



## **Fincibec S.p.A.**

Registered office in Via Valle D'Aosta, 47, 41049 Sassuolo (MO)

Registered in the Company Register of Modena under no. 00668210362

### **ORGANISATION,** **MANAGEMENT AND CONTROL MODEL**

pursuant to Legislative Decree no. 231 of 8 June 2001

on "Administrative Responsibility of Companies"

### **General Part**

*This "Organization, Management and Control Model" ("Model") of Fincibec S.p.A. has been prepared in implementation of the dictates of Articles 6 and 7 of Legislative Decree no. 231 of 2001.*

*The Model was originally adopted by the Company's Board of Directors with a resolution dated 16 October 2014, updated on 23 November 2020, and is implemented through its progressive implementation and updating by the Board of Directors itself and the Supervisory Board.*

*The "Model" is the management reference that constitutes the instrument prepared for the purpose of preventing the criminal offences provided for by the Legislative Decree 231/01 mentioned above, in compliance with the corporate ethics policy adopted by the Company.*

*It is forbidden to reproduce or use this document even partially unless expressly authorized by the Company.*

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**DEFINITIONS**

<i>Director(s)</i>	Member(s) of the Board of Directors of Fincibec S.p.A.
<i>Managing Director(s)</i>	Director with specific operating powers by virtue of resolutions of Fincibec's Board of Directors
<i>Areas at risk of offence</i>	Functions, offices and/or departments within which the Predicate Offences may theoretically be committed
<i>Activities at risk of offence or Sensitive Activities</i>	Indicate the processes, operations or acts or set of operations and acts in the performance of which, in relation to the types of the Predicate Offences, the persons who carry out their activities for the Company may commit a crime falling within these types of offences
<i>CCNL</i>	Contratto Collettivo Nazionale di Lavoro (National Collective Labour Agreement) applied by Fincibec
<i>Code of Conduct</i>	Code of Conduct adopted by the Company and approved by the Board of Directors
<i>Collaborators</i>	Any person with relationships of collaboration also with powers but without the constraint of subordination, agency, representation and/or other professional non-subordinate relationships
<i>Board of Directors</i>	The Board of Directors of Fincibec
<i>Consultants</i>	Subjects acting in the name and/or on behalf of Fincibec under a mandate contract or other contractual relationship of professional collaboration
<i>Decree or Legislative Decree 231/01 or Decree 231/01</i>	Legislative Decree no. 231 of 8 June 2001, as subsequently amended and supplemented
<i>Addressees</i>	Subjects obliged to comply with the provisions of this Model pursuant to the Decree such as, by way of example but not limited to, the Corporate Bodies, the Directors, the Statutory Auditors, the Employees, the Consultants, the Agents, the Collaborators and the Partners as well as those who operate on behalf of the Company and all those who, directly or indirectly, permanently or temporarily, establish, for any reason, including de facto, relationships or relations of negotiation or collaboration operating in the interest of the Company itself
<i>Employees</i>	All subjects who have a subordinate or parasubordinate work relationship with Fincibec S.p.A., including executives

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**General Part**

<i>Department</i>	Term with which the Legislative Decree 231/2001 indicates the legal person responsible under the Decree itself
<i>Fincibec or Company</i>	Fincibec S.p.A. with registered office in Via Valle D'Aosta, 47, 41049 Sassuolo (MO), registered in the Company Register of Modena under no. 00668210362
<i>Suppliers</i>	Fincibec suppliers of goods and services that do not fall under the definition of Partners
<i>Guidelines</i>	The "Guidelines for the setting of Organisation, Management and Control Models pursuant to Legislative Decree 231/2001", prepared by Confindustria, March 2014 (approved by the Ministry of Justice on 21 July 2014)
<i>Model, Organisational Model or OMCM</i>	Organization, Management and Control Model adopted by Fincibec, pursuant to articles 6 and 7 of the Decree. The Model is composed of the General Part, the Special Parts and the Annexes
<i>Corporate Bodies or Organs</i>	The Board of Directors and the Board of Auditors of Fincibec
<i>Supervisory Body or SB</i>	Indicates the single-member body responsible for supervising the functioning of and compliance with the Model, as well as its updating in Fincibec and provided for by art. 6 of Legislative Decree 231/01
<i>General Part</i>	The section of the Model containing, among others, the description of the functions of the Model and of the Supervisory Body, as well as a description of Fincibec's organization and structure
<i>Special Part or Special Parts</i>	The sections of the Model expressly dedicated to each Offence identified as relevant to Fincibec's activity, in which the specific features of the Offences, the Areas and Activities at Risk of Offence, the main characteristics of the control and prevention system for the same, as well as the control and monitoring activities of the Supervisory Body are described
<i>Partners</i>	Contractual counterparty (including customers) with which Fincibec has established a contractually regulated relationship and which must cooperate with Fincibec in the framework of Activities at risk
<i>Public Administration or P.A.</i>	All the public bodies and subjects (State, Ministries, Regions, Provinces, Municipalities, etc.) and sometimes bodies governed by public law, dealers, contracting authorities, mixed Joint-stock companies, etc.) and all the other subjects that carry out the public function in some way in the interest of the community and therefore in the public interest

