



Valvitalia S.p.A.

Organisation, Management and Control Model

*in accordance with article 6, paragraph 3,
of the Legislative Decree of 8 June 2001, no. 231 and subsequent amendments and supplements
“Regulations on the administrative liability of legal persons, companies and
associations, including those without legal status”*

*Adopted by the Board of Directors under the resolution of 12 December 2014
Most recently updated on 30 March 2017*

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1. RECITALS

1.1 Definitions

In this document, the following expressions have the meanings indicated below:

- Company or Valvitalia: Valvitalia S.p.A., with registered office in Rivanazzano Terme (PV), Via Tortona no. 69.
- Decree: Legislative Decree 8 June 2001, no. 231 bearing *“Regulations on the administrative liability of legal persons, companies and associations, including those without legal status, in accordance with article 11 of the Law of 29 September 2000, no. 300”*, published in the Official Gazette no. 140 of 19 June 2001, and subsequent amendments and supplements.
- Sensitive activities: activities of the Company in where there exists the risk, including potential, of the commission of the crimes referred to by Legislative Decree 231/2001.
- *“Protocol”*: the organisational, physical and/or logical measures laid down by the Model for the purpose of preventing the risk of the commission of the Crimes.
- PA or Public Administration: the State (or State Administration), Public Bodies, Public Officials (those who exercise *“a public, legislative, judicial or administrative role”*), Public Service Employee (those who *“perform a public service of any kind”*).
- Confindustria guidelines: document/guidance of Confindustria (approved on 7 March 2002, most recently updated in December 2014) for the construction of the organisation, management and control models referred to by the Decree.
- Model: Organisation, Management and Control Model in accordance with Legislative Decree 231/2001, adopted by the Company.
- Code of Ethics: the document approved by the Company's top management setting out the general principles of conduct - that is, recommendations, obligations and/or prohibitions - by which the Recipients must abide and the violation of which shall be penalised.

- Supervisory Board or SB: the body laid down by article 6 of the Decree, assigned to the supervision of the operation of and compliance with the organisational model and the respective updates.
- Senior managers: persons in positions of representation, administration or direction of the Company or one of its organisational units furnished with financial and operational independence, as well as physical persons who exercise, including *de facto*, the management or control of the Company.
- Subordinates: persons subject to the direction or supervision by the senior managers referred to in the previous point.
- Consultants: persons who, due to their professional expertise, perform intellectual work in favour or on behalf of the Company on the basis of a mandate or other relationship of professional collaboration.
- Employees: persons who are signatories to contracts with the Company of employed work, self-employment or administered by employment agencies.
- Partner: the Company's contractual counterparties, physical or legal persons, with whom it agrees to any form of contractually regulated collaboration.
- "Recipients": Company bodies (Directors and Auditors), Employees, Suppliers, collaborators and consultants, agents and all those who operate in the interest or to the advantage of the Company, with or without representation and irrespective of the nature and type of the relationship undertaken with the principal Company. Recipients are obliged to comply with the instructions in this Model and Code of Ethics.
- NCLC: National Collective Labour Contract currently in force and applied by the Company.
- Implementation instruments of the Model: Articles of Association, organisation charts, the granting of powers, job descriptions, policies, procedures, organisational measures, quality certifications, and all the other measures, provisions and documents of the Company.
- "Regulatory System": the series of penalties that may be applied in the event of the violation of the rules of procedure and conduct laid down by the Model.

1.2 Document structure

This Organisation, Management and Control Model (hereinafter, also referred to as "the Model") implements article 6, paragraph 3 of the Legislative Decree of 8 June 2001, no. 231 (hereinafter, also referred to as "the Decree").

The Model is made up of:

- An **introductory part**, aimed at providing the specific details and the scope of application of the Legislative Decree of 8 June 2001, no. 231;
- A **general part**, aimed at providing the specific details of the Model adopted by *Valvitalia S.p.A.* and regulating its function, sphere of operation, the recipients, the penalty system, the information and training system, the powers and functions of the Supervisory Board;
- A **special part** that identifies within *Valvitalia S.p.A.* the activities in which there is a risk of carrying out the crimes, as well as the principles, the rules of conduct and the control protocols suitable to prevent, within the sphere of each sensitive activity, the risks of committing those cases of crime indicated by the Decree and considered potentially relevant for the Company.

Attachment 1, an integral part of the Model, lists in detail the cases of crime referred to in Legislative Decree 231/01 as at 31 December 2016.

INTRODUCTORY PART

2. THE LEGISLATIVE DECREE OF 8 JUNE 2001, N° 231

2.1 The liability of entities for unlawful administrative criminal acts

The Legislative Decree of 8 June 2001, no. 231, implementing the original EU regulations on the fight against corruption¹, introduced and governed the administrative liability for crimes by entities.

The form of liability attributed to entities is defined as having a mixed nature, combining essential parts of the criminal system with those of the administrative system. An entity answers for an unlawful administrative act and is punished with an administrative penalty. Nevertheless, verification of the unlawful act takes place within the scope of criminal proceedings, the competent Authority alleging the unlawful act is the Public Prosecutor and the competent Authority that imposes the penalties is the criminal judge.

The administrative liability of an entity is separate and autonomous compared to that of a physical person who commits the crime and exists, therefore, even if the perpetrator of the crime has not been identified or the crime has expired for a reason other than a pardon.

In any case, the entity's liability does not replace that of the physical person who has committed the unlawful act, but is added to it.

The field of application of the Decree is very broad and concerns all entities with legal status, companies, associations even without legal status, economic public entities, private entities holding concessions for a public service. The law is not, however, applicable to the State, territorial public entities, non-economic public entities, and entities that perform functions of constitutional relevance (such as, for example, political parties and trade unions).

¹ The Decree implemented numerous international conventions, such as: the Brussels Convention of the European Community of 26 July 1995 on the protection of financial interests; the Convention of 26 May 1997, also signed in Brussels, on the fight against corruption in which officials of the European Community or the Member States are involved; the OCSE Convention of 17 December 1997 on the fight against the corruption of foreign public officials in economic and international operations.

The regulations do not refer to entities that do not have registered offices in Italy. However, in this regard, an order of the Examining Judge of the Court of Milan (order of 13 June 2007; see also Examining Judge, Milan, order of 27 April 2004, and Court of Milan, order of 28 October 2004) ruled, basing the decision on the principle of territoriality, the existence of the jurisdiction of the Italian judge with regard to crimes committed by foreign entities in Italy.

2.2 Cases of crimes identified by the Decree

The liability of the entity exists only for certain types of crime (so-called **predicate offences**). The Decree and its later supplements, as well as the special laws which refer to it, contain the peremptory list of crimes for which the entity can be penalised, as reported in attachment 1), an integral part of this Model, updated on 31 December 2016.

The list of predicate offences has been extended compared to the original list contained in the Decree, which laid down *only the Crimes against the Public Administration* referred to in **articles 24, 25 of the Decree**.

Following the promulgation of the Decree, the following extensions have been made, as at the date of the adoption of this Model:

- ✓ Decree Law 25 September 2001 no. 350, which introduced article **25-bis** "Counterfeit money, legal tender and revenue stamps", amended under article 15, paragraph 7 of the Law 99/09 of 23 July 2009) "Counterfeiting money, legal tender, revenue stamps and identification instruments or marks";
- ✓ Legislative Decree 11 April 2002 no. 61, which introduced article **25-ter** "Corporate crimes", later amended by the Law of 28 December 2005 no. 262;
- ✓ The Law of 14 January 2003 no. 7, which introduced article **25-quater** "Crimes committed for the purpose of terrorism or subversion of the democratic order".
- ✓ The Law of 11 August 2003 no. 228, which introduced article **25-quinquies** "Crimes against the person":

- ✓ The Law of 18 April 2005 no. 62, which introduced article **25-sexies** "Market abuses", including the following crimes:
 - *Insider trading (article 184 of the Consolidated Law on Financial Brokerage);*
 - *Market manipulation (article 185 of the Consolidated Law on Financial Brokerage).*

The same Law no. 62 of 2005 further laid down, under article 187 of the Consolidated Law on Financial Brokerage, a new form of liability of an Entity as a consequence of the commission, in its interest or to its advantage, not of crimes but unlawful administrative acts of:

- *Insider trading (article 187-bis of the Consolidated Law on Financial Brokerage);*
 - *Market manipulation (article 187-ter of the Consolidated Law on Financial Brokerage);*
- ✓ Article **25-quater.1**, incorporated in the original *corpus* of the Decree under article 3 of the Law of 9 January 2006, no. 7 (Measures concerning the prevention and prohibition of practices of female genital mutilation), extended the administrative liability of entities to the "crime of practices of mutilation of female genital organs" referred to in article 583-bis of the Criminal Code)
 - ✓ **Article 10 of the Law no. 146 of 16 March 2006**, not expressly referred to by the Decree, which introduced the offences of organised criminality with "transnational" implications. An organised criminal group must therefore be involved that perpetrates the crime in one or more states; or in a single state but where a substantial part of its preparation, planning, direction or control takes place in another State; or it is committed in one State but has substantial effects in another State.
 - ✓ Law 3 August 2007 no. 123, which introduced article **25-septies** "Negligent manslaughter and injuries to the person caused by serious or very serious negligence, committed with violation of the regulations on accident prevention and the protection of health and hygiene in the workplace".
 - ✓ Legislative Decree 14 December 2007 no. 231, which introduced article **25-octies** "Receiving, recycling and using money, goods or benefits of unlawful origin"

- ✓ Law 18 March 2008 no. 48, which introduced in the Decree under article **24-bis**, *“Computer crimes and unlawful data processing”*.
- ✓ Law 15 July 2009, no. 94, bearing measures on matters of public security, introduced article **24-ter** – *Offences of organised criminality*².
- ✓ Law 23 July 2009, no. 99, bearing measures for the development and internationalisation of businesses, including on matters of energy, which introduced article **25-bis 1**, *“Crimes against industry and commerce”*.
- ✓ The same Law 23 July 2009, no. 99, extended the cases of crimes of counterfeiting laid down by article 25-bis of the Decree, introducing article 25-novies *“Crimes on matters of breach of copyright”*.
- ✓ Law 3 August 2009 no. 116³, which introduced article **25-decies** *“Inducing others not to make statements or to make false statements to the judicial authorities”* (article 377-bis of the Criminal Code).
- ✓ Legislative Decree of 7 July 2011, no. 121⁴, which introduced article **25-undecies** on matters of environmental crimes.
- ✓ Legislative Decree no. 109/2012 (published in the Official Gazette on 25/07/2012), which introduced article **25-duodecies** *“Employment of the citizens of third party countries who do not have authorisation to stay”*.
- ✓ Law 6 November 2012, no. 190, bearing measures for the prevention and suppression of corruption and illegality in public administration”, which adds, under article 25, paragraph 3 (crimes against the public administration), a reference to the new article 319-quater of the Criminal Code *“Undue inducement to give or promise benefits”*.

² Offences of organised criminality were initially relevant, for the purposes of the Decree, only if they were transnational in nature (article 10 of Law no. 146 of 16 March, 2006).

³ Ratification and execution of the Convention of the United Nations Organisation against corruption, adopted by the UN General Assembly on 31 October 2003 under resolution no 58/4, signed by the Italian State on 9 December 2003, as well as regulations of internal adjustment and amendments to the criminal code and the code of criminal procedure.

⁴ Implementation of the directive 2008/99/EC on the penal protection of the environment, as well as the directive 2009/123/EC (which amended the directives 2005/35/EC regarding pollution cause by ships and the introduction of penalties for violations).

- ✓ The same law 190/2012 added the category of corporate crimes under article 25-ter, paragraph 1, letter s-bis, referring to the new crime of "corruption between private individuals" in the cases referred to in the new third paragraph of article 2635 of the Civil Code⁵.
- ✓ Legislative Decree 39/2014, which introduced, under article 25 quinquies, article 609 undecies (grooming of minors).
- ✓ The Law no. 186 of 15 December 2014, under article 3, paragraph 5, letter b, added to the category of crimes referred to in article 25-octies of the Decree the crime of "money laundering" referred to in article 648-ter.1 of the Criminal Code; furthermore, paragraphs 1 and 2 of the aforementioned Law amended articles 648-bis of the Criminal Code and 648-ter of the Criminal Code with the raising of the minimum and maximum amounts of the fines laid down therein.
- ✓ The Law of 29 May 2015, no. 68/2015, amended Legislative Decree 152/2006 with reference to regime of penalties, introducing, in the category of environmental predicate offences referred to in article 25 undecies of the Legislative Decree 231/01, the new crimes of environmental pollution, environmental disaster, trafficking in and abandoning highly radioactive material without authorisation, through negligence or in aggravated form by association;
- ✓ The Law 27 May 2015, no. 69, came into force on 14 June 2015 and introduced the crime of false accounting in the category of corporate crimes. Specifically, amendments were made to the crime of false corporate reporting, laying down, as crimes that can be penalised for the purposes of 231/01, the cases referred to in article 2621 of the Civil Code, introducing under article 2621 bis the crime of false corporate reporting of a minor extent and amending article 2622 of the Civil Code to include the crimes of false corporate reporting for listed companies.

⁵ The introduction of these regulations is the result of numerous international regulations, binding on our Country, bearing the obligation to provide criminal legislation against private corruption; these include: article 21 of the United Nations Convention of 31 October 2003; articles 7 and 8 of the Convention on criminal law on corruption of the Council of Europe (17 January 1999, recently ratified by law no. 110/2012); the community framework decision 2003/568/GAI, regarding the fight against corruption in the private sector) directly binding on our Country without any ratification procedure (the period of implementation of which expired some time ago).

