervisory Body, which must be suitable and appropriate to the functions that they will be asked to perform.

Despite there being no indication in regulatory texts of the professionalism required of the Supervisory Body, according to legal opinion, it is believed that members of the Supervisory Body must hold certain "corporate" skills since they are called on to monitor compliance with the Model.

As for legal skills, given that the aim is to prevent offences from being committed, it is essential that members of the Supervisory Body understand the structure with which and the methods by which a criminal offence might be committed.

The requirement of integrity applies to a person appointed to the Supervisory Body: each person invested with this function must have an ethical background and reputation of unquestionable worth. The integrity requirements are assessed on the basis of what has already been established for other sectors of corporate legislation and regulation (Board of Statutory Auditors, Internal Control, etc.).

As for the requirement of continuity of action, the Supervisory Body:

- performs, in a continuous way, the necessary monitoring activities with an appropriate commitment and with the necessary investigatory powers;

- prepares a report, which is sent to the Board of Directors, describing the activities carried out for each individual verification and the suggestions deemed useful to improving the Company's organisational structure;
- ensures that the Model is implemented and is kept up to date.

#### 4.2. The Supervisory Body's functions and powers

The Supervisory Body has the following responsibilities:

- to ensure that recipients of the Model comply with the provisions contained therein (audit and offence prevention function);
- to verify the results achieved in the application of the Model in order to prevent offences and to assess the need to make changes to the same.

Briefly, the control activities are aimed at the Supervisory Body performing a constant monitoring activity over the Company with regard to the implementation, execution, and adequacy of the Model.

If the level of implementation of the required operating standards is found to be lacking, it is the Supervisory Body's responsibility to take all the necessary steps to correct such a situation:

- requiring that the managers of the individual organisational units comply with the behaviour models;
- directly indicating which corrections or changes need to be made to the protocols;
- reporting cases of failing to implement the Model to managers and employees involved with the internal controls of individual functions.

If, however, through monitoring the level to which the Model has been implemented, it emerges that updates or changes are needed, the Supervisory Body shall take the necessary steps to ensure that the required updates or changes are made promptly.

In carrying out its control activities, the Supervisory Body must:

- carry out periodic interventions aimed at ascertaining the extent to which the Model is being applied and, in particular, ensure that the procedures and checks envisaged by the Model are implemented and documented in a regular way and that the ethical principles established by the Model are being observed;
- report any shortcoming and/or inadequacy by the Model to prevent those offences referred to in Italian Legislative Decree no. 231 of 2001;
- suggest appropriate verification procedures;
- initiate extraordinary internal investigations when there is evidence or even suspicion that the Model has been breached or that an offence has been committed;
- periodically verify the Company's most significant deeds and documents and the most important contracts signed by the Entity within the context of those areas at risk;
- promote initiatives to spread awareness and understanding of the Model among employees, contractors, and third parties who, in any case, have a relationship with the Entity, by preparing internal documentation (instructions, clarifications, updates, etc.) or specific training sessions, necessary in order for the Model to be understood and applied;
- coordinate with the managers of the various corporate functions responsible for the control activities over the areas at risk, and to work with them on any issues regarding the implementation of the Model;
- work with other corporate functions;
- request any updates to the Model;
- request periodic updates to the map of the activities at risk and to verify that they have been effectively updated by carrying out specific periodic checks targeting the activities at risk. To this end, any situations which might expose the Entity to the risk of an administrative offence, depending on the crime, must be reported to the Supervisory Body by any director or employee involved, within the scope of the individual functions, should they become aware of the same;
- collect, handle, and store all relevant information received regarding compliance with the Model;

- check that the provisions set out by the individual Special Parts of this Model are suitable and meet the compliance needs with regard to Italian Legislative Decree no. 231 of 2001.

To this end, the Supervisory Body must have free access, without requiring any prior consent, to any and every piece of company documentation, as well as the ability to collect relevant data and information from responsible parties.

The Supervisory Body has the right to make use of external consultants if there is a need for an opinion that requires specific professional knowledge of the matter.

Finally, in relation to the aspects concerning the scheduling of the activities, the methods for minuting meetings, the policy regarding information flows, the internal mandates covering verifications regarding the matter in hand, the Supervisory Body is to have an internal regulation which must be sent to the administrative body.

#### 4.3. Information flows from the Supervisory Body

The Supervisory Body sends a report of its periodic checks to the administrative body without delay. This report indicates any requirements for the Model to be effectively applied and the potential for the same to be breached.

The Supervisory Body has the following responsibilities towards the administrative body:

- to communicate, at the start of each year, the schedule of the activities it plans to carry out in order to fulfil the tasks assigned to it;
- to periodically deliver a progress update on the defined programme, and any changes made to the plan;
- to report any significant issues arising from the activities immediately;
- to make a report, at least every six months, on the situation regarding the implementation of the Model;
- the Supervisory Body may be summoned, or may request to be summoned, by the aforementioned bodies at any time, in order to report on the functioning of the Model, or on any other specific situation which might arise in the performance of its activities.

The Supervisory Body may, furthermore, in assessing the individual cases:

- report the results of its assessments to the managers of the functions and/or the processes if the Supervisory Body's activities highlight aspects that need to be improved;
- report any behaviour and/or action which is not compatible with the Model or with corporate procedures in order to:
  - gather, on the basis of a specific report received or objective data uncovered, all the information to be communicated to the organisations responsible for assessing and applying disciplinary sanctions;
  - prevent an event from being repeated, by giving instructions for the shortcoming to be eliminated.