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**General Part**

<i>Predicate Offences or Crimes</i>	The types of offences to which the provisions of the Decree apply. Fincibec's Organisational Model includes the list of the Predicate Offences envisaged by the Decree updated to the date of publication of the OMCM
<i>Internal Control System</i>	The set of procedures, processes and application practices adopted by Fincibec and aimed at governing and controlling all company activities
<i>Occupational Health and Safety Management System ("HSMS")</i>	Organisational and management model for the definition and implementation of a company health and safety policy pursuant to Article 6, paragraph 1, letter A of Decree 231/01 for preventing the offences referred to in Articles 589 and 590, paragraph 3 of the Criminal Code committed in violation of the accident prevention regulations on health and safety at work.
<i>Top Management Subjects</i>	Persons who have the autonomous power to take decisions in the name and on behalf of the Company, albeit in the exercise and within the limits of their respective delegated powers. According to Article 5, paragraph 1, letter A) of Legislative Decree 231/2001, these are persons who hold positions of representation, administration or management of the Company or of one of its organisational units with financial and functional autonomy, as well as persons who exercise, also de facto, the management and control of the same
<i>Persons subject to the direction of others</i>	Persons subject to the management and supervision of the Top Management Subjects as identified in art. 7 of the Legislative Decree 231/2001
<i>SA</i>	Safety Act as per Legislative Decree no. 81 of 9 April 2008 and subsequent amendments and additions

## **FOREWORD**

This Model, approved and adopted by the Board of Directors of Fincibec in its first version on 16 October 2014 and updated, most recently, on 23 November 2020, represents the descriptive and constitutive document of the rules, procedures and principles adopted and pursued by Fincibec on an ongoing basis in order to provide itself with an effective and operational tool that guarantees, together with everything already implemented for the purposes of control and transparency, the maximum reduction of the risks provided for in the Decree 231/01.

### **1. LEGISLATIVE DECREE 231/2001 - "Regulations on the administrative liability of legal persons, companies and associations, including those without legal entity"**

#### **GENERAL PRINCIPLES**

The Legislative Decree no. 231 of 8 June 2001, which implements art. 11 of Law no. 300 of 29 September 2000, provides, in addition to the criminal liability of the individual who materially commits the "offence", for the criminal liability of the Entity to which the same individual "belongs", which has benefited from the offence or in whose interest the offence was committed.

In compliance with international and EU obligations, the Decree in question has introduced into our legal system a form of direct and autonomous liability of collective entities, linked to the commission of specific offences; a liability defined as "administrative", but in substance configurable as a real form of criminal liability.

#### **SUBJECTS**

The subjects to whose criminal action the Decree associates the liability on the part of the Entity, must be linked to the company by a functional relationship of employment and/or by a contractual relationship deriving from a task received from a Top Management Subject (suppliers, consultants, collaborators, etc.).

In particular, art. 5 of Legislative Decree 231/2001 distinguishes between:

- a) subjects with functions of representation, administration, management of the Entity or one of its organisational units, with functional financial autonomy, so-called Top Management Subjects;
- b) subjects who effectively exercise the management and the control of the Company;
- c) subjects subjected to the direction or supervision of one of the subjects referred to in letters a) and b).

The legislator has also given specific importance to the "de facto" situations, i.e. those situations in which the powers necessary to act autonomously cannot be immediately deduced from the role held within the organisational structure or from official documentation (proxies, powers of attorney, etc.).

Article 6 of the Decree provides that, in the event that the crime has been committed by persons in a Top Management position, the Company shall not be liable if it proves that:

- a) before the offence was committed, the management body adopted and effectively implemented organisational and management models suitable for preventing the offences covered by the Decree;

- b) the task of supervising the functioning of and compliance with the models and their updating has been entrusted to a body with autonomous powers of initiative and control;
- c) the persons have committed the offence by fraudulently circumventing the organisation and management models;
- d) there has been no omission or inadequacy of supervision by the Body.

Art. 7 states that the Company is liable if the commission of the crime by a person subject to the direction of others was made possible by the failure to comply with the obligations of management and supervision; obligations that will be considered fulfilled (except for contrary proof to be provided by the public prosecution) if the Company has effectively adopted the prevention model.

#### **THE INTEREST OR THE ADVANTAGE OF THE COMPANY**

In order for the Company to be held liable, it is also necessary that the alleged illegal conduct was carried out by the identified persons "in the interest or to the advantage of the Company (1), while such liability is expressly excluded in the event that the crime was committed "in its own exclusive interest or that of third parties".

More precisely, the Court of Cassation stated that the Entity is not liable for the administrative offence depending on the crime when the fact is committed by the individual in his own exclusive interest or in the interest of third parties, which cannot be traced even partially to the interest of the Entity, i.e. in the case in which it is not possible to configure an identification between the Company and its bodies.

With the exception of the above, the Entity is not liable for what its employee/representative has committed if it proves that it has adopted the necessary measures to prevent the committing of crimes of the type committed (adoption and effective implementation of the Model).