- ✓ Law no. 199/2016 came into force on 4.11.2016 and amended the crime of "Unlawful brokerage and exploitation of labour" laid down by article 603 bis of the Criminal Code, introducing this case of crime under article 25 *quinquies*, paragraph 1, letter a) of the Legislative Decree 231/2001, extending the category of predicate offences to the administrative liability of entities.

The applicability and relevance of each crime for the Company are the subject of in-depth discussion in paragraph 3.8 of this General Part

2.3 Criteria of imputation of liability to the entity, exempt actions

An entity can only be punished if certain conditions are met, which are described as the **criteria of imputation of the crime to the entity**. In accordance with article 5 of the Decree, the crime must be committed in the interest or to the advantage of the entity and the existence of one of two, alternative conditions is sufficient:

- the "**interest**" of the entity exists when the perpetrator of the crime acted with the intention of favouring it, irrespective of the circumstance by which this objective was attained;
- the "**advantage**" of the entity exists when the Entity has drawn or could have drawn a positive result from the crime, be it economic or any other kind.

According to the Court of Cassation (Criminal Cass. 20 December 2005, no. 3615), the concepts of interest and advantage should not be understood as a single concept, but dissociated, the distinction being clear between what could be understood as a possible gain arising from the unlawful act and an advantage clearly obtained thanks to the outcome of the crime. A similar opinion was also pronounced by the Court of Milan (ruling of 20 December 2004), according to which it is sufficient for the sole purpose of the criminal conduct to be the pursuit of a given benefit, irrespective of whether this has actually be obtained.

The liability of the entity exists not only when it has drawn an immediate pecuniary advantage from the commission of the crime but also in the event that, even though this outcome may be absent, the motivation of the action was the interest of the entity. Improvement of its market position or the concealment of a situation of financial crisis,

for example, are cases that involve the interests of the entity without, however, bringing it an immediate economic advantage.

The entity will not be liable, however, if the perpetrators of the crime acted in their own exclusive interest or that of third parties⁶.

The aforementioned article 5 of the Decree described a condition for imputation of the crime to the entity also of a **subjective** nature, that is, the perpetrator of the crime must be linked to the entity by an authorised relationship as represented below:

- Persons in top management positions, that is, persons performing roles of representation, administration or direction of the entity such as, for example, a legal representative, director or the manager of an organisational unit furnished with financial and operational independence, as well as persons who exercise, including *de facto*, management and control;
- Persons in subordinate positions, that is, persons subject to the direction or supervision or one of the subjects indicated in the previous letter a). This category includes Employees and Collaborators and those persons who, while not members of the staff, carry out duties under the direction and control of the top management. Among the external subjects concerned, in addition to Collaborators, there are also advisers and Consultants who perform activities on the entity's mandate in its name and on its behalf. Finally, the mandates or contractual relationships with persons not belonging to the entity's staff are also relevant, always supposing that these persons are acting in the name, on behalf or in the interest of that entity.

⁶ However, the extension to environmental offences of the administrative liability of Entities/Companies has a significant impact on businesses that conduct an activity that may, even indirectly and by way of negligence, cause damage or harm to the environment and health. For these criminal cases, the law penalises both wilful and negligent conduct, in fact. Therefore, for the criminal cases referred to in article 25-*undecies* it is not necessary, to establish the administrative liability of the entity, that the crimes were committed in the interest or to the advantage of that entity; the business is equally complicit in the unlawful act due to negligence arising from failure to supervise the work of employees and/or third-party subjects that have engaged in conduct in violation of the regulations protecting the environment.

Finally, the Decree introduces **subjective** criteria based on which the crime can be ascribed to the entity and, definitively, the extent of the **culpability** of the entity. The Decree takes a negative approach to this condition, laying down the presuppositions on the basis of which the entity cannot be ascribed any liability for the crime committed in its interest or to its advantage (**the so-called condition of exemption from liability**).

The entity shall not be liable if it can prove that:

- (i) The executive body has adopted and effectively implemented, before the commission of the crime, a suitable model of organisation and management for preventing crimes of the kind committed;
- (ii) The duty of supervision of the operation of and compliance with the model and ensuring it is updated has been assigned to a body of the entity furnished with autonomous powers of initiative and control (Supervisory Board), which, in small organisations, may be the executive body itself;
- (iii) supervision has not been omitted or insufficient on the part of the control body as regards the model;

The conditions listed above must **exist jointly** for the liability of the entity to be excluded.

However, the Decree introduces certain differences from the perspective of the **proof of the entity's culpability depending on whether the crime is committed by a senior management person or a subordinate**.

When the crime is committed by a senior management person, there exists a form of **presumption of the entity's liability**. The Decree requires the entity to prove it is not culpable and also to demonstrate, in addition to the existence of the three conditions indicated above, that the senior management persons committed the crime by fraudulently circumventing the Model (so-called fraud within the Model).

On the other hand, if the crime was committed by persons in subordinate positions, the entity shall be liable for the crime only if there has been deficiency in the obligations of direction and supervision and this deficiency would have been excluded had the entity adopted, before commission of the crime, an organisation, management and

control model suitable to prevent crimes of the kind that occurred⁷.

2.4 Extension of liability to the Parent Company

Should the crime be committed by qualifying subjects of an entity belonging to a group, the concept of interest can be extended to the disadvantage of the parent company. The Court of Milan (ruling of 20 December 2004) confirmed that the element characterising group interest lies in the fact that this is not the exclusive, sole interest of a single member of the group but is common to all the entities forming part of it. For this reason, it is stated that an unlawful act committed by a subsidiary can also be charged to the parent company, as long as the physical person who committed the crime - even if jointly with others - functionally belongs to it.

In the subsequent ruling no. 24583 of 20 June 2011, the Court of Cassation, Criminal Section V, made clear that the parent company and/or the other companies may be liable for a crime committed by a company belonging to the same group as long as the top management or those subject to the latter - be they *de facto* directors or in law - also acted in the concurrent interest of the other companies. However, the prerequisite of interest or advantage must be concretely verified and it must be possible to attribute this to each individual company for which it is intended to allege liability, thereby excluding an extension of liability only on the basis of membership of the group.

2.5 Characteristics of the organisation, management and control model

Article 6 of the Decree lays down that the entity is not called upon to answer for an unlawful act in the case in which it can show it had adopted and effectively implemented, before commission of the crime, "*models of organisation and management suitable to prevent crimes of the kind that occurred*".

⁷ The inversion of the burden of proof does not therefore exist for Top Management Personnel: in the case in question, it will be the public prosecutor who must prove that the entity had not adopted the organisation model required in time.

The same regulation also lays that the establishment of an “*internal control body within the entity*” with the task of supervising the operation and effectiveness of, and compliance with, the aforementioned model, as well as ensuring it is kept updated.

Therefore, the Model acts as a cause for exemption from punishment only if:

- It is effective, that is to say, if it can reasonably be considered suitable to prevent the crime or crimes committed. In accordance with the Decree, for the model to be regarded as **theoretically effective**, it must at least provide the following contents:
 - The Company’s activities that are at risk of the commission of crime are identified;
 - Specific protocols are provided aimed at planning the establishment and implementation of decisions with regard to the crimes to be prevented;
 - With regard to the nature and size of the organisation, as well as the type of activity carried out, suitable measures are provided to ensure the conduct of the activity in compliance with the law and to discover and promptly eliminate situations of risk.
 - For the purpose of preventing the crimes, the methods of managing the financial resources are identified;
 - Obligations are laid down to ensure information is provided to the body assigned to control the operation of and compliance with the models;
 - A suitable internal disciplinary system is introduced to penalise failure to comply with the measures indicated in the model.

- **Effectively implemented**, that is, if its content is applied to corporate procedures (or, in any event, to the established *modus operandi*) and to the internal control system.

The Decree requires verification and periodic updating of the Model, should significant breaches emerge of the instructions contained therein, or should changes in the organisation or to the entity’s activity occur or changes to the key regulations, especially when new predicate offences are introduced.

2.6 Crimes committed abroad

Article 4 of the Decree also lays down that the entity may be called upon to answer in Italy for any crimes committed abroad by a subject functionally linked to the entity, which must, in any case, have its main base located in the territory of the Italian State. If the cases and general conditions for prosecution exist in order to be able to prosecute in Italy a crime committed abroad⁸, the entity shall be liable as long as the State in which the crime was committed does not proceed against it.

2.7 Penalties

There are four types of penalties laid down by the Decree for entities deemed responsible for the commission of one of the predicate offences, each different in kind and method of execution.

A) A pecuniary penalty is always applied in the event of conviction and is determined by the judge through a system based on "quotas" on the basis of the severity of the crime, the degree of liability of the entity, the activity carried out to eliminate the consequence of the crime and extenuate its consequences or to prevent the commission of other unlawful acts. The judge will take account of the economic and capital conditions of the entity.

Cases of reduction of the pecuniary penalty are envisaged when – alternatively – the perpetrator committed the crime predominately in their own interest or that of third parties and the entity has not drawn an advantage from it or has drawn a minimum advantage from it, or when the damage caused is of a particularly insignificant extent.

A pecuniary penalty is also reduced by between a third and a half if, before the opening statement of the first instance hearing, the entity has fully compensated for the damage or has eliminated the damaging or hazardous consequences of the crime, or has acted in that way, or a suitable Model has been adopted to prevent the commission of further crimes.

⁸ The entity may only answer in cases or under the conditions laid down by articles 7, 8, 9 and 10 of the Criminal Code (and should the law lay down that the guilty party - a physical person - be punished at the request of the Justice Ministry, action would be taken against the entity only if the request is also formulated with regard to that entity).

B) Prohibitory penalties are applied in addition to a pecuniary penalty and constitute the most severe penalties.

The prohibitory penalties laid down by the Decree are:

- The temporary or permanent prohibition against exercising the activity;
- The suspension or revocation of authorisations, licences or concessions involved in the commission of the unlawful act;
- The prohibition against entering into contracts with the public administration, except in order to obtain the performance of a public service;
- The exclusion from benefits, loans, grants or subsidies and the possible revocation of those already granted;
- The temporary or permanent prohibition from advertising goods or services.

The prohibitory penalties are only applied in those cases expressly laid down⁹ and as long as at least one of the following conditions apply:

- *The entity has drawn significant profit from the crime and the crime was committed by a member of the top management*
- *In the case the unlawful acts are repeated.*

The prohibitory penalties are usually temporary. Some penalties may be imposed permanently only in particularly serious cases and, in any case, they can be applied as a precautionary measure, on the request of the Public Prosecutor, should serious indications exist of the entity's liability and there are well-founded and specific reasons to believe there is a concrete danger that unlawful acts of the same nature as those concerned in the proceedings may be committed.

The prohibitory penalties, however, are not applied (or are revoked, if already applied during the investigations) if the entity – before the opening statement of the first instance hearing – has compensated or remedied the damage, and eliminated the damaging or hazardous consequences of the crime, made available for confiscation by the judicial authority the profit from the crime and - above all - eliminated the organisational deficiencies that led to the crime, adopting a

⁹ they are not laid down, for example, for corporate crimes and crimes of market abuse

suitable organisation model to prevent the commission of new crimes. In these cases, a pecuniary penalty is applied.

C) **Confiscation**, which consists of the State acquiring the price or profit of the crime¹⁰ (or, when it is not possible to carry out the confiscation directly on the price or profit of the crime, in apprehending the sums of money, goods or other benefits of equivalent value to the price or profit of the crime).

D) **Publication of the conviction**, which consists of publishing the sentence only once, as a summary or in its entirety at the expense of the entity, in one or more journals indicated by the Judge or by notice displayed in the municipality where the entity has its main base. The publication of the sentence is a possible penalty and assumes the application of a prohibitory penalty (article 18).

2.8 Events that modify the Entity

Only the entity is obliged to pay any pecuniary penalty imposed on it, using its assets or common fund.

The legislature has adopted, as a general criterion, the application to the pecuniary penalties imposed on an entity of the principles of civil law on the liability of an entity subject to the pecuniary penalties imposed on an entity subject to conversion for the debts of the original entity.

Moreover, as a general principle, it was established that the prohibitory penalties remain the against an entity in which the branch of activity within which the crime was committed has remained (or converged).

The Decree expressly regulates the regime of the liability of the entity in the case of changes, or in the case of **conversion, merger, demerger and transfer of company**.

In the case of conversion, the new entity is the recipient of penalties applicable to the original entity for crimes committed before the date in which the conversion took effect.

¹⁰ The confiscation of the price or profit of the crime is a mandatory penalty that follows any conviction (article 19)

In the case of merger, the entity resulting from the merger, including by incorporation, answers for crimes for which the entities taking part in the merger were liable. If the merger took place before the conclusion of the assessment of the entity's liability, the judge will take account of the economic conditions of the original entity and not those of the entity resulting from the merger.

In the case of partial demerger, the liability of the demerged entity remains for crimes committed before the demerger. However, the beneficiary entities of the demerger, partial or complete, are jointly liable for the payment of pecuniary penalties owed by the demerged entity for crimes before the demerger. The obligation is limited to the value of the equity transferred.

In the case of transfer or assignment of the company within the scope of which the crime was committed, apart from the benefit of preventive enforcement of the assignor entity, the assignee is jointly obliged with the assignor entity to pay the pecuniary penalty, within the limits of the value of the transferred company and within the limits of the pecuniary penalties resulting from the mandatory accounting ledgers, or of which the assignee is in any event aware. In any case, the prohibitory penalties are applied to entities in which, even partially, the branch of activity within the scope of which the crime was committed has remained or has been transferred.

2.9 Attempted crime

The entity's administrative liability is also extended to the cases in which the commission of one of the crimes referred to the Legislative Decree 231/01 and subsequent amendments and supplements is attempted.