The activities indicated above must, in the shortest time possible, be communicated by the Supervisory Body to the administrative body, by also requesting support from those corporate organisations able to collaborate in the verification activities and in identifying the appropriate actions to prevent a repeat of the circumstances in question.

#### 4.4. Information flows to the Supervisory Body

In order to facilitate monitoring the effectiveness of the Model, any information, report, or documentation, even if coming from a third party, that concerns, or, in any case, is connected to, the implementation of the Model must be sent to the Supervisory Body.

Employees and corporate bodies must notify the Supervisory Body of any information relating to an offence being committed, or even a reasonable suspicion of an offence being committed, or relating to any behaviour which is incompatible with the Code of Ethics or the Model.

Employees, regardless of the contractual framework, must report breaches of the Model committed by other employees, or by the administrative body, to the Supervisory Body.

Reports must be made in writing and cannot be anonymous. The information gathered by the Supervisory Body is handled, in compliance with the Code of Ethics, in such a way as to guarantee respect for the person, human dignity, and confidentiality and such that the reporting party is protected from any form of retaliation, penalisation, or discrimination.

The Supervisory Body assesses the reports received with discretion and due diligence. To this end, the Supervisory Body may interview the person making the report, people who have knowledge of the facts or details, and the party accused of a potential breach of the Model.

Employees and directors cannot refuse to be interviewed by the Supervisory Body.

Statements will be recorded in the form provided for by the Supervisory Body's regulations.

#### 4.5. Mandatory information and mandates

Regardless of any explicit request, it is mandatory that the following information be sent to the Supervisory Body:

- decisions regarding the request for, disbursement of, or use of public funding;
- committees of inquiry or internal reports from which liability arises in relation to those offences referred to by Italian Legislative Decree no. 231 of 2001;
- measures and/or information, regarding the Company, coming from a judicial or a police body, or any other authority, from which it can be inferred that investigations into the Company are being carried out, even involving unknown persons, in relation to those offences referred to by Italian Legislative Decree no. 231 of 2001;
- requests for legal assistance sent from a director, an executive or manager and/or from an employee against whom judicial action has been taken in relation to those offences referred to by Italian Legislative Decree no. 231 of 2001;
- information relating to the disciplinary measures taken, and any sanctions imposed or the measures taken to close such proceedings with the related reasons or justification;
- reports prepared by the managers of the various corporate functions from which facts, events or omissions emerge which, even if only potentially, can be attributed to the types of offence provided for by Italian Legislative Decree no. 231 of 2001;
- information on the progress or development of activities relating to the areas at risk identified by the Model and/or on the changes to the Company's organisation;
- updates to the corporate risk assessment as prepared pursuant to articles 28 and 29 of Italian Legislative Decree no. 81/08;
- workplace accidents and occupational disease;
- the results of the health monitoring activities which include partial or total unsuitability to a specific task;
- updates and changes to how work is organised;
- it is mandatory that the Supervisory Body be sent the Company's organisation chart, the system for delegating functions, and any changes made to them.
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#### 5. The Model and the Code of Ethics

The rules of behaviour contained in this Model are to be integrated with those in the Code of Ethics adopted by the Company, despite the Model having, for the purposes it intends to pursue in implementing the policy referred to in Italian Legislative Decree no. 231 of 2001, a different legal nature.

In this respect, therefore:

- the Code of Ethics represents an instrument adopted autonomously by the Company which can be applied, generally, for the purpose of expressing the principles of "corporate ethics" which the Company recognises as its own principles and with which the Company requires compliance from its employees, managers, executives, and directors;

- the Model, however, meets the specific provisions contained in Italian Legislative Decree no. 231 of 2001, aimed at preventing particular types of offences from being committed in the interests of, or to the advantage of, the Entity.

## 6. The attachments referred to by this document

The following constitute attachments to this Model:

- 01\_1\_ORGANISATION CHART
- 01\_2\_RISK ASSESSMENT BY INDIVIDUAL OFFENCE
- 01\_3\_CODE OF ETHICS
- 01\_4\_WHISTLEBLOWING PROCEDURE
- 01\_5\_GIFT, LARGESS AND SPONSORSHIP PROCEDURE
- 01\_6\_PROCEDURES ACCORDING TO THE GUIDELINES FOR WORKING IN SAFETY
- 01\_7\_PROCEDURES PREVENTING ENVIRONMENTAL OFFENCES
- SPECIAL PART 1 - OFFENCES AGAINST THE PUBLIC ADMINISTRATION
- SPECIAL PART 2 - COMPUTER CRIME
- SPECIAL PART 3 - OFFENCES AGAINST INDUSTRY AND TRADE
- SPECIAL PART 4 - CORPORATE CRIME
- SPECIAL PART 5 - OFFENCES AGAINST THE INDIVIDUAL PERSONALITY
- SPECIAL PART 6 - HEALTH AND SAFETY AT WORK OFFENCES
- SPECIAL PARTY 7 - RECEIVING STOLEN GOODS, MONEY LAUNDERING
- SPECIAL PART 8 - COPYRIGHT
- SPECIAL PART 9 - INDUCEMENT TO REFRAIN FROM MAKING STATEMENTS TO THE JUDICIAL AUTHORITIES
- SPECIAL PART 10 - ENVIRONMENTAL OFFENCES
- SPECIAL PART 11 - EMPLOYMENT OF ILLEGALLY STAYING THIRD-COUNTRY NATIONALS

Each of the above attachments has its own revision history.

In any case, revising any attachment also leads to the revision and approval of the Model.