The case law has also underlined that the responsibility foreseen for the Entity by the Legislative Decree 231/2001 derives from a "fault in the organisation" of the legal person (ex plurimis, Criminal Cassation, Sect. VI, 18-02-2010 - 16-07-2010, no. 27735). The failure to adopt the Model, in the presence of the objective and subjective predicates indicated above (crime committed in the interest or to the advantage of the company and Top Management position of the perpetrator of the crime), is sufficient to constitute the reprehensibility referred to in the Ministerial Report to the Legislative Decree and to integrate the sanctioning case, consisting of the omission of the expected dutiful organisation and management precautions suitable to prevent certain

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<sup>1</sup> *On the subject of the criminal liability of legal persons and companies, the regulatory expression, which identifies the predicate of committing the crimes "in its interest or to its advantage", does not contain an hendiadys, because the terms refer to legally different concepts, as it is possible to distinguish an "upstream" interest due to the effect of an undue enrichment, foreseen and perhaps not realised, as a result of the crime, from an advantage objectively obtained by committing the crime, even if not foreseen ex ante, so that the interest and the advantage are in real concurrence (see Criminal Cassation, section II, 20.12.2005 no. 3615).*

*Certainly, the requirement of the interest or advantage of the Entity, as a criterion for the objective imputation of the liability of the Entity itself, can also be integrated by the indirect advantage, understood as the company acquisition of a position of privilege on the market deriving from the crime committed by the Top Management subject. Nonetheless, the very nature of the criterion of imputation of liability recognised by the law requires the concrete and non-abstract statement of the existence of such an interest or advantage, to be understood respectively as a potential or actual benefit, albeit not necessarily of a financial nature, for the entity from the commission of the predicate offence. (see Court of Milan - order 28.04.2008)*



types of crime. A new "regulatory" form of guilt for organisational and managerial omission is implicit in this concept of reprehensibility, having the legislator reasonably drawn, from the concrete events that have occurred in recent decades in the economic and entrepreneurial sphere, the legitimate and well-founded conviction of the need for any organisational complex constituting an entity pursuant to art. 1, paragraph 2 of Legislative Decree 231/01, to adopt organisation and management models suitable for preventing the commission of certain offences that experience has shown to be functional to structured and substantial interests (2). This "organisation fault" assumes specific importance in the context of the so-called group of companies.

### **THE PREDICATE OFFENCES FOR THE APPLICATION OF DECREE 231/2001**

The Decree expressly identifies the offences (crimes and infringements), which may imply the liability of the Company if they are committed in its interest or to its advantage. Annex A lists the types of offences contemplated by the legislation (hereinafter, for the sake of brevity, also referred to as "Predicate Offences"), divided by category.

### **SANCTIONS**

The sanctions provided for by the Legislative Decree 231/2001 are:

- i. pecuniary sanctions, which always result from the recognition of the Entity's responsibility and are applied with the quota system, in relation to the seriousness of the offence and the economic and patrimonial conditions of the Company, with the explicit aim of "ensuring the effectiveness of the sanction";
- ii. prohibitory sanctions (prohibition from exercising the activity; suspension or revocation of authorisations, licences, concessions, functional to the commission of the offence; prohibition to contract with the Public Administration; exclusion from facilitations, financing, contributions or subsidies and possible revocation of those already granted; prohibition to advertise goods or services), which are added to the pecuniary sanctions and have a duration of no less than three months and no more than two years. Their application is contemplated only as a consequence of the commission of certain Predicate Offences indicated by the Decree. They are inflicted according to their dissuasive effectiveness as they are capable of profoundly affecting the organisation, operation and activity of the Company. The prohibitory sanctions, where the conditions are met (especially in terms of seriousness and relevance of the offences, as well as the possibility of their repetition), can also be inflicted as a precautionary measure during preliminary investigations for a maximum duration of one year. The precautionary sanctions are inflicted expressly according to the individual types of offences, as well as the particular seriousness of the fact, based on the (dis)value of the "administrative" offence, or on the "dangerousness" of the Entity itself, which, in the presence of a repetition of the offences, has shown itself to be insensitive to pecuniary sanctions.
- iii. the publication of the sentence, which can be ordered only if a prohibitory sanction is applied to the Entity;
- iv. the confiscation of the price or profit of the offence, or the equivalent.

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<sup>2</sup> *Criminal Cassation, Section VI - 9.07.2009 no. 36083*

## **THE ORGANISATIONAL MODEL - EXEMPTING EFFECTIVENESS**

The "exempting" effectiveness of the organisation and management models is subject to their prior adoption with respect to the commission of the offence. If adopted after the commission of the crime, they may, however, result in a reduction of the sanction and avoid the infliction of prohibitory precautionary sanctions. If adopted after conviction, together with compensation for damages and restitution of the unlawful profit, they may result in the conversion of any prohibitory sanction inflicted into a pecuniary sanction. The Court of Cassation has repeatedly reiterated (see for all Cass. Sentence no. 36083/2009) that the absence of the Organisational Model basically prevents any defence of the Entity with respect to allegations of a predicate offence against Top Management subjects.

## **MODEL REQUIREMENTS**

For the models to be effective - and judged fit for purpose - they must meet the following requirements in practice:

- identifying the areas and activities at risk where offences may be committed;
- ensuring suitable protocols to implement the Entity's decisions in relation to the offences to be prevented;
- identifying the methods of managing the financial resources suitable for preventing the committing of offences;
- establishing obligations of information towards the Supervisory Body;
- introducing a suitable disciplinary system to sanction non-compliance with the measures indicated.