GENERAL PART

3. THE VALVITALIA SPA MODEL

The Board of Directors of Valvitalia (hereinafter, also referred to as the “**Company**”) adopted, under the resolution of 12 December 2014, the “Organisation, Management and Control Model” in accordance with the Legislative Decree of 8 June 2001 no. 231.

At the same time as the adoption of the Model, the Board appointed a specific body, called the Supervisory Board, with joint responsibility, to which it assigned the tasks of supervision and control laid down by that Decree and for which reference should be made to § 4.8.

3.1 Provision of the Model and *risk assessment*

Article 6 of the Decree lays down that organisation and management models can be adopted on the basis of codes of conduct drawn up by representative associations of entities, notified to the Ministry of Justice¹¹.

The Valvitalia S.P.A. Model is in compliance, where possible, with the Confindustria guidelines¹². These are general Guidelines, by their nature, while the Model must be adapted to the actual reality of the Company. Valvitalia's Model was therefore drawn up by taking account of the activity actually carried out by the Company, its structure and the nature and size of its organisation *and therefore its specific, inherent risk profile*¹³.

The Model is therefore based on a risk assessment process, carried out with the support of the Supervisory Board and also conducted through workshops involving the top management and the operational process managers, that enables the Company to identify, with reference to its activities and taking account of its organisation, the

¹¹ The Justice Ministry, in concert with the competent Ministers, may formulate, within thirty days, observations on the suitability of the models for preventing crimes

¹² Latest update, April 2014.

¹³ Therefore, any divergence from the Model adopted by the Company with regard to certain specific indications referred to in the Guidelines, does not invalidate its basic correctness and validity.

potential risk profiles with regard to the ways that the various kinds of crime indicated by the Decree may be committed.

Specifically, analyses were conducted of the history of the Company, the corporate context, the sector to which it belongs, the company's organisational structure, the existing system of corporate governance, the proxies and delegation system, the existing legal relationships with third party subjects, the operational reality, the operating practices and the formalised procedures disseminated within the Company to safeguard the sensitive activities.

For the purposes of the preparation of this document, the Company therefore:

- identified the processes, sub-processes or company activities in which the predicate offences indicated in the Decree could be committed, through interviews with the Managers of the company's Departments;
- conducted a self-assessment of the risks of the crimes being committed and the internal control system intended to prevent unlawful conduct;
- identified suitable safeguards, existing or that needed to be implemented, in the operating procedures and company practices, required to prevent or mitigate the risk of the crimes referred to in the Decree being committed;
- analysed its system of delegations and powers and the attribution of responsibilities.

The results of this process were formalised, subject to the assessment of reasonableness by the Supervisory Board, in a document filed in the company records that will here be fully explored¹⁴. The "risk assessment", along with subsequent updates, is an essential premise of this Model and the measures contained in the Model supplement its contents.

¹⁴ The risk assessment document and the respective updates are filed at the responsibility of the Company's Supervisory Board.

3.2 Nature of the Model and the Code of Ethics

This Model constitutes the internal regulations of the Company and is binding upon it. The Code of Ethics adopted by the Valvitalia Company under the Board of Directors' resolution of 12 December 2014, which incorporates and formalises the ethical-social principles and values which must permeate the conduct of the Company and the intended recipients of the Code of Ethics in general, is the essential basis for this Model.

The Code of Ethics, which is subject to periodic updating both with regard to new developments in the legislation and case law and to taking account of changes in the Company's operations, is fully referenced herein and constitutes the essential basis of the principles that inspired the Model, whose measures are supplements to its contents.

In general, this Model supplements the other direct instruments that regulate the governance of the Company, as more fully identified in the subsequent paragraph 3.5.

3.3 Aims of the Model

With the adoption of the Model, the Company intends to faithfully fulfil the instructions of the Decree to improve and make the existing Internal Control System and Corporate Governance as efficient as possible.

The main objective of the Model is to create an organic, structured system of principles and control procedures, designed to prevent, where possible and actually feasible, the commission of the offences laid down by the Decree. The Model will form the basis of the Company's system of governance and will implement the process of dissemination of a business culture marked by propriety, transparency and legality.

To this end, the Model, whose dissemination is ensured by the company in the ways indicated in the subsequent § 6, has the following aims:

- to provide adequate information to employees, those who act on the Company's mandate, or are linked to the Company by relations of relevance for the purpose of the Decree, with reference to the activities that bear the risk of crimes being committed;
- to prevent, as far as possible, criminal behaviour or that does not comply

with the law and this Model;

- to disseminate a culture of control and *risk management*;
- to disseminate a business culture based on legality, reiterating that any form of unlawful conduct is contrary – in addition to the legal measures – to the ethical principles by which the Company intends to abide in exercising the corporate activity and, as such, is strongly condemned (even in the event the Company may apparently be able to draw advantage from it).
- To make all subjects that operate for the Company aware of the cogent corporate principles and rules aimed at the prevention of crimes and the consequences that could arise for the Company and those subjects¹⁵ due to violations of the provisions of the Model;
- to implement an effective and efficient organisation of the business activities, putting the emphasis especially on the formation of decisions and their transparency and traceability, devolving responsibility to the resources engaged in taking these decisions and their implementation, on the measures of control, preventive and subsequent, as well as the management of internal and external information;
- to implement all the measures necessary to reduce to the utmost and in as short a time as possible the risk of crimes being committed, enhancing the current safeguards designed to avert unlawful conduct of relevance in accordance with the Decree.

3.4 Peculiarities of Valvitalia S.p.A. and Corporate Governance

Valvitalia S.p.A. is a company operating at the global level in the production and marketing of industrial valves and the respective accessories, regulation and gauging stations, servo controls and other complementary products for the oil, water, natural gas and petrochemical industry and the production of electricity. Specifically, the group is mainly involved in the production of valves (core product), actuators, fittings,

¹⁵ Disciplinary and/or contractual consequences imposed by the company in addition to those of a penal nature imposed by the judicial authority.

flanges and systems for measuring, filtering and regulating fluids and gases and fire prevention systems at 8 production sites in Italy, and 7 production sites for the production and marketing in foreign markets.

The Company has adopted a so-called "traditional" system of corporate governance, providing for the following corporate bodies under its Articles of Association:

- Shareholders' General Meeting: has the power to pass resolutions, in ordinary and extraordinary sessions, on the matters reserved to it by the law or the Articles of Association; at the date of approval of this document, Valvitalia Holding S.p.A. is the sole shareholder;
- Administrative Body: the Company is administered by a Board of Directors composed of seven members with the widest powers for its ordinary and extraordinary management, excluding only those reserved exclusively under the law to the Shareholders' General Meeting;
- Board of Auditors: the corporate management is controlled by a Board of Auditors, made up of three statutory and two substitute members;
- Financial audit: the financial audit of the Company is conducted by an independent auditor listed on the register established at the Ministry of the Economy and Finance.

The Company is certified in accordance with the international standards ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007.

3.5 Additional elements of governance assumed by the Model

The Company defines its governance through a functional organisation that ensures the technical expertise and powers required for the management and control of the activities identified as at risk in accordance with the Special Parts of this Model. The Company's organisational structure is displayed in one or more "Organisation Charts", in which the roles and lines of functional and hierarchical reporting are defined. All persons responsible for corporate management are identified and informed with regard to the powers-duties deriving from their role, the lines of

functional and hierarchical reporting and the systems of delegations and proxies adopted by the Company.

Therefore, this Model is supplemented with other instruments aimed at regulating the governance of the Company, such as the organisational structure, the system of delegations and proxies, the policies, processes and systems of managing the processes, supplementary external certifications involving the system of quality, environment and safety (ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007), operating manuals, operating procedures (or established practices) and all those internal measures in general that represent the means of implementing the provisions of this Model, including the principles and control protocols laid down in the special part of this document.

The Company is constantly engaged in supplementing the instructions of the Model with the other elements of Corporate Governance that it has adopted.

In any case, the corporate measures for implementing Model 231 are issued by the management of the competent departments. Specifically, the measures and procedures in general must not contain elements that conflict with the provisions of the Model, and therefore with reference to the safeguards designed to prevent the commission of crimes, but must incorporate and, where necessary, set down in detail the general and specific principles of control on which this Model is based.

The Supervisory Board verifies that the procedures (or the established practices) issued by the management incorporate the control safeguards of Model 231 and implement them effectively.

3.6 Presuppositions for the implementation and updating of the Model

In accordance with article 6, paragraph 1, letter a) of the Decree, the Board of Directors of Valvitalia S.p.A. is the only corporate body with the power, through appropriate resolutions, to adopt the Model and subsequent amendments and supplements.

In general, the Model must always be promptly updated by means of resolutions by the Administrative Body, including on the suggestion of the internal Supervisory Board, when:

- There have been violations or evasions of the measures contained within it, which have revealed its ineffectiveness or coherence for the purposes of crime prevention;
- Events have occurred that have highlighted the presence of risks not previously envisaged or the inadequacy of the prevention measures adopted;
- Significant changes have been made to the regulatory or technical-scientific framework, to the organisation, corporate structure or the Company's activities or to the risk profile in any way that require the adoption of new measures or the amendment of the control protocols;

Proposal to amend the Model made directly from within the Board of Directors shall be notified in advance to the Supervisory Body, which must then give its opinion.

The amendments, be they of a formal or a substantial nature, may be made directly on the proposal of the Supervisory Body, which adopts and conveys to the Board of Directors any proposals from the General Management, subject to the assessment of their coherence and adequacy with regard to the effectiveness of the Model.

Moreover, any occurrences that make it necessary to update the Model must be promptly notified by the Supervisory Board in written form to the Administrative Body, including during the periodic reporting, it being able to propose the consequent amendments/supplements so that the latter can pass resolutions within its responsibility.

In derogation of the provisions of the previous point, should amendments of an exclusively formal nature become necessary, such as clarifications or explanations of the text, the Company's Chief Executive Office may act on them independently, after hearing the opinion of the Supervisory Board and referring them to the Board of Directors in the first available meeting.

Amendments of individual items of governance (such as the procedures) required to implement the provisions of the Model are made by the departments concerned.

The Supervisory Board shall be kept constantly informed of the updating and implementation of new operating procedures and has the right to express its opinion on the amendments made in the event these are not in alignment with the provisions in the Model.

3.7 Implementation and updating of the Model

In compliance with the measures of the Decree, this Model seamlessly amends and updates the previous Model updated by the Board of Directors of Valvitalia S.p.A. under the resolution of 12 December 2014.

With regard to the previous version, this Model, adopted under the Board of Directors' resolution of 30 March 2017:

- a) Amends and supplements the Model's general part for the purpose of incorporating the organisational and corporate development and the legal guidance, including with reference to the obligations for reporting, and the duties and powers of the Supervisory Board;
- b) Accurately identifies, in the Model's general part, the criminal cases that it is considered possible may be perpetrated within the Company on the outcome of a review/updating of the *risk assessment*, taking account of the ways such crimes could be implemented in the company's operating context and to include the risk of unlawful acts of money laundering, environmental offences and corporate false reporting;
- c) Supplements the special part of the Model with the activities/operations in the execution of which the criminal cases under article 25 Octies could be perpetrated, with specific reference to money laundering, crimes of environmental disaster, and the crimes concerning brokerage and the illegal exploitation of labour including in the new categories of crimes referred to in article 25 quinquies of the Decree, defining, where deemed necessary, specific control protocols in their regard.

The Model's structure was also amended to give a clearer and more transparent representation of the provisions contained therein.

3.8 Predicate offences of relevance to Valvitalia S.p.A.

In the light of the *risk assessment* analysis conducted by the Company for the

purposes of the provision of this Model¹⁶, and so taking account of the organisational structure and operating peculiarities of the Company, given the fact it is not listed, the predicate offences that are considered relevant and that may potentially be committed within the Company are those referred to by articles 24, 25 of the Decree (Crimes against the Public Administration), article 24-bis (computer crimes and unlawful data processing), article 24-ter and article 10 of the Law 146/2006 (offences of organised crime – transnational crimes), article 25 bis (counterfeiting of money, legal tender, revenue stamps and instruments or identification marks), article 25 bis (crimes against industry and commerce), article 25-ter of the Decree (Corporate crimes), including paragraph 1, letter s-bis (corruption involving private individuals), article 25 quarter (crimes for the purpose of terrorism or subversion of the democratic order), article 25-septies (negligent manslaughter or personal injuries in accidents at work due to negligence), article 25-octies (receiving stolen goods, the use of money from unlawful sources and money laundering), article 25-novies (copyright infringements), article 25-decies (inducing others not to make statements or to make false statements to the judicial authorities), article 25-undecies (environmental offences), article 25-duodecies (employing citizens of third-party countries without authorisation to stay in the country), **within the limits of the cases listed and described below:**

A. Crimes committed in relations with the Public Administration (articles 24 and 25 of the Decree);

- **Embezzlement to the detriment of the State** (article 316-bis of the Criminal Code), constituted by the conduct by those who, not belonging to the public administration, and having obtained from the State or other public entity of the European Community, grants, subsidies or loans intended to encourage initiatives for the implementation of works or the conduct of activities in the public interest, do not use them for the aforementioned purposes.

¹⁶ Refer to what has already been specified in paragraph 3.1.

- **Misappropriation of funds to the detriment of the State** (article 316-ter of the Criminal Code), constituted by the conduct of those who, without prejudice to the fact that this constitutes the crime laid down by article 640-bis of the Criminal Code, by means of the use or presentation of false statements or documents or by stating untruths, or by means of omitting due information, unduly obtains, for themselves or others, grants, finance, assisted loans or other disbursements of that kind, however called, granted or disbursed by the State, other public entities or the European Union.
- **Fraud to the detriment of the State or another public body** (article 640 of the Criminal Code, 2nd paragraph, no. 1), constituted by the conduct of those who, by means of contrived or fraudulent acts, by misleading another, procures for themselves or others an unjust gain by damaging others, if the crime is committed to the detriment of the State or another public entity or under the pretext of exonerating someone from military service.
- **Aggravated fraud to obtain public aid** (640-bis of the Criminal Code), constituted by the conduct referred to under the previous number, if carried out to obtain grants, finance, assisted loans or other disbursements of the same kind, however called, granted or disbursed by the State, other public entities or the European Union.
- **Computer fraud** (article 640-ter of the Civil Code, 2nd paragraph), constituted by the conduct of those who, by altering in any way the functioning of a computer or data transmission system or intervening without the right to do so by any means on data, information or programmes contained in a computer or data transmission system or connected to it, procures for themselves or others an unjust profit to the detriment of the State or another public entity.
- **Extortion** (article 317 of the Criminal Code), constituted by the conduct of a public official or civil servant commits who, by abusing his position or powers, forces or induces someone to unduly give or promise, to him or a third party, money or other benefit.

- **Bribery for an act contrary to official duties** (article 319 - article 319 bis - article 321 of the Criminal Code), constituted by the conduct of a public official¹⁷ who¹⁸, for carrying out an official act, receives for himself or for a third party, in cash or other benefit, a payment not due to him, or who accepts the promise of such.
- **Bribery for an act contrary to official duties** (articles 319 of the Criminal Code - article 319-bis – article 321 of the Criminal Code), - constituted by the conduct of a public official who, for omitting or delaying or for having omitted or delayed an official act, or to carry out or for having carried out, an act contrary to his official duties, receives, for himself or a third party, cash or another benefit, or accepts the promise of such.
- **Corruption in judicial acts** (article 319-ter, 2nd paragraph – article 321 of the Criminal Code), constituted by acts of corruption, should they be committed to favour or damage a part in civil, criminal or administrative proceedings.
- **Bribery of a public servant** (article 320 of the Criminal Code), constituted by the offence referred to in article 319 of the Criminal Code, when committed by a civil servant; that laid down by article 318 of the Criminal Code, should the perpetrator be a public employee.
- **Incitement to bribery** (article 322 of the Criminal Code), constituted by the conduct of those who offer or promise money or other undue benefit to a public official or civil servant¹⁹ in the role of a public employee, in order to induce them to carry out an official act, should the offer or promise not be accepted.

¹⁷ The term Public Official means, in accordance with article 357 of the Criminal Code those who “exercise a legislative, judicial or administrative function”. The administrative function is classified as public where disciplined by the regulations of public law and the authorised deeds and characterised by the formation and manifestation of the will of the Public Administration or its proceedings by means of powers of authorisation or certification or resolution.

¹⁸ A Public Service Employee means, in accordance with article 358 of the Criminal Code is anyone who “in any way performs a public service”, the latter being defined as an activity disciplined in the same forms of public function but characterised by the law of powers or authorisation, certification and resolution.

¹⁹ The introduction of the autonomous figure of the crime of extortion by inducement amends the original approach of the Criminal Code which grouped in a single regulations and subjected to the same penalty “forcing and inducing another to unduly give or promise money or other benefit”. The constituent act of the crime in this case would be represented by the coercion of the will of a private individual, which occurs when a public official, abusing his role and powers, induces a private individual to submit to his requests.

- **Undue inducement to give or promise benefits (article 319-quater of the Criminal Code)**²⁰, embezzlement, extortion, corruption and incitement to corruption by members of the bodies of the European Union and officials of the European Union and foreign States (article 322-bis of the Criminal Code) constituted by the acts referred to in articles 314 (embezzlement) and 316 (embezzlement by means of profiting from the errors of others) of the Criminal Code and by acts of extortion and corruption referred to in the previous articles should they be committed: by members of the Commission of the European Union, the European Parliament, the Court of Justice or the Court of Auditors of the European Union; by officials or agents hired on contracts in accordance with the regulations on officials of the European Union or the rules applicable to agents of the European Union; by persons under the orders of Member States or by any public or private entity at the European Union that exercise functions corresponding to those of officials or agents of the European Union; by members and employees of entities constituted on the bases of the Treaties establishing the European Union; by this who, in other Member States of the European Union, perform duties or activities corresponding to those of public officials and civil servants²⁰.

B. Computer crimes and the unlawful treatment of data (article 24-bis of the Decree)

- **Illegal access to a computer or telecommunications system**, laid down by article 615-ter of the Criminal Code and constituted by the conduct of those who unlawfully enter a computer or data transmission system protected by security measures or carried out against the express or tacit desire of those who have the right to exclude such entry;

²⁰ The same penalties laid down for the public official or public service employee for corruption, extortion and instigation to corruption are also applied to those who give or promise money or another benefit to the subjects indicated, as well as persons who exercise functions or activities corresponding to those of public officials or employees of a public service in other foreign States or international public organisations, should the act be committed to procure for himself or others an undue advantage in international commercial transactions.

- **Damage to information, data and computer programmes**, laid down by article 635-bis of the Criminal Code and constituted by the conduct of those who, without prejudice to the fact they may be committing more serious crimes, destroys, damages, deletes, alters or suppresses information, data of computer programmes belonging to others;
- **Unlawful retention and dissemination of access codes to computer or digital transmission systems**, laid down by article 615-quarter of the Criminal Code and constituted by the conduct of those who, for the purpose of procuring profit for themselves or others or causing harm to others, unlawfully procures, reproduces, disseminates, communicates or hands over codes, key words or other means suitable to access a computer or data transmission system protected by safety measures or in any way provides indications or instructions suitable for that purpose;
- **Falsifying computer documents**, laid down by article 491-bis of the Criminal Code and constituted by falsifying public deeds, certificates or administrative authorisations, falsifying authentic copies of public or private deeds and certificates of the content of deeds, the false interpretation of public deeds, falsifying registrations and notifications, falsifying private agreements, falsifying signed blank documents, or by the conduct of using falsified deeds or by the suppression, destruction or concealment of true deeds, if and when the falsification concerns a public or private document with validity as evidence.

C. Offences of organised crime (article 24-ter of the Decree)

- **Criminal association (article 416 of the Criminal Code)** which is also committed through the simple participation in a group made up of at least three people who come together for the purpose of committing crimes. Participation can also consist in any contribution to such association if there is awareness of such a connection, even if the crime is not committed.

- **Criminal association in Mafia-type organised crime** including such organisations based outside Italy, laid down by article 416-bis of the Criminal Code that differs from the previous offence only in the type of criminal association laid down. The association with a Mafia-type criminal organisation applies when those who are part of it make use of the criminal connection in order to intimidate and subject others to a code of silence in order to commit crimes, to directly or indirectly acquire control of economic activities, grants, authorisations, contracts or public services or to gain undue profit or advantage for themselves or others or for the purpose of impeding or preventing the free exercise of voting or to win votes for themselves during elections or referenda. As regards the minimum form of the commission of this crime, and therefore simply participation in it, the indications given under article 416 of the Criminal Code are valid.

D. Transnational crimes (article 10, Law 146/2006)

The conduct of criminal association referred to in articles 416 and 416 bis of the Criminal Code are relevant for the purposes of the Decree and this Model not only as offences of "domestic" organised crime (article 24-ter of the Decree) but also offences that can be qualified as "transnational crimes" for which it is required that the unlawful conduct is committed in one State but has substantial effect in another State, that is:

- committed in one State, even if a substantial part of its preparation or planning or direction and control should occur in another State;
- committed in one State, but a criminal group or perpetrator of criminal activities is involved in more than one State.

The provision in article 4 of the Law 146/2006 gives more explanation of the transnational nature of the crime, where it lays down the aggravating circumstance of "crimes punished by the penalty of imprisonment of a maximum of no less than four

years in the commission of which a contribution has been made to an organised criminal group engaged in criminal activities in more than one State”.

E. Offences of counterfeiting money, legal tender , revenue stamps and of instruments or identification marks (article 25-bis of the Decree)

- **Counterfeiting, altering or using brands or trademarks or patents, models and designs** laid down by article 473 of the Criminal Code and constituted by the conduct of those who, aware of the right of industrial property, counterfeits or alters brands or trademarks, national or foreign, of industrial products or, without contributing to the counterfeiting or alteration, make use of such brands or counterfeited or altered trademarks, or counterfeits or alters patents, designs or industrial models, national or foreign, or, without taking part in the counterfeiting or alteration, makes use of those counterfeited or altered patents, designs or models. These crimes are punishable on condition that the regulations of domestic laws, European Union regulations or international conventions on the protection of intellectual or industrial property rights are observed;

F. Crimes against Industry and Commerce (article 25 bis 1 of the Decree)

- Interfering with the freedom of industry and commerce, laid down by article 513 of the Criminal Code and constituted by the conduct of those who use violence against things or fraudulent means to prevent or interfere with the operation of industry or commerce;
- **Fraudulent trading** laid down by article 515 of the Criminal Code and constituted by the conduct of those who, in exercising a commercial activity, provide a buyer with a moveable asset in place of another, or a moveable asset that by origin, provenance, quality of quantity is different from that stated or agreed;

- **The sale of industrial products with false markings**, laid down by article 517 of the Criminal Code and constituted by the conduct of those who put on sale or otherwise place in circulation the intellectual works or industrial products with national or foreign names, brands or trademarks designed to mislead the buyer over the origin, provenance or quality of the work or product;
- **Manufacture and sale of assets gained by usurping industrial property rights**, laid down by article 517-ter of the Criminal Code and constituted, without prejudice to the application of articles 473 and 474, by the conduct of those who, in a position of knowing the existence of rights of industrial property or uses industrial objects or assets created by usurping an industrial property right or in violation of it; including those who, for the purposes of gaining profit, introduce in the territory of the State, holds for sale, places on sale in a direct offer to consumers or in any way puts in circulation objects or other assets gained by usurping an industrial property right or in violation of such a right;
- **Unlawful competition through threats or violence**, laid down by article 513-bis of the Criminal Code, constituted by the conduct of those who, in the exercise of a commercial, industrial or production activity, carry out acts of unfair competition with violence or threats.

G. Corporate crimes (article 25-ter of the Decree)

- **False corporate communications** (article 2621 of the Criminal Code), other than the cases laid down by article 2622 of the Civil Code (false corporate reporting by listed companies), the unlawful act is constituted by the conduct of directors, managing directors, auditors or liquidators who, with the intention of misleading shareholders or the public with the aim of obtaining for themselves or others an unjust profit, in financial statements, reports or other corporate communications laid down by the law, aimed at shareholders or the public, present facts that do not correspond with the truth even though subject to evaluations or who omitted information whose communication is imposed

by the law on the economic, equity or financial situation of the company of Group to which it belongs, altering it in a noticeable way aimed at misleading the intended recipients in the aforementioned situation. Criminal liability also extends to the case in which the information concerns assets possessed or administered by the company on behalf of third parties.

- **False corporate reporting for facts of minor importance** (article 2621 bis of the Civil Code), which lays down the application of lower penalties if the facts referred to in the previous article 2621 of the Civil Code (false corporate reporting) are of minor importance, taking account of the nature and size of the company and the methods or effects of the conduct.
- **Obstruction of control** (article 2625 of the Civil Code)²¹, constituted by the conduct of directors who, by concealing documents or by other suitable artifices, impede or, in any event, obstruct the conduct of the control or audit activities legally assigned to the shareholders, other corporate bodies or independent auditors.
- **Improper restitution of contributions** (article 2626 of the Civil Code), constituted by the conduct of directors who, other than cases of the lawful reduction of share capital, return, including simultaneously, the contributions to shareholders or free them of the obligation of making them.
- **Illegal distribution of profits and reserves** (article 2627 of the Civil Code), constituted by the conduct of directors who distribute profits or payments on account for profits that have not actually been gained or that legally should be allocated to the reserve, or who distribute reserves, even if not made up of profits, that cannot be distributed under the law.
- **Unlawful transactions on shares or corporate holdings or those of the parent company** (article 2628 of the Civil Code), constituted by the conduct of directors who, other than the cases allowed by the law, acquire or underwrite

²¹ The reference to the independent auditor considered in the previous formulation of article 2625 of the Civil Code was eliminated by article 37, paragraph 35, letter a), of the Legislative Decree 39/2010. The new cases of obstructed control of independent auditors remains governed by article 29 of the Legislative Decree 39/2010 not expressly referred to by the Decree.

shares or corporate holdings, causing detriment to the share capital or reserves that cannot be distributed under the law; or by directors who, other than the cases allowed by the law, acquire or underwrite shares or quotas issued by the parent company, causing detriment to the share capital or reserves that cannot be distributed under the law.