For the purposes of drafting the Model and the consequent assessment of its suitability, it is advisable to take into account the specific case law (which is still very limited) and the criteria established by it; in particular: the Court of Cassation with sentence no. 4677 of 30.01.2014 (going against the opinion of the preliminary hearing judge of Milan on 17.11.2009 and the Court of Appeal of Milan on 21.03.2012) stated, in brief, that "a model is suitable when the procedures supporting it are suitable to prevent the commission of the predicate offence".

It is also important to underline what was decided by the preliminary investigation judge of Milan (Mr. D'Arcangelo) in November 2010. The sentence established the principle that "*acting in accordance with the law is beyond the entrepreneur's discretion and the risk of non-compliance cannot be included among the risks acceptable to directors*".

In the aforementioned sentence it is stated that "*the judge called upon to decide on the suitability of an organisational model must refer to the regulations of a specific sector with reference to the time of the disputed criminal conduct and verify which organisational precautions were adopted by the entity to prevent a given crime and how the same were actually implemented with reference to the best technical knowledge available at the time*" [...] "*the suitable precautionary model is (as can be deduced, on a methodological level, also from the preceptive content of art. 30 of Legislative Decree no. 81 of 9.4.2008) the one forged by the best knowledge, consolidated and shared in the historical moment in which the offence is committed, regarding the methods of neutralization or minimization of the typical risk*".

The essential requirements of the Organisational Model must also include, among other things, the elements for identifying the financial resources suitable for anticipating and preventing the committing of offences.

Also from the point of view of the suitability of the model, the existence of a Group is of specific importance: the updating and the adaptation of the Organisational Model cannot disregard the evolution of the case law on the subject of administrative responsibility of the Parent Company in the hypothesis of a predicate offence committed by subjects (Top Management or not) belonging to the subsidiary companies.

## **THE GUIDELINES**

Art. 6 of the Decree provides that the Organization, Management and Control Models may be adopted on the basis of codes of conduct drawn up by the associations representing the entities and communicated to the Ministry of Justice. Therefore, in preparing this document, the Company has taken into account the Guidelines - as defined in the "Definitions" - making well-pondered choices in order to better customise and adapt the principles dictated by the Legislator to its own specific situation.

It should be noted, however, that the necessarily general and standardised indications dictated by the Confindustria Guidelines have sometimes been supplemented or disregarded where deemed necessary in order to adapt their principles to the peculiarity and concreteness of the company's reality.

## **2. THE ORGANISATION, MANAGEMENT AND CONTROL MODEL OF FINCIBEC**

Fincibec has formally adopted its own Organization and Management Model on 16 October 2014 and it was last updated on 23 November 2020.

This Organisational Model has been drafted and adopted taking into account, among other things:

- the current regulatory framework;
- the governance and organisational structure at the date of adoption of the Model;
- the current case law and jurisprudence;
- the practices of Italian companies in relation to the management and drafting of organisational models ("best practices");
- the Guidelines, pointing out, however, that the necessarily general and standardised indications dictated by the latter have sometimes been supplemented or disregarded where deemed necessary in order to adapt their principles to the peculiarity and concreteness of the company reality of Fincibec;
- with specific reference to health and safety in the workplace, the provisions of art. 30 of SA.

## **THE CHARACTERISTICS OF THE MODEL**

This Organizational Model is an integral part of Fincibec's Internal Control System which is made up of a complex system of procedures and processes implemented and applied by the Company to which the Model itself refers for its concrete implementation. Among these, the main ones are about:

- the general system of governance;
- the system of proxies and powers of attorney, as well as all the documents aimed at describing and assigning responsibilities and/or duties to those who work within the Company in the Areas at risk of

offence (some of the mentioned documents are for example: organization charts, service orders, job descriptions, function charts, etc.);

- the Safety Management System - HSMS: it is the Safety Management System in compliance with the dictates of Legislative Decree 81/08.
- the system of procedures and internal controls whose purpose is to guarantee adequate transparency, awareness and traceability of the decision-making and financial processes, as well as of the conduct that must be adopted by the addressees of this Model and operating in the Areas at Risk of Offence.

As a result, the term "Model" is to be understood as meaning not only this document (General Part, Special Part and annexes), but also all further systems and documents relating to the Company's Internal Control System currently existing and applied, as well as those which will subsequently be adopted in accordance with the provisions of the Model itself in order to pursue its main purposes.