- **Failure to give notice of a conflict of interest (article 2629-bis of the Civil Code)**
- **Transactions detrimental to creditors** (article 2629 of the Civil Code), constituted by the conduct of directors who, in violation of the provisions of the law protecting creditors, implement share capital reductions or mergers with other companies or demergers, to the detriment of creditors.
- **Fictitiously formation of share capital** (article 2632 of the Civil Code), constituted by the conduct of directors and contributing shareholders who, even in part, falsely form or increase the share capital by the allocation of shares or quotas to an overall degree higher than the amount of the share capital, the reciprocal subscription of shares or quotas, significant overvaluation of the granting of assets in kind or credits or the equity of the company in the case of conversion.
- **Unlawful influence on the Shareholders' General Meetings** (article 2636 of the Civil Code), constituted by the conduct of those who, through feigned or fraudulent acts, attain the majority in the shareholders' general meeting, for the purpose of procuring an unjust profit for themselves or others.
- **Market rigging** (article 2637 of the Civil Code), constituted by the conduct of those who disseminate false information, or carry out feigned transactions or other stratagems intended to cause a significant alteration of the price of unlisted financial instruments or for which no request has been presented for admission to trading on a regulated market, or that impacts significantly on the trust placed by the public in the financial stability of banks or banking groups.
- **Obstructing the performance of the duties of the public Supervisory Authorities** (article 2638 of the Civil Code), constituted by the conduct of directors, managing directors, auditors and liquidators of companies or entities

and by other subjects subject under the law to the public supervisory authorities, or under obligation in their regard, that, in communications to the aforementioned authorities on the basis of the law, for the purpose of impeding the exercise of their supervisory functions, present material facts that are untrue, even if subject to evaluations, on the economic, equity or financial situation of those subject to supervision or, for the same purpose, conceal by other fraudulent means, wholly or in part, facts that should be communicated concerning that situation, including in the case in which the information concerns assets possessed or administered by the company on behalf of third parties, or by acts committed by the directors, managing directors, auditors and liquidators of companies or entities and by other subjects subject under the law to public supervisory authorities or under obligation in their regard, that, in any way, including by omitting information that should be communicated to the aforementioned authorities, knowingly obstruct their functions.

- **Corruption between private parties (article 2635 of the Civil Code)**
Constituted by the conduct of directors, managing directors, managers designated to draw up the company's accounting documents, auditors and liquidators, as well as anyone subject to the direction or supervision of one of the aforementioned subjects²² who, following the giving or promising of money or other benefit, for themselves or others, commit or omit acts in violation of the obligations concerning their office or their obligations of loyalty²³, causing damage to the company. The law also punishes those who give or promise money or another benefit to the persons indicated above.

The relevant provision is laid down in the third paragraph of article 2635 of the Civil Code, which punishes so-called *Active corruption*. This means that, in accordance with Legislative Decree 231/01, the entity to which the corrupter belongs, and so benefits from the corruption, is punished. In some cases, however, “the corrupted” person may

²² This latter measure makes reference on the matter of "subject persons" to what is referred to in article 5 of the Legislative Decree no. 231/2001.

²³ For the obligation of loyalty of employees, the reference is article 2105 of the Civil Code. For directors, reference must be made to article 2392 of the Civil Code.

a subject within the Company to which the corrupter belongs who may have acted to avoid damage to the company, and so in the interest of that company²⁴.

Paragraph 1 of the aforementioned article 2635 punishes the conduct of giving or promising benefits aimed at carrying out or omitting acts in violation of official duties, and therefore those concerning the provisions imposed by this Model and the Code of Ethics **come under these violations**.

Active subjects of the crime referred to in the first two paragraphs of the article in question may be, with regard to Valvitalia S.p.A., in addition to the auditors, directors and managers designated to draw up the company's accounting documents, all employees subject to the supervision or direction by these subjects and therefore the employees responsible, for example, for the stipulation of procurement contracts of goods and services²⁵.

H. Negligent manslaughter and injuries to persons from accidents at work due to negligence and occupational diseases (article 25-septies of the Decree)

- **Negligent manslaughter committed with violations of the regulations on accident prevention and the protection of health and hygiene in the workplace**, laid down by article 590, third paragraph, of the Civil Code, constituted by the conduct of whoever negligently causes the death of a person with violation of the regulations on the prevention of accidents at work.
- **Serious or very serious injuries committed through negligence with violations of the regulations on accident prevention and the protection of health and hygiene in the workplace**, laid down by article 589 of the Criminal Code and constituted by the conduct of whoever causes others, through

²⁴ An example would be an auditor who accepts a sum of money from a director not to report a regulatory violation.

²⁵ For example, an employee offers gifts or money to the director of another company who has agreed a private contract for supply to induce him to give favourable contractual conditions to the detriment of his own company.

negligence, serious or very serious personal injuries with violation of the regulations on the prevention of accidents at work.

I. Receiving stolen goods, laundering, using money, goods or benefits of unlawful origin, including money laundering (article 25-octies of the Decree)

- **Receiving stolen goods**, laid down by article 648 of the Criminal Code and constituted by the conduct of those who, other than the cases of complicity in the alleged crime, for the purpose of procuring for themselves or others the acquisition of profit, receives or conceals money or things originating from any offence, or who takes part in acquiring, receiving or concealing them.
- **Laundering**, laid down by article 648-bis of the Criminal Code and constituted by the conduct of those who, other than the cases of complicity in the alleged crime, replace or transfer money, assets or other benefits originating from crime without criminal intent or carries out other transactions in relation to these such as to impede the identification of their criminal origin.
- **Use**, in accordance with article 648-ter of the Criminal Code, constituted by the conduct of those who, other than cases of complicity in the crime or complicity in the crimes laid down by articles 648 and 648-bis, uses money, goods or other benefits originating from crime in economic or financial activities.
- **Money laundering**, laid down by article 648-ter 1 of the Criminal Code and constituted by the conduct of whoever uses, replaces, transfers in economic, financial, entrepreneurial or speculative activities, having committed or being complicit in the commission of a crime without criminal intent, money, goods or other benefits originating from the commission of this crime in a way that substantially obstructs the identification of their criminal origin. Conduct for which money, goods or other assets are intended for merely personal use and enjoyment is not punishable.

J. Offences concerning matters of breaches of copyright (article 25-novies of the Decree)

- Making available to the public, on a data transmission network, by means of connections of any kind, a protected intellectual work, or part thereof (**article 171, Law of 22 April 1941, no. 633, paragraph 1, letter a) bis**);
- Crimes referred to in the previous point committed on the works of others not intended for publication, should this offend their honour or reputation (**article 171, Law of 22 April 1941, no. 633, paragraph 3**).
- The reproduction, transfer to other media, distribution, communication, presentation or demonstration in public of the content of a databank; extraction or reuse of the databank; distribution, sale or transfer in leasing of databanks, (**article 171-bis of the Law 633/1941 paragraph 2**);
- Inclusion on a data transmission network, by means of connections of any kind, a protected intellectual work, or part thereof (**article 171-ter of the Law 633/1941**).

K. Inducing others not to make statements or to make false statements to the judicial authorities (Article 25 - decies of the Decree)

In accordance with article 377-bis of the Criminal Code, the conduct is unlawful when anyone, resorting to violence, threats or the "offer or promise of money or other benefit", induces not to make statements or to make false statements all those who are called to make statements before the judicial authority²⁶ that can be used in criminal proceedings, in the event they have the right not to respond²⁷.

L. Environmental Crimes (article 25-undecies of the Decree)

²⁶ The term Judicial Authority referred to in article 377-bis of the Civil Code means any body belonging to the legal system, including bodies of the Office of the Public Prosecutor, as well as judges (single presiding judge or bench, temporary or permanent court).

²⁷ The criminal cases in question constitute a criminal act for which merely the attempt is therefore punishable.

- **Water pollution**, referred to in article 137 of the Legislative Decree 2006/152, constituted by the conduct referred to in paragraph 11 of whoever violates prohibitions against discharges in the ground or underground waters, and extended to further paragraphs:
 - (paragraph 2); Unauthorised discharge (absent, suspended or revoked authorisation) of industrial waste waters containing hazardous substances²⁸
 - (paragraph 3); Discharge of industrial waste waters containing hazardous substances in violation of the measures imposed with the authorisation of or by the competent authorities
 - (paragraph 5, 1st sentence); Discharge of industrial waste waters containing hazardous substances in violation of the scale of set limits shown in table 3, or on the case of discharge into the ground shown in table 4 (attachment 5, part III of Legislative Decree 152/2006) or the more restrictive limits set by the Regions or autonomous Provinces or the competent Authorities
 - Paragraph 5, 2nd sentence: Discharge of industrial waste waters exceeding the set limit values for the substances contained in table 3/A of attachment 5 in part III of Legislative Decree 152/2006 (paragraph 5, 2nd sentence);

- **Management of unauthorised waste**, referred to in article 256 of Legislative Decree 2006/152, restricted to the criminal cases constituted by the conduct of whoever:
 - collects, transports, recovers, disposes of or deals with non-hazardous and hazardous waste in the absence of the authorisation, registration or communication laid down (paragraph 1, letters a and b);
 - does not comply with the provisions contained or referred to in the

²⁸ Indicated in tables 5 and 3/A of attachment 5 to part III of Legislative Decree 152/2006.

authorisation or there is an absence of the prerequisites and conditions required for registrations/communications (paragraph 4);

- carries out prohibited activities of mixing waste (paragraph 5).
- Carries out or administers unauthorised discharge (paragraph 3, 1st sentence), involving, even in part, the disposal of hazardous waste (paragraph 3, 2nd sentence);

- **Contaminated sites, referred to in article 257 of Legislative Decree 2006/152, limited to paragraph 1, constituted by the conduct of whoever, causing pollution of the ground, subsoil, surface waters and subterranean waters exceeding the risk threshold concentrations, does not arrange the reclamation²⁸ or fails to give the respective notification to the competent bodies of events capable of contaminating a site.**
- **Falsification and the use of false waste analysis certificates, referred to in articles 258, paragraph 4 and 260 bis, paragraph 6,7,8), constituted by the conduct of whoever:**
 - provides a false waste analysis certificate (as regards the information about the nature, composition and chemical-physical specifications of the waste) or who uses a false certificate during transport;
 - provides a waste analysis certificate used as part of a waste traceability control system – SISTRI, with false indications (nature, composition and chemical-physical specifications of waste); inclusion of a false certificate in the data to be provided for the purposes of the traceability of waste (article 260-bis, paragraph 6);
 - hazardous waste transport without a paper copy of the SISTRI sheet – Transport Area or the waste analysis certificate, as well as the use of an analysis certificate containing false indications about the waste transported within the scope of SISTRI (article 260-bis, paragraph 6 and 7, second and third sentence);

²⁸ In compliance with the draft approved by the competent authority as part of the proceedings referred to in articles 242 and subsequent of the Legislative Decree 156/2006

- transports waste with a fraudulently altered paper copy of the SISTRI sheet – Transport Area (article 260-bis, paragraph 8, first and second sentence). The conduct referred to in paragraph 8, second sentence, is aggravated if it concerns hazardous waste.
- **Unlawful trafficking of waste**, referred to in articles (259 and 260)
 - shipping of waste constituting unlawful trafficking (article 259, paragraph 1). The conduct is aggravated if it concerns hazardous waste;
 - organised activities, by means of several operations and the preparation of means and continuous activities, for the unlawful trafficking of waste (article 260). Offence, featuring specific fraud of unjust profit and the multiplicity of significant conduct (transfer, receipt, transport, export, import or unlawful management of huge quantities of waste).
- **Prohibition against abandonment (article 192)**, constituted by the conduct of whoever abandons or deposits waste on the ground or in the subsoil or, in an event, releases any kind of waste, solid or liquid, in surface or subterranean water.

M. Employment of citizens of third-party countries without authorisation to stay (Article 25-duodecies)

Such criminal cases arise with regard to an employer who hires foreign workers without residence permits or whose permits have expired and for which renewal or cancellation has not been requested under the terms of the law. For the purposes of the Decree, the Entity's liability arises only when the unlawful act in question is aggravated by the number of subjects employed or if they are minors or, finally, by the performance of work in conditions of serious danger²⁹. In Valvitalia S.p.A., such a

²⁹ Indeed, article 22, paragraph 12-bis of the Legislative Decree 286/1998 lays down an increase of the penalties by a third to a half, should the workers involved be more than three in number, or are minors below working age or are subject to other particularly exploitative working conditions (third paragraph of article 600-bis of the Criminal Code), thereby exposed to situation of serious danger, having regard to the characteristics of the services and the working conditions.

crime could arise within the sphere of the operations of the factory, including indirectly, through the assignment to third-party businesses of a contract or subcontract for the conduct of activities on the production sites.

In the subsequent Special Part, the Model identifies the Company's activities (so-called sensitive activities) as part of which it is possible that one of the predicate offences listed above could be committed and lays down, for each sensitive activity, principles of conduct and control protocols for the purposes of prevention.

The Company undertakes to constantly monitor the relevance of any additional crimes with regard to its activities that are currently laid down by the Decree or those that may be introduced in the future by the legislature.

3.9 Predicate offences not relevant for VALVITALIA S.p.A.

The predicate offences laid down by the Decree but not considered in the previous paragraph 3.8 refer to cases of crimes that, on the date of adoption of this Model, the commission of which were regarded as only theoretically possible within Valvitalia S.p.A. since the Company does not conduct activities in which they could be committed, nor does any interest or advantage appear possible, were they to be committed.

Moreover, the cases of crime referred to under article 25-sexies "Market abuses" (Insider trading - Market manipulation) do not apply since the Company does not issue bonds traded on regulated markets and does not act as an institutional investor and therefore is not subject to the provisions of the Consolidated Finance Act (Legislative Decree 58/1998). Nevertheless, with reference to such spheres, the Company has implemented procedures concerning the rigorous identification and classification of sensitive or privileged information, methods of control and disseminating this inside and outside the Group, as well as methods of control over false and misleading information, for which reference should be made to paragraphs 14.1 and 14.3 of the special part.

Clarification is required for the criminal cases referred to under article 24 quater of the decree (crimes for purposes of terrorism or subverting the democratic order) and those referred to in article 25 quinquies of the decree (crimes against the person), that is, with specific regard to the crime of illegal brokerage or exploitation of labour (article 603 bis of the Criminal Code, the crime of hiring workers through so-call gangmasters).

- **As regards 25 quater**, in consideration of the activity conducted by the Company and the instruments used, the risk of these criminal cases laid down by the Decree being committed is extremely remote, if not actually academic, taking account moreover of the fact that crimes of terrorism involve criminal intent and therefore the agent must be aware of the terroristic nature of the activity and intend to favour it. In any case, with reference to these areas, it is noted that the Company complies with the legal provisions on the matter, in addition to having implemented control protocols for the prevention of crimes of organised criminality (paragraph 13.3 of the special part) that are also suitable for the prevention of any crimes for the purpose of terrorism. These are control protocols concerning the management of the financial resources, the management of personnel recruitment, the management of relations with suppliers and clients, including those abroad, the sale and assistance of Valvitalia products including through brokers, agents or consultants. Moreover, the same control protocols for the management of the financial resources referred to paragraph 9.5 of the special part are suitable for compliance with the measure referred to in article 2 of the International Convention for the Suppression of the Financing of Terrorism (New York, 9 December 1999).
- **As regards the crime of illicit brokerage and the exploitation of labour (article 603 bis of the Criminal Code), included among the crimes referred to in article 25 quinquies of the Decree**, the operational and business peculiarities do not involve activities conducted on construction sites or featuring seasonal production that would make it necessary to turn to third-party subjects to which to assign the management of these activities under contract. In any case, in those spheres of operation and/or production activities at the factories where conduct could occur that would subject workers to conditions of exploitation with

awareness of their condition of need, it is noted that the Company not only requires recipients of the Model to comply with the legal measures on the contractual rights of workers and the regulations on matters of health and safety in the workplace, but has also implemented general control protocols concerning the management and administration of the personnel (paragraph 9.4 of the special part) and the management of safety in work environments (chapter 15 of the special part), which are also suitable for the prevention of crimes of unlawful brokerage and the exploitation of labour (article 603 bis of the Criminal Code). These are control protocols that enable the monitoring of the indicators of exploitation through the application of remuneration, working hours and holidays repeatedly at odds with the regulations on the performance of work, or the mere existence of a breach of the regulations on matters of safety and hygiene in the workplace, even where not sufficient to expose the worker to danger.

Generally, all the criminal cases that are not considered relevant for Valvitalia S.p.A., since they are unlikely to be committed, or are not mentioned specifically in the special part, are sufficiently prevented through the control laid down in this Model for the prevention of the criminal cases that are relevant for the Company.

3.10 Recipients of the Model

All the Recipients of the Model are obliged to comply with the measures contained in the Model and the procedures for implementing it with the utmost diligence.

Valvitalia's Model is applied:

- to all those who carry out, including *de facto*, duties of management, administration, direction or control in the Company or one of its independent organisational units;
- to the Company's Employees, even if they conduct their activities abroad;
- to Consultants and all those who, while being members of the Company's staff, operate under its mandate or on its behalf.

The Model is also applied to those who, while not being members of the Company's staff, operate under its mandate or on its behalf (such as, for example, promoters, agents, consultants or employees or other companies of the Group) or those who act to the advantage (or in the interest) of the Company by virtue of legal contractual relations or other agreements (such as, for example, partners in joint ventures or partners in the creation or acquisition of business, outsourcing contracts).

At the time contracts or agreements are stipulated with external subjects identified in accordance with the previous point or through methods that shall be deemed more appropriate if the relationship is already in being, the Company shall furnish its commercial associates with this Model. In any case, the contracts that regulate the relations with these subjects must provide appropriate clauses that indicate clear responsibilities with regard failure to comply with this Model, as well as reporting directly to the Company's Supervisory Board any breaches of the Model or the procedures laid down for its implementation of which they become aware.

Generally, all recipients are obliged to strictly comply with all the measures contained in the Model and in the procedures for its implementation, in fulfilment of duties of loyalty, propriety and diligence arising from the legal relations established with the Company.

The Company condemns any conduct that deviates from the provisions of the Model, as well as the law, even should such conduct be implemented in the interest of the Company or with the intention of gaining it an advantage.

4. SUPERVISORY BOARD

4.1 Function

Article 6, letter b) of the Legislative Decree 231/2001 requires, as a condition for obtaining exemption from administrative liability, that the task of supervising the operation of and compliance with the indications of the Model, as well as ensuring it

is kept up to date, is assigned to a body within the Company furnished with independent powers of initiative and control.

In implementation of the Decree, the Company has established a Supervisory Board (hereinafter, also referred to as “SB” or “Board”), furnished with **autonomy and independence** in the conduct of its functions, as well as sufficient professionalism on matters of risk control connected to the specific activity conducted by the Company and under its responsibility with regard to the respective legal spheres.

The objective prerequisites of autonomy and independence must be such as to ensure its autonomy from any form of interference and influence on the part of any member of the entity and specifically the operational top management, especially in consideration of the fact that the function exercised includes supervision of the activities of the executive bodies. Therefore, the aforementioned Supervisory Board, which is inserted in the Company's organisational structure at the highest possible hierarchical position and therefore only answers to the Company's Board of Directors, is not linked to the operating structures and the top management by any hierarchical constraints, nor due the majority of the members, in such a way as to guarantee the full autonomy and independence in carrying out its functions.

The Supervisory Board, whose members are selected by the Company's Board of Directors in accordance with the provisions of subsequent paragraph 5.2, has the task of constantly supervising:

- Compliance with the Model by the recipients of the Model as identified in accordance with the previous paragraph 3.10 (corporate bodies, external employed subjects that act in the name and the interest of the Company);
- The effectiveness of the Model with regard to its actual capacity to prevent the commission of the crimes referred to in the Decree;
- The actual implementation of the instructions of the Model in the sphere of conducting the Company's activities;
- The updating of the Model (and, if necessary, the *risk assessment* document) where the need to adjust it is encountered with regard to any breaches of the Model, changes in the corporate structure and organisation, the methods of conducting the

activities, the regulatory framework of reference and, where necessary, in the event of changes to the Company's risk profile.

For the purpose of verifying the effective adoption and adequacy of the Model, the SB must plan specific supervisory activities formalised in an "annual verifications plan" for which reference should be made to the subsequent paragraph **4.10**.

Moreover, the Supervisory Board is furnished with its own operating Regulations, approving its contents and informing the administrative body, including through the periodic reports.

The Supervisory Board performs its functions by promoting efficient cooperation with other existing bodies and departments of control present in the Company.

In performing the tasks of supervision and control, the Company's SB is, as a rule, assisted by all the corporate departments and can make use of other departments and external professionalism that, from time to time, are required for this purpose.

4.2 Appointment, Composition and duration in post

The Board of Directors appoints the Supervisory Board through an appropriate justified resolution on the selection of each member, after having confirmed the existence of the prerequisites of honourability, functional autonomy, independence, professionalism, competence and continuity of action referred to in the subsequent paragraphs 4.3, 4.4.

The Supervisory Board is composed in **collegiate** form; specifically, it is made up of **three members**, as follows:

- An external professional and therefore not a member of the staff of the Company, the parent company or other companies directly or indirectly controlled by the Company, who takes the role of Chairman;
- A member of the company's staff, who acts as Manager of the internal audit department in order to ensure, together with the external measures, an adequate level of autonomy and independence;

- A member of the Company's staff, identified as the Manager of the legal department³⁰.

The appointment becomes final with the verbal statement of acceptance of each subject to the Board, or by signing the letter of appointment in acceptance on the part of the Company, which must indicate the fee determined by the Board of Directors.

The SB, the appointment and composition of which is communicated to all corporate levels, shall remain in post until the expiry of the administrative body responsible for its appointment, while continuing to conduct its functions *pro tempore* and exercising the powers under its responsibility (as identified below), until its members are newly appointed. The SB can be re-elected.

4.3 Subjective prerequisites of eligibility

Each member of the SB must be selected exclusively on the basis of the subjective prerequisites of propriety and integrity.

In order to meet the prerequisites of **propriety and integrity**, and therefore be elected, members of the Supervisory Board:

- Must not have been subject to the prevention measures laid down in accordance with the Legislative Decree of September 2011, no. 159 ("Code of anti-mafia laws and prevention measures, as well the new provisions on matters of anti-mafia documentation, in accordance with articles 1 and 2 of the Law of 13 August 2010, no. 136");
- Must not have been sentenced, even by a ruling not passed in final judgement, to a penalty that incorporates a ban, even temporary, on occupying public offices, or the inability to exercise offices of guidance of legal persons;

³⁰ Given the presence within the Board of a member of the Company with operational powers in the legal area, the regulations of the SB provide mechanisms of voting and identifying conflicts of interest in order to safeguard the prerequisites of autonomy and independence.

- They must not have been sentenced, including with a ruling not yet final or issued under article 444 and subsequent of the Criminal Code, even with a suspended conditional penalty, without prejudice to the effect of rehabilitation, for one or more unlawful acts including those peremptorily laid down by Legislative Decree 231/2001 and subsequent amendments and supplements, or for other similar crimes.
- They must not have been subject to the accessory administrative penalties referred to in article 187-quarter of the Legislative Decree of 24 February 1998, no. 58.
- They must not have been subject to convictions (even if not passed in final judgement) due to omitted or insufficient supervision as members of the Supervisory Board of companies in regard to which the penalties laid down by article 9 of the Decree 231/01 have been applied due to the commission of unlawful acts perpetrated in the period in which the member was in post.

The occurrence of only one of the conditions specified above shall be a reason for ineligibility or, if in post, shall necessarily lead to the expiry of the post.

Each member of the SB, by accepting the appointment, implicitly acknowledges the inexistence of any causes of incompatibility and ineligibility as laid down in this paragraph, giving immediate notice to the Board and the SB of the occurrence of any impedimental conditions.

4.4 Objective prerequisites of eligibility

The selection of the Supervisory Board cannot neglect as assessment of the existence of the objective prerequisites of functional autonomy, independence, professionalism, continuity of action, as well as the expertise required to carry out the tasks assigned by the Decree.

- **Autonomy of judgement and independence:** Members of the SB, must not find themselves in a situation, even potentially, of conflict of interest. This assumes that each member must not occupy decision-making, operational and management roles that would compromise the autonomy and independence of

the entire SB, so that the Board, in carrying out its function, only answers to the highest hierarchical level and that it is provided with adequate financial resources.

Specifically, each member of the SB:

- is located hierarchically at the heart of the Board of Directors;
- is in possession of autonomy and effective powers of initiative and control and must have access to the relevant corporate information;
- must not occupy executive or delegate posts in the Company's Board of Directors;
- must not act under delegated operational powers;
- reports directly to the Board of Auditors.

Each member of the Supervisory Board:

- must not be part of the nuclear family (spouses or relatives up to the fourth degree) of the directors of one of the shareholders of the Company or subsidiary companies;
- must not be holders, directly or indirectly, of shares amounting to more than 5% of the Company's capital with the right to vote, nor adhere to shareholders' agreements, the object or effect of which is the exercise of control over the Company;

Moreover, the external member of the Supervisory Board:

- Must not undertake, nor have undertaken, even indirectly, economic relations with the Company or other companies directly or indirectly controlled by the Company, or with subjects connected to it (as directors), that would influence their autonomy of judgement.

Where undertaken, these economic relations:

- a. Must not be significant ³¹ or have relevance such as to influence, by their extent and/or repetition, their autonomy of judgement;
- b. Or, they must have been undertaken exclusively in support of the activities of the Board itself or corporate bodies or those of internal control in the Company or other companies of the Group.

The Board of Directors shall guarantee the prerequisites of the SB's autonomy and independence, understood collectively, complying with the appointment prerequisites, granting it the respective powers and independence of expenditure referred to in the subsequent paragraphs 4.8, 4.9.

- **Professionalism and competence**, understood as the package of knowledge, instruments and techniques that the Supervisory Board must possess among its number for the functions it is called upon to fulfil. For this reason, the Board of Directors, at the time of appointment of the Supervisory Board, assesses whether the identified subjects possess, collectively, adequate specialist professional expertise, such as knowledge of the sector in which the Company operates and the respective business processes, in addition to knowledge of the control systems and audit and risk assessment techniques, as well as sufficient legal knowledge to enable the identification of the criminal cases referred to in the Decree. In any event, the Supervisory Board can use its expenditure budget to acquire externally, when necessary, specific expertise to supplement its own.
- **Continuity of action**, understood as the ability of the Board to act swiftly and constantly supervise the effective implementation of the instructions of the Model by the organisation, made easier by the fact that internal members of the Company form part of Valvitalia's Supervisory Board but also favoured by the fact that the Supervisory Board can make use of persons inside the company in conducting its activities.

³¹ Business relations are considered "significant" if they exceed 15% of the business volume of the professional or studio in which he is an associate.

Each member of the SB, by accepting the appointment, implicitly acknowledges the inexistence of any causes of incompatibility as laid down in this paragraph, giving immediate notice to the Board and the SB of the occurrence of any impedimental conditions.

4.5 Expiry, termination and withdrawal

The loss of the subjective prerequisites of eligibility referred to in paragraph 4.3, renunciation, death or the occurrence of incapacity or the impossibility of exercising the post for any reason shall constitute reasons for expiry of the post. The occurrence of a cause of expiry regarding one member of the SB shall be promptly notified to the Board of the Directors by the Chairman of the Supervisory Board, or by one of the other members of the Board, should the cause for expiry concern the Chairman.

Each member of the SB may withdraw from the post at any time by means of advance notice of at least three months as written, justified notification to the Board of Directors. In the event of the withdrawal of one or more members of the SB, the Board of Directors shall promptly arrange their replacement.

In the event of the expiry, termination or withdrawal of one of the members of the SB, as specified in this paragraph, the Administrative Body shall promptly arrange the replacement of the member who has become unsuitable.

The Supervisory Board shall be regarded as expired in its entirety, that is, the posts of all its members shall expire, if it should, due to resignations or other causes, lose the majority of its members. In this case, the Board of Directors shall arrange the appointment of new members for all posts.