With reference to the specific requirements identified by the legislator in the Decree and further detailed in the Guidelines of the trade associations, the activities that the Board of Directors has decided to confirm, after the experience of the first years of application, for the implementation of the Model, are listed below:

- detailed mapping of the activities at risk of offence, their analysis and monitoring for the purposes of better implementing the Model;
- analysis of the Internal Control System in force, with reference to the Activities at risk of offence, and definition of any corrective actions aimed at ensuring full compliance with the provisions of the Decree. In this context, particular attention has been paid to the:
  - o definition of ethical principles in relation to behaviours that may integrate the types of offences provided for by the Decree;
  - o definition of the Company's processes in which, in principle, there could be conditions, opportunities or means to commit offences;
  - o definition of the staff training methods;
  - o definition of the information relating to the obligation to comply with the Model adopted by the Company to be provided to *outsourcers* and other third parties with whom the Company has contractual relations;
  - o definition and application of disciplinary provisions suitable for sanctioning the non-compliance with the measures indicated in the Model and having a suitable deterrent effect;
  - o identification of the composition of the Supervisory Body and assignment of specific tasks to supervise the effective and correct functioning of the Model and its updating;
  - o definition of information flows to the Supervisory Board.

As suggested by the guidelines of the trade associations, the Organisational Model formalises and clarifies the assignment of responsibilities, the lines of hierarchical dependence and the description of tasks, with specific definition of control principles such as, for example, the cross-checking of functions. In particular, current operating practices are designed to regulate the performance of ordinary activities, defining appropriate control

points (such as, for example, authorisations for transaction phases, reconciliation checks and verifications of the work of third party operators and peripheral subjects, etc.) and adequate levels of security. Furthermore, in the structure of operational processes, where possible, the principle of segregation of duties and responsibilities among those who carry out crucial activities in a process at risk ("*segregation of duties*") is adopted and principles of transparency and verifiability are applied, according to which each operation, transaction and action is verifiable, documented, consistent and congruous.

With regard to ordinary treasury management, preventive protocols, periodic reconciliations, supervision, authorization checkpoints, segregation of duties (e.g. between the accounting and treasury functions or the General Management) have been adopted wherever possible.

Finally, with specific reference to authorisation and signatory powers, these have been assigned consistently with the actual organisational size and the management responsibilities defined by the Board of Directors, with the precise indication of the approval thresholds, when required.

The Model, therefore, involves every aspect of the Company's activities, through a clear distinction between operational tasks and control tasks, with the aim of correctly managing activities at risk of offence and possible situations of conflict of interest. In particular, the controls involve, with different roles and at different levels, the Board of Directors, the Board of Auditors, the Supervisory Body, the managers and all the staff, representing an essential feature of the Company's daily activities.

### **3. THE CURRENT STRUCTURE OF FINCIBEC**

#### **STRUCTURE AND ORGANISATION**

Fincibec S.p.A. was established, in its current form, on 04/05/1960 and has as its corporate purpose the production of ceramic material for floors and walls, ceramic material in general and similar or analogous processes. The Company is based in Sassuolo (MO), where the registered and administrative offices are located. The production plants and warehouses are located in Sassuolo (MO), via Valle d'Aosta 47, via Verazzano 6, viale Regina Pacis 322, in Castelvetro di Modena (MO) fraz. Solignano, via Strada Statale 569 169 and via Strada Statale 569 187, in Castellarano (RE) fraz. Roteglia, via Radici in Monte 19 - 21.

At the date of approval of the Organisational Model, the share capital amounts to Euro 5,000,000 and is made up of 50,000 ordinary shares with a nominal value of Euro 100.

Fincibec's operational activity consists in the production of porcelain stoneware and white-body monoporosa tiles for floors and walls.

**OMISSIS**

**CORPORATE GOVERNANCE**

Fincibec has a share capital of Euro 5,000,000.00 fully subscribed and paid up. The Company is subject to management and coordination activities by third parties according to art. 2497 bis of the Italian Civil Code.

The Company has opted for a traditional administration and control system as envisaged by Articles 2380 et seq. of the Italian Civil Code and, therefore, a Board of Directors, a Board of Auditors and an Auditing Company have been appointed, the latter having been entrusted with the legal auditing of the accounts pursuant to Article 2409 ter of the Italian Civil Code.

**SHAREHOLDERS' MEETINGS**

Shareholders' meetings are governed by the provisions of the Italian Civil Code supplemented by the provisions of the Articles of Association.

**BOARD OF DIRECTORS**

The Company is managed by a Board of Directors composed of 7 (Chairman + 6 Directors) members and is regulated by art. 18 of the Articles of Association. The Board of Directors is vested with the broadest powers of ordinary and extraordinary administration and disposition, including the power to appoint directors and attorneys, establishing their powers, including powers of representation, attributions and remuneration in accordance with the Articles of Association.

**BOARD OF AUDITORS**

Fincibec's Board of Auditors consists of 3 regular members and 2 deputy members and, in accordance with current regulations, is responsible for supervising the administration and the entire activity of the Company. In particular, the Board of Auditors is obliged to supervise compliance with the law and the Articles of Association, and compliance with the principles of correct administration. The Board of Auditors, therefore, plays the role of supervising the legitimacy of management, the correctness of the decision-making process of the Directors, and that, in short, these make choices in accordance with the criteria of good management, that transactions are justifiable in relation to the corporate purpose, and that the Directors do not act with negligence, malpractice or imprudence. The Board of Auditors also monitors the activities of the Shareholders' Meeting, verifying compliance with the formalities required to convene a Shareholders' Meeting and the conformity of resolutions with the law and the Articles of Association.

**AUDITING COMPANY FOR THE LEGAL AUDITING OF THE ACCOUNTS**

In accordance with the provisions of the Articles of Association, the legal auditing of the accounts has been entrusted to a registered Auditing Company. The appointment of the Auditing Company is entrusted to the Shareholders' Meeting upon proposal of the Board of Auditors.

## **RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS**

The internal control system is the set of rules, procedures and organisational structures aimed at allowing, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and correct company management, consistent with the set objectives.

With reference to production activities, a production manager has been appointed at each plant, to whom the various department heads report. In addition, in the various production facilities there is a laboratory for research and development activities under the direction of a manager.

With regard to staff processes, like mainly those relating to administration, treasury management and cash flows, as well as accounts payable and human resources, the Company has set up specific execution, authorisation and control processes based on precise rules and procedures for the segregation of roles and operating responsibilities. The staff functions report hierarchically to the managers in charge, who in turn report directly to the General Manager and Managing Director.

### **4. PRELIMINARY ACTIVITIES FOR THE ADOPTION OF THE ORGANISATIONAL MODEL**

The preparation and the updating of the Organisational Model were preceded by a series of preliminary activities to "map" the Areas at risk of offence and to check the Company's internal control systems, in line with the provisions of Decree 231/01 and the Guidelines.

In this regard, it should be noted that the main phases, into which a risk management system aimed at constructing the Organisational Model is divided, are identified as follows by the provisions of Decree 231/01 and the Guidelines:

- a) "identification of risks", i.e. analysis of the company context in order to highlight in which area/sector of activity and in what manner events detrimental to the objectives set out in Decree 231/01 may occur;
- b) "designing of the control system" (so-called protocols for planning the training and implementation of the entity's decisions), i.e. evaluation of the organisational and control system existing in the company and its possible adaptation, to make it suitable for effectively countering the identified risks, i.e. for reducing the risks to an "acceptable level", taking into account i) the probability of occurrence of the event and ii) the impact of the event itself.

The preliminary activities in question (i.e. the "mapping of the areas at risk of offence" and the verification of the internal control systems) were carried out by means of an assessment of the procedures in force at the time of the above-mentioned investigation. In addition, an *assessment* of company documentation was carried out (organisation charts, company proxies and powers of attorney, policies, procedures, guidelines and internal regulations adopted by the Company, etc.) and interviews were conducted with the Company personnel. The verification activity was also carried out through the analysis of further elements relevant for the purposes of the process of identifying risks and assessing the areas/activities most exposed to the commission of offences, including:

- the evolution of the regulatory framework, case law and jurisprudence;
- the corporate and organisational changes that have occurred since the date of adoption of the Model as well as the specific "history" of the Company, including, in particular, the presence of any criminal, administrative or even civil proceedings that concern the Company with regard to the activities at risk;

- the size of the Company and of the corporate group to which it belongs (in relation to data such as turnover, number of employees);
- the markets and the territorial areas in which the Company operates;
- the organisational structure;
- a pre-existing corporate ethics;
- the collaboration between the managers of the various functions;
- the identification of persons whose unlawful conduct may result in Fincibec's liability under Decree 231/01, including Top Management Subjects, persons subject to the direction of others and third parties (professionals, consultants, service providers) with whom the Company interacts;
- the degree of segregation of duties;
- the considerations deriving from the experience of applying the Model over the years;
- the practices of Italian companies in relation to the management and drafting of organisational models ("best practices").

#### **MAPPING OF THE SO-CALLED "AREAS AT RISK OF OFFENCE" AND ANALYSIS OF POTENTIAL RISKS**

The first phase of activity consisted in identifying the functional areas of the Company in which there was a potential "risk" of committing offences pursuant to the Decree (so-called "**Areas at Risk of Offence**" or simply "**Risk Areas**"). In this context, in each of these "areas" the specific "**Activities at Risk of Offence**" were found and for each of these the possible ways of committing the offences were identified.

Among the Activities at Risk of Offence, both the activities directly at risk of commission of offences and the "instrumental" ones have been identified. The latter are activities which - although not directly relevant pursuant to the Decree - could, in principle, be configured as conditions, occasions or means for the committing of offences.

The process of identifying risks and assessing the areas most exposed to the commission of offences was carried out according to a *risk-based* approach, i.e. taking into consideration the inherent or potential risk of committing the Offences (i.e. the risk assumed when the Company has not yet taken action to modify the probability and impact of an event). The measurement of the level of "inherent risk" was carried out in consideration of both the probability of the commission of the Offence and the impact of this event, determined by taking into account factors like the type and entity of the sanctions (pecuniary or prohibitory) that may be inflicted to the Company, the frequency and recurrence of the activities at risk, the nature and volume of the transactions involved, the specific methods of execution of the activities, as well as the history of the entity and the peculiarities of the reference sector.

#### **RISK ASSESSMENT - EVALUATION OF THE INTERNAL CONTROL SYSTEM**

Once the "inherent risk" (and its relevance) has been defined in the context of the Sensitive Activities, the Company's current Internal Control System was assessed in order to establish its level of "adequacy" with the aim of reducing the risk to an "acceptable level".