4.6 Revocation

Without prejudice to cases of automatic expiry due to the loss of the subjective prerequisites of propriety and integrity referred to in paragraph 4.3, the **revocation** of the SB or even one of its members can only take place by resolution of the Board of Directors and only if there is **just cause**.

Legitimate conditions for the revocation with just cause are:

- The loss of the objective prerequisites of eligibility referred to in the previous paragraph 4.4.
- the failure to meet the obligations concerning the assigned post, such as, for example, failure to fulfil the obligations of communication referred to in the subsequent paragraph 4.10,
- the unjustified absence at more than two consecutive meetings;
- The lack of good faith and diligence in the exercise of the post;
- failure to collaborate with members of the Board or with the other control bodies of the Company;
- “Absence of or insufficient supervision” - in accordance with the provisions of article 6, paragraph 1, letter d) of the Decree – arising from a conviction, even if not passed in final judgement, issued with regard to the Company in accordance with the Decree or from the application of a sentence resulting from plea bargaining.

If there is just cause, the Board of Directors shall revoke the appointment, giving suitable reasons, of the member of the Board who has become unsuitable and will, at the same time, arrange their replacement The new member, by accepting the appointment, implicitly acknowledges the inexistence of reasons of incompatibility with reference to the subjective and objective prerequisites of eligibility referred to in paragraphs 4.3, 4.4.

In particular serious and urgent cases, the Board of Directors may suspend the powers of the Supervisory Board and appoint an *interim* Board before ordering the revocation of all members of the Supervisory Board.

4.7 Operating rules

The Supervisory Board shall perform its functions in coordination with the other bodies or departments of control existing in the Company and with the corporate departments concerned in the activities at risk for all aspects regarding the implementation of the instructions of the Model.

The Supervisory Board, established collegiately, shall arrange to lay down the rules for its own operation in appropriate regulations that, in compliance with the principles of autonomy and independence, the Board itself shall draw up and approve in their entirety.

Without prejudice to what is laid down in the Regulations, to which reference should be made, the Supervisory Board shall organise its activity on the basis of an “annual verification plan” (in accordance with subsequent paragraph 4.10), in the fulfilment of which the Supervisory Board may acquire additional elements aimed at assessing the efficiency and effectiveness of the Model, as well as its updating. In consideration of the peculiarities of its powers and specific professional contents required by it, the Supervisory Board:

- may also make use of external consultants for the execution of the plan of activities, in addition to external consultants for interpretative opinions that require specific expertise;
- it may also make use of resources belonging to corporate departments that, from time to time, may be useful in the conduct of the indicated activities. The SB’s collaborators, on the indication of the latter, may, including individually, engage in supervisory activities deemed appropriate for the operation of and compliance with the Model. Subjects belong to a corporate department, in conducting the assignment granted to them as the SB’s collaborators, are exempt from performing their own duties, answering, hierarchically and operationally, exclusively to the SB³².

Members of the Supervisory Board, in addition to the subjects of which the Board makes use for any reason, are under the obligation of confidentiality regarding all information of which they become aware in performing their functions or activities.

³² In any case, internal subjects whom the Supervisory Board may make use of must not present elements of conflict within the areas of activities for which they are summoned, regardless of suspension from duties. (For example, it is not possible to make use of the finance director to conduct verifications in the treasury area, regardless of suspension from duties).

4.8 Powers

For the purpose of conducting its role and function, the Supervisory Board is assigned all powers of initiative and control by the Board of Directors, in addition to powers of expenditure, that are required to conduct the activity of supervision on the operation of and compliance with the Model and its updating, in accordance with the instructions of the Decree.

The Supervisory Board shall meet at least six times a year and any time one of the members asks the Chairman to convoke the Board, giving reasons.

The tasks and powers of the SB and its members cannot be verified by any other corporate body or structure, without prejudice to the fact that the Administrative Body can verify that the Board has correctly performed its assigned mandate. Moreover, the SB, unless there are prevailing legal measures, has free access – without the requirement for any prior consent – to all the Company's Departments and Bodies, in order to obtain any information or datum deemed necessary for the conduct of its tasks.

The Supervisory Board does not possess, nor can it be assigned, even in substitution, any powers to intervene in the management, decision-making, organisation or regulations regarding the conduct of the activities of the Company.

The Supervisory Board is furnished with the following powers and duties, which it shall exercise in compliance with the law, as well as the individual rights of workers and the people concerned.

- Carrying out, or arranging to be carried out under its direct supervision and responsibility, periodic inspections in the sphere of the sensitive activities of the Company indicated in the Special Part of the Model³³.
- Accessing all information concerning the Company's sensitive activities;

³³ For the purposes of greater effectiveness of the Supervisory activities, some verifications in certain operating areas at risk may be conducted unannounced.

- Requesting information or the presentation of documents with regard to the Company's sensitive activities indicated in the Special Part of the Model of all personnel employed by the Company and, when necessary, of the directors, the Board of Auditors or the independent auditor;
- Requesting information or the presentation of documents relevant to the risk activities of consultants and external representatives of the Company and, in general, all the recipient subjects of the Model, identified in accordance with the provisions in paragraph 3.10;
- Periodically receiving information from the managers of the departments concerned in the activities at risk referred to in the Special Part of this Model;
- Proposing the adoption of the penalties referred to in the subsequent paragraph 7 to the body or department holding disciplinary power;
- periodically verifying the efficiency, effectiveness and the updating of the Model and, where necessary, proposing any amendments and updates to the Administrative Body;
- Coordinating, together with the Personnel Management, the definition of personnel training programmes;
- Drawing up, at least annually, a written report to the Board of Directors and the Board of Auditors, where necessary informing the Board of Directors and the Board of Auditors of urgent and relevant facts that have emerged in the conduct of its activities, in accordance with what is laid down in the subsequent paragraph 4.10.
- Carrying out all the activities under its responsibility specifically assigned by the Special Part of the Model.

4.9 Autonomy of expenditure

In order to reinforce the autonomy of the Supervisory Board, the Administrative Board shall approve, in the context of establishing the corporate budget, an adequate allocation of financial resources proposed by the SB, of which the latter may make use independently for any requirements necessary for the proper conduct of its tasks. The Supervisory Board can use the Company's resources that exceed its own powers of

expenditure if exceptional, urgent or even simply unexpected situations arise, with the obligation to inform the Board of Directors in the meeting immediately afterwards.

4.10 The SB's communication obligations

As already specified, the Supervisory Board shall report directly to the Board of Directors in order to guarantee its complete autonomy and independence in conducting the tasks assigned to it.

The SB, where necessary in compliance with the provisions of the penalty system in paragraph 7, shall promptly inform the Board of Directors and the Board of Auditors should urgent problems or breaches of the Model emerge during the supervisory activity, or due to unlawful and/or illicit conduct of which it becomes aware due to notification by employees and/or collaborators that the SB deems to be well-founded. Without prejudice to what is laid down in the previous point, the Supervisory Board is obliged to draw up, annually, a written report to the Board of Directors and the Board of Auditors, which must contain, at a minimum, the following information:

- a summary of the activities conducted by the Supervisory Board and any problems that emerge with reference to the implementation of the instructions of the Model, any discrepancies between the instruments of implementation of the instructions of the Model (for example: procedures, established practices) and the Model itself;
- a report of the notifications received by internal and external subjects with regard to alleged breaches of the Model and the outcome of verifications of those notifications;
- a report of the notifications received in anonymous form with regard to alleged breaches of the Model and the outcome of verifications of those notifications;
- Breaches of the Model and/or non-compliant or unlawful conduct encountered during the period of reference, even where they have already been the subject of prompt notification to the Board of Directors and the Board of Auditors;
- The disciplinary procedures activated on the proposal of the Board and any penalties applied by the Company, with exclusive reference to the activities at risk;

- An overall assessment of the operation and effectiveness of the Model with any proposals for supplements, corrective actions or amendments to the form and content following any problems encountered in conducting the supervisory activity and/or due to changes of the risk profile (for example: any new areas of the commission of the crimes laid down by the Decree) and/or the regulatory framework;
- A report on the expenditure sustained;
- The plan of activities³⁴ for the following period and the respective expenditure forecast.

The Administrative Body, including through the Chairman and the Chief Executive Officer, and the Board of Auditors, have the right, even separately, to convoke the SB at any time. Equally, the SB, in its turn, has the right to request, through the competent departments or subjects, the convocation of the aforementioned corporate bodies for urgent reasons. Meetings of the bodies to which the SB refers must be minuted and a copy of the minutes must be retained by the SB and the bodies from time to time involved.

The SB shall communicate the results of its verifications directly to the managers of the departments involved or, if deemed appropriate, to the operational senior management in order to acquire from the managers of the processes and/or the senior management a plan of action aimed at removing any weakness of control encountered and/or conduct not in compliance with the provisions of the Model.

5. OBLIGATIONS TO PROVIDE INFORMATION TO THE SUPERVISORY BODY

Those responsible for the activities at risk indicated in the subsequent special part of

³⁴ In full respect of the autonomy and independence of the Board, the planned activity excludes the detail of the interventions, it may undergo variations, it may extend the unannounced verifications in risk areas other than those indicated above, or also for the purpose of including verifications that may become necessary following reports of violations of the Model and/or following a risk assessment by the Board on sensitive operations/activities conducted by the Company in the current year.

the Model, as well as members of the administrative and control bodies (Directors, Auditors, Top Management Personnel) shall communicate to the Supervisory Board any information deemed useful to assist the performance of the verifications on the correct implementation of the Model.

Given that, the regulations on the information flows to the Supervisory Board take on a mandatory nature, since they are unavoidable elements for the effective and efficient implementation of the Model and the activities of Supervision. The type of information and the implementation methods of communication are broken down into four categories of information flows, as laid down in the following paragraphs (prompt flows, periodic flows by the company bodies, specific flows under the special part, notifications).

5.1 Prompt flows

It is mandatory for the Supervisory Board to be informed by the company bodies³⁵ and/or the competent departments regarding information concerning:

- hiring and firing procedures;
- organisational changes, to the systems of delegations and proxies;
- the measures and/or information from police criminal investigation bodies, the Judicial Authorities or any other authority, which give rise to the conduct of investigations into Crimes, including those initiated against the Company, Senior Management Personnel or Subject to the Company, or against person or persons unknown (with regard to the current measures on privacy and the protection of secret inquiries);
- reports made available by company bodies as part of their control activity, from which facts, acts, events or omissions emerge with risk profiles with regard to the regime of administrative liability of the entities referred to the Decree regarding the Company;
- the disciplinary proceedings initiated for breaches of the Model, the Code of Ethics and/or the application of a penalty for breaches of the Protocols from which a risk

³⁵ Also through the corporate secretarial office.

of penalty could arise for the Company in accordance with the Decree;

- the filing procedures of these proceedings with the respective reasons; the problems, anomalies or unusual events encountered by the corporate departments in the implementation of the Model with reference to corporate or business transactions regarding which the suspicion may arise of the risk of a penalty for the Company in accordance with the Decree.

5.2 Specific flows on the part of corporate bodies

In order to make the Supervisory activity effective with regard to the sensitive operations initiated directly at the heart of the administrative body, the secretary of the Board of Directors shall send to the Supervisory Board the Board of Directors' reports associated with any attachments, the deed of incorporation and subsequent amendments, shareholders' agreements. In any case, the Supervisory Board can have free access to the reports of the Board of Directors and request the presentation of those of the Board of Auditors.

5.3 Special flows under the “special part”

In addition to the information flows identified above, there are specific information flows to the Supervisory Board with reference to each sensitivity activity and/or operations at risk and for which reference should be made to the special part of this Model as regards the nature of the information subject to communication, the methods and transmissions times.

5.4 Notifications

All recipients of the Model, as identified under paragraph 3.10 must promptly notify the Supervisory Board of any cases of breaches, certain or even only alleged, of the Model and/or the Code of Ethics³⁶. An employee of the Company and the

³⁶ As already specified in paragraph 2.1, the Code of Ethics is an integral part of this Model

collaborators who work with him or her report to their hierarchical superiors any breaches of the Model, with the right to directly report to the Supervisory Board.

Generally, the following instructions apply to the aforementioned notifications, unless otherwise specified subsequently in the special part with reference to sensitive operations:

- The notifications must be in written form, and concern any breach or suspected breach of the Model, and any failure to give notification of a breach of the Model shall constitute serious contractual default, as laid down in the subsequent paragraph 7 (penalty system);
- the SB shall assess the notifications received with discretion and responsibility, arranging to investigate in consultation with the author of the notification and/or the person responsible for the alleged breach, giving reasons in writing for any autonomous decision not to proceed and giving notice of this to the Board of Directors as part of the communication process referred to in paragraph 4.10;
- The Company shall adopt suitable measures so that the confidentiality of the identify of those who convey information to the Supervisory Board is always ensured, as long as truthful and useful for identifying conduct that does not comply with the provisions of the procedures under the internal control system, the Model and the procedures established for its implementation;
- Any form of reprisal, discrimination or penalty with regard to those who make reports in good faith to the SB is prohibited. The Company reserves the right to take any action against anyone who makes untrue reports in bad faith;
- The notifications to the Supervisory Board can also be made in anonymous form, the SB shall assess notifications received with discretion and responsibility, launching investigations, giving reasons in writing for any autonomous decision not to proceed to the Board of Directors as part of the communication process referred to in paragraph 4.10.
- the Supervisory Board, as well as those subjects that collaborate in the Board's activities, are under an obligation of confidentiality regarding all the information of which they become aware;

- o Notifications received by the SB, including those in anonymous form, must be collected and stored in an appropriate paper or digital archive to which access is granted only to members of the SB, and without prejudice to the freedom of access to the judicial authorities. The Supervisory Board shall adopt suitable measures to ensure the confidentiality of the identity of those who send the notifications.