The conceptual threshold of "acceptability" of the risk cannot be expressed in malicious offences by referring to the mere relationship between costs and benefits according to what is taught by the business doctrine (according to which a risk can be defined as acceptable when the additional controls "cost" more than the resource to be protected). As the Guidelines point out, the economic logics cannot be the only way to define an acceptable level of risk in the system of crime prevention outlined in Decree 231/01. The threshold of acceptability of the risk must on the contrary be represented by the existence of a prevention system that cannot be circumvented, unless fraudulently, specifying that fraud does not necessarily require artifice and deception, but may also consist in the mere violation of the prescriptions contained in the Model, i.e. in the circumvention of the security measures provided for therein. With reference to malicious offences, and in particular to offences committed in violation of occupational health and safety regulations, the conceptual threshold of reliability must be defined in an even more rigorous manner, since, also in consideration of the importance of the protected assets, the occupational risks for the health and safety of workers must be entirely eliminated or in any case reduced to a minimum through the adoption of the prevention measures available in relation to the knowledge acquired on the basis of technical progress.

The assessment of the control and monitoring systems of the Company's Internal Control System was based on the verification of the existence of the following criteria and requirements (as indicated in the Guidelines):

- i) existence and formalization of written company procedures and manuals;
- ii) definition of roles and responsibilities in the management of business processes;
- iii) respect of the "*segregation of duties*" principle;
- iv) traceability of business processes;
- v) communication and training and actual knowledge of company procedures.

Following the mapping of the Areas and Activities at Risk of Offence and, in general, the *risk assessment*, the *management* shared a report - kept in the Company's records - highlighting the various phases into which the *risk assessment* was divided, i.e.:

- I. verification, within the Risk Areas and with reference to the specific Activities at Risk of Offence, of the preventive control systems (i.e. formalised procedures, operating practices, segregation systems, financial resource management systems, etc.) that may exist within the company and assessment of their suitability to guarantee that the risks of committing the offences are reduced to an "acceptable level" ("**as is analysis**");
- II. identification, within the existing control system, of any deficiencies or criticalities and the consequent corrective measures necessary to improve such system ("**gap analysis**").

The mapping activities of the Areas at Risk of Offence and Sensitive Activities, and, in general, the risk assessment activities, have made it possible to confirm that Fincibec conforms its operating practices in defence of the Areas at Risk of Offence to the above-mentioned general principles characterising an efficient internal control system (to be understood as general protocols), namely:

- "management and control processes" of the Activities at risk of offence, set up in order to
  - i. ensure that the company's activities are carried out in compliance with the laws and regulations in force and with the general view to protecting the integrity of the company's assets;
  - ii. define and regulate the methods and timing for carrying out these activities;
  - iii. guarantee, where necessary, the "standardisation" of decision-making processes and limit company decisions based on subjective choices;

- clear assignment of powers and responsibilities, with an indication of the limits of exercise and in line with the duties assigned and the positions held within the organisational structure
- segregation of duties, through the distribution of responsibilities and adequate levels of authorisation in line with the size of the structure, in order to avoid function overlaps or operation allocations that concentrate the critical activities on a single person;
- adoption of instruments designed to ensure the traceability of deeds, operations and transactions by means of suitable documentary supports which certify the characteristics and reasons for the operation and identify the persons involved in various ways in the operation (authorisation, execution, registration, verification of the operation);
- implementation of information and training activities for workers;
- definition, execution and documentation of control and supervisory activities on processes and Activities at risk of offence;
- security processes that guarantee adequate protection against physical or logical access to the data and tools of the company's information system, in particular with reference to the management and accounting systems.

## **5. INFORMATION AND TRAINING OF THE ADDRESSEES OF THE MODEL**

The Company is aware of the relevance of the training and information aspects as a protocol of primary importance and operates in order to guarantee that the addressees of the Model know the contents of the Decree and of the obligations deriving from it and of the Model itself.

For the purposes of implementing the Model, the information, training and awareness-raising activities for the personnel are managed by the competent company function in close coordination with the Supervisory Body and the managers of the other company functions involved in the application of the Model.

The information, training and awareness-raising activities concern all persons operating within the Company, including the Top Management Subjects.

The information and training activities are planned and carried out at the time of hiring or at the beginning of the relationship and on the occasion of changes to the Model or other factual or legal circumstances that determine the need for them in order to ensure the correct application of the provisions set out in the Decree.

In particular, following the approval and updating of this document:

- an initial communication is given to all personnel in force about the adoption and/or updating of this document;
- subsequently, new employees are given an information set containing (in addition to the material indicated by other company policies or procedures, such as privacy and information security, hygiene and safety at work) this document "Organisation, Management and Control Model pursuant to Legislative Decree 231/2001" with express reference to the consultation of the Special Part, to the consultation on the Company's intranet site, as well as the Code of Conduct, with which to ensure the knowledge considered of primary importance;

- the employees shall sign a special form for acceptance of the contents of the documents delivered to them as well as acknowledgement that they have read the text of the Legislative Decree 231/2001 as published on the company's intranet;
- a specific and continuous training activity is envisaged and has to be organised in classroom courses or has to be provided through e-learning tools and services (with solutions that guarantee feedback on the training carried out).

The communication and training activities must also concern tools such as authorization powers, hierarchical reporting lines, procedures, information flows and everything that contributes to transparency in daily operations.