5.5 Methods of transmitting the information flows

In order to guarantee the traceability of the transmission, the **information flow** referred to in the previous paragraphs 5.1, 5.2 and 5.3 must preferably be accompanied by a communication in electronic format, under the methods laid down by the Supervisory Board, including to the email address **organismdivigilanza@valvitalia.com** or in paper form to the following address and communicated to the Company by the Board:

Supervisory Board Valvitalia S.p.A., Via Tortona no. 69 27055 – Rivanazzano Terme (PV)

As regards **the notifications** referred to in the preceding paragraph 5.4, which concern evidence or suspicion of breaches of the Model and the Code of Ethics must be received in writing by the methods defined by the Board, including email to the address of the Supervisory Board of the Company **organismdivigilanza@valvitalia.com** or in paper form to the following address and communicated to the Company by the Board:

Chairmanship, Supervisory Board, Valvitalia S.p.A., at Vance Value Governance, Corso di Porta Vittoria 32, 20122 Milan

6. DISSEMINATION OF THE MODEL

6.1 Information to employees

The Company undertakes to ensure the dissemination and effective awareness of the Model and the Code of Ethics among all employees and subjects with roles of management, administration and control, current and future.

For the purposes of implementing the Model, the activities of awareness and information with regard to the personnel are managed by the competent company department in close coordination with the Supervisory Board and the managers of other company departments involved in the application of the Model.

The information activities must be provided and carried out both at the time of recruitment and the start of the relationship, both on the occasion of changes of role of the person, or changes to the Model or additional circumstances of fact or law that lead to such a necessity for the purpose of ensuring the correct application of the measures laid down in the Decree.

In particular, following the approval of the Model and following any significant updating of it, the following is envisaged:

- notification to all the Personnel in the workforce regarding the adoption of this document;
- thereafter, to new recruits, the delivery of an information pack containing references to the Model, in compliance with the corporate practices adopted due to other regulations, such as privacy and security of information;
- the signing by Employees of an appropriate form confirming awareness and acceptance;

In order to ensure the effective dissemination of the Model and information to the personnel with regard to the contents of the Decree and the obligations arising from its implementation, a specific area of the corporate information network has been provided dedicated to the subject and kept updated (containing the forms and instruments for sending notifications to the Supervisory Board and any another documentation that may be relevant, in addition to the documents making up the information pack described above).

6.2 Information to third-party subjects

The external communication of the Model and its inspiring principles is the responsibility of the Company, which guarantees, through the means deemed most suitable (for example, the corporate internet site, appropriate leaflets etc.), their dissemination and awareness among the recipients referred to in paragraph 3.10, outside the Company, in addition to society in general.

A copy of a summary of the Model and the Code of Ethics shall be provided to external recipients such as collaborators, suppliers, consultants and business partners by the departments that engage in institutional contacts with them.

Therefore, the provision of goods and services by third parties (for example, other companies, including those forming part of the Group, Consultants and Partners etc.), must be regulated under the form of a written contract. Moreover, any contract that leads to the establishment of a commercial relationship or any form of partnership must explicitly lay down:

- the obligation to confirm the truthfulness and completeness of the documentation produced and the information communicated to the Company by virtue of the legal obligations;
- the obligation to comply with any requests for information, data or developments on the part of the SB of the Company.
- appropriate contractual clauses that give information on the policies and procedures adopted by the Company on the basis of the Model, the Code of Ethics, as well as the consequences of conduct contrary to those documents may have with regard to the contractual relationships, termination clauses or rights of withdrawal.

The contract must moreover provide the right for Valvitalia to proceed to the application of forms of protection (for example, termination of the contract, the application of penalties etc.), where a breach of the previous points is found, and, in any event, conduct contrary to the regulations of the Code of Ethics and/or Protocols of the Model.

6.3 Training

The personnel and members of the Company's corporate bodies are obliged to acquire full awareness of the purposes, objectives and instructions of the Model. For this reason, the Company formalises and implements specific training plans, with the purpose of ensuring the effective awareness of the Decree, the Code of Ethics and the Model on the part of all Managements and corporate Departments. The delivery of the training - information must be differentiated in the contents and methods by which it is directed to the corporate bodies, the operational top management, executives-middle managers or employees on the basis of the analysis of the expertise and training requirements drawn up by the SB.

The training of the personnel for the purpose of implementing the Model is mandatory for all recipients and managed by the Personnel Management in close cooperation with the Supervisory Board. The internal and/or external resources to which the aforementioned training shall be assigned are identified by the Personnel Management in accordance with the Supervisory Board that can also implement training interventions aimed at supporting the identified external resources.

The Company shall provide means and methods that always ensure the traceability of the training initiatives and the formalisation of the attendance of the participants, the possibility of assessing their level of learning and the assessment of their level of satisfaction with the course, for the purpose of developing new training initiatives and improving those currently underway, including through comments and suggestions on the contents, material, teachers etc. The training, which may also be delivered remotely or through the use of computer systems, the contents of which shall be screened by the Supervisory Board, shall be given by experts on the regulations laid down by the Decree.

7. DISCIPLINARY SYSTEM

7.1 General principles

The Company condemns any conduct that deviates from the provisions of the Model, implementation instruments of the Model and the Code of Ethics, as well as the law, even should such conduct be implemented in the interest of the Company or with the intention of gaining it an advantage.

The necessary condition to ensure the effectiveness of the Model and the efficient action of the Supervisory Board is the definition of an autonomous system of penalties commensurate with the breach of the Preventive Protocols and/or additional rules of the Model and the Code of Ethics. This disciplinary system, in fact, constitutes, in accordance with article 6, paragraph 2, letter e) of the Legislative Decree 231/2001, an essential prerequisite for the purposes of exemption with regard to the Company's liability.

The application of the disciplinary system and the respective penalties is irrespective of the existence and outcome of any criminal proceedings initiated by the Judicial Authority in the event the conduct to be penalised also comprises one of the relevant criminal cases in accordance with Legislative Decree 231/2001 and subsequent amendments and supplements.

The application of the penalties laid down by the Model do not replace any additional penalties of other kinds (criminal, administrative, civil and fiscal) that may arise from that criminal act.

7.2 Breaches of the Model

The disciplinary system must provide penalties for every Recipient, in consideration of the various types of relationships. The system, and the Model, is aimed, in fact, at the Top Management Personnel, all the Employed personnel, collaborators and third parties that operate on the Company's behalf, providing adequate penalties of a disciplinary nature in these cases and of a contractual/legal nature in other cases.

By way of example, the following conduct constitutes disciplinary contraventions:

1. the breach, including by omission or in collusion with others, of the principles and control protocols of the Model and/or the Code of Ethics or the instruments established for their implementation;
2. Failure to notify the Supervisory Board with reference to criminal cases perpetrated or merely alleged to have been perpetrated within the Organisation by others of which they become aware;
3. Failure to inform the Supervisory Board with reference to the communications regarding the sensitive operations by the senior executives and management, in accordance with the regulations under paragraphs 5.1 and 5.3 and in the special part of this document;
4. The drawing up, including in collusion with others, of false documentation;
5. The assistance, by omission, in the drawing up by others of false documentation;
6. The removal, destruction or alteration of documentation concerning the procedure to evade the system of controls laid down by the Model;
7. Obstructing the supervisory activities of the SB or the subjects of which it makes use;
8. Preventing access to the information and documentation required by the subjects designated to the controls of procedures and decisions;
9. The implementation of any other conduct designed to evade the control system laid down by the Model;
10. Conduct that directly or indirectly constitutes the criminal cases considered in the Decree.

The seriousness of the breaches of the model shall be assessed on the basis of the following circumstances:

- The existence and degree of the element of intent;
- The extent of the danger and/or consequences of the breach for the Company;
- The predictability of the consequences;

- The times and methods of the breach;
- The circumstances in which the breach occurred.
- The level of responsibility and autonomy of the employee that commits the breach.
- Conduct of an employee with regard to any previous disciplinary measures.

Any breach of the Model or the instruments established for its implementation, whoever commits it, must immediately be notified in writing to the Supervisory Board, in accordance with the provisions in the previous paragraph 5.4, without prejudice to the provisions under the responsibility of the holder of disciplinary power.

The duty to give notification is the responsibility of all the recipients of this Model, as identified in paragraph 3.10.

After receiving the notification, the Supervisory Board shall identify the source and make a preliminary control of the truthfulness of what is reported in the notification and with the collection of information by methods that ensure the subsequent confidential and private treatment of the content of the notifications and the identity of the subject against whom action should be taken.

Having carried out the appropriate analyses and assessments, the SB will inform the holder of disciplinary power of the outcome, and the latter will commence the process for proceeding with the matter and any application of penalties.

Any disciplinary penalties shall be adopted by the competent corporate bodies, by virtue of the powers granted to them by the Articles of Association or the internal regulations of the Company, the law and collective labour contract.

7.3 Penalties for employed personnel

The Model constitutes a set of rules by which the personnel must abide, on matters of rules of conduct and penalties. Therefore, failure to comply with and/or the breach of the instructions of the Model, the rules of conduct imposed by the Code of Ethics by

non-managerial Employees shall therefore constitute a failure to fulfil the obligations arising from the employment contract and a disciplinary offence.

With regard to the employed personnel, it is necessary to respect the limits connected to the power to impose penalties under article 7 of the law no. 300/1970 (the so-called “Workers’ Statute”) and the collective labour contract, both with regard to the applicable penalties and with regard to the form of exercising such power.

The Company believes that the internal disciplinary system currently applied, in line with the provisions under the current collective labour contract, is furnished with the prerequisites of effectiveness and deterrence laid down.

Without prejudice to the principle of connection between the applicable disciplinary measures and the cases in relation to which they may be taken, the principle of proportionality between the breach and the penalty must be respected in the application of the disciplinary penalty. Specifically, for breaches by non-managerial employed personnel that can also be triggered by the justified notifications of the Supervisory Board, the holder of disciplinary power is the Human Resources Manager and the penalties are applied by force of what is laid down by the collective labour contract and in accordance with the methods of verbal warning, written warning, financial penalty, suspension from duties or from the post and suspension of wages, sacking.

Without prejudice to the discretion of the holder of the disciplinary power, the following are applied, by way of example:

- **the penalty of an official warning** for the breach, including through omission or in collusion with others, of the principles of the Model or other implementation instruments of the Model;
- **a financial penalty** in the case of the drawing up, including in collusion with others, of false documentation and assisting through omission in the drawing up by others of false documentation;
- **the penalty of suspension from duty or post or suspension of wages** for the removal, destruction or alteration of documentation in order to evade the system of controls provided by the Model, impeding the supervisory activity

of the SB, preventing access to the information and documentation required by the subjects designated to the control of the procedures and decisions and the implementation of any other conduct designed to evade the control system provided by the Model.

In the case of repeated breaches, or breaches of particular seriousness, or in any event should the fact constitute a breach of duties arising from the law or the employment contract such as to additionally prevent the continuation of employment contract even on a temporary basis, **dismissal without notice may be imposed in accordance with article 2119 of the Civil Code** without prejudice to compliance with the disciplinary procedure.

Dismissal without notice presupposes a significant breach (with intent or serious negligence) of the rules of conduct laid down by the Model, the Code of Ethics, the respective Protocols and corporate procedures, such as to cause serious moral or material damage to the Company and such as to prevent the continuation of employment even temporarily, such as, for example, the adoption, in carrying out the activities "at risk of crime", of conduct clearly in breach of the instructions of the Model, the Code of Ethics, the internal regulations and/or the Protocols, such as to lead to the serious risk of application by the Bank of the penalties laid down by the Decree.

7.4 Measures with regard to Managers

In the case of a breach by managers of the general principles of the Model, the rules of conduct imposed by the Code of Ethics and the other Protocols, the Company will take the measures considered suitable against those responsible depending on the significance and gravity of the breaches committed, and in consideration of the special constraint of loyalty underpinning the employment relationship between the Company and a worker in the post of manager.

If the breach is confirmed by the Supervisory Board, the latter must notify the holder of disciplinary power and the Administrative Body, by means of a written report. The recipients of the notification shall initiate the proceedings under their responsibility

for the purpose of the cases concerned and, where necessary, impose the penalties laid down by the law and the applicable collective labour agreement, together with the revocation of proxies and delegated powers.

7.5 Measures against Directors and Auditors

In the case of the commission of criminal acts or a breach of the Code of Ethics, the Model and/or the respective protocols, by the Company's Directors and Auditors, the Supervisory Board will inform the Board of Directors and the Board of Auditors by means of a written report, and they shall take the appropriate measures.

In this case, the Board of Directors can apply any measure laid down by the law, determined on the basis of the severity, culpability and damage arising for the Company.

In the most serious cases, and when the breach by a director or auditor is such as to damage the relationship of trust with the Company, the Board of Directors shall propose dismissal from post to the Shareholders' General Meeting. For example, the commission of criminal cases, understood as criminal conduct implemented consciously and willingly, shall be considered a serious breach. In this case, the Company may also take action for the compensation of damage.

7.6 Measures against third-party subjects

The relations with third parties are regulated by suitable contracts that must include clauses concerning compliance with the fundamental principles of the Model and the Code of Ethics by such external third-party subjects.

Specifically, the failure to comply with these must lead to the termination for just cause of those relations or the right of withdrawal without penalties for the company. In any case, the commission of unlawful acts shall be considered in the contract as just cause for the termination of the contract in accordance with article 1453 and subsequent of the civil code.

The Company reserves the right where necessary to seek compensation should the conduct cause damage to the Company, as in the case of the application by a court of the measures laid down by the Decree.