All communication and training activities are wanted by the Board of Directors, which calls for maximum participation and attention from the recipients of these activities.

In order to guarantee the effective spread of the Model and the information of the personnel with reference to the contents of Decree 231/01 and the obligations deriving from its implementation, a specific area of the company computer network must be set up to deal with the subject (in which, in addition to the documents that make up the information set described above, the forms and tools for reporting to the Supervisory Board and any other relevant documentation are also present and available).

## **6. INFORMATION TO THIRD PARTIES**

The Collaborators, Suppliers, Consultants and Partners of the Company, with particular reference to subjects involved in the provision of activities, supplies or services that involve Activities at risk, are informed about the adoption of the Model and the Company's requirement that their behaviour conforms to the principles of conduct established therein.

The corporate functions having institutional contacts with these Addressees, in particular Suppliers and Consultants, shall provide them with specific information on the policies and procedures adopted by the Company on the basis of the Model, as well as on the consequences with regard to contractual relations that conduct contrary to the provisions of the Model or the regulations in force may have.

Where possible, specific clauses are included in the contractual texts to regulate these consequences, such as express termination clauses and/or withdrawal rights in the event of conduct contrary to the provisions of the Model.

## **7. DISCIPLINARY AND SANCTION SYSTEM**

The sanctions that can be inflicted to employees fall within those provided for by the CCNL (National Labour Collective Agreement) applied in the company, in compliance with the procedures provided for by Article 7 of Law no. 300 of 30 May 1970 (so-called "Workers' Statute") and any applicable special regulations.

In particular, the sanctions inflicted, depending on the seriousness of the violation, will be those provided for by the CCNL of the ceramic industry dated 16/11/2016, as well as by the CCNL of Managers dated 30/07/2019.

Sanctions are inflicted, in compliance with the procedures provided for by the Law and by the above-mentioned CCNL, by the HR Directorate, at the end of the preliminary investigation provided for therein.

In particular, in application of the National Labour Collective Agreement the following sanctions are envisaged for employees:

- verbal warning;
- written reprimand;
- fine of up to 3 hours' actual pay;
- suspension from work and pay for up to 3 days;
- dismissal without notice.

**SANCTIONS FOR EMPLOYEES AND MEASURES FOR MANAGERS**

The observance by Fincibec's employees and managers of the provisions contained in the Model, in the Code of Conduct, in the company's protocols and in the procedures provided for by the Model, constitutes a fundamental part of their contractual obligations pursuant to article 2104 of the Italian Civil Code.

Violation of these provisions, therefore, will constitute a breach of the obligations arising from the employment relationship on the part of the employee and/or manager and will lead to the application of sanctions and/or disciplinary measures, in accordance with the procedures prescribed by the applicable rules as indicated below, with all the consequences of the law, also with regard to the preservation of the employment relationship and the obligation to pay compensation for any damage caused.

The Disciplinary System is applied in the event of failure to comply with internal procedures, directives, principles and policies (including orders given by the company both in written and verbal form) provided for or referred to in this Model and in the Code of Conduct and, in particular, in the event of the following sanctionable behaviours (typical violations):

- failure to comply with the Code of Conduct and the company procedures/directives to which the Model refers;
- failure to carry out the controls by the Function Managers or the appointed personnel;
- lack of or untrue evidence of the activities carried out with regard to the methods of documenting, storing and controlling the activities in the areas at risk of offence, so as to reduce transparency and hinder the verifiability of the same;
- violation and/or avoidance of the control system, also by removing, destroying, altering or omitting the documentation required by the procedures in force, or by preventing the persons in charge and the Supervisory Body from controlling or accessing the required information and documentation;
- non-compliance with the provisions relating to signatory powers and the proxy system;
- failure of hierarchical superiors to supervise their subordinates regarding the correct and effective application of the Model, the Code of Conduct and the company procedures;
- failure to observe the obligations of information towards the Supervisory Body;
- communication to the Supervisory Body, to the hierarchical superior or to another person who is obliged to report to the SB of information concerning any of the violations described above that the whistleblower knows to be false or malicious;

- failure to inform the Supervisory Body and/or the direct hierarchical superior about any violations of the Model, of which there is direct and certain evidence;
- lack of communication/training/updating for internal and external personnel working in areas potentially at risk of offence being committed.

### **SANCTIONS AGAINST EMPLOYEES**

The assessment of infringements is the responsibility of the HR Directorate, in compliance with the procedures provided for by the law and by the above-mentioned CCNL.

In any case, according to the following increasing degree of relevance and seriousness:

#### **a) Verbal warning**

The verbal warning, in accordance with the CCNL, is applicable to the employee as a result of:

- infringements committed with slight negligence, provided they are of minor entity and have not had relevance outside the company structure/organisation;
- in general, slight non-compliance with the duties established by the internal procedures provided for in the 231 Model or adoption of a conduct that does not comply with the prescriptions of the 231 Model in performing an activity in an area at risk or with the instructions given by superiors.

#### **b) Written reprimand**

The written reprimand, in accordance with the CCNL, is applicable to the employee as a result of:

- infringements of minor entity but greater than those sanctionable with a verbal warning that the employee has committed negligently and in the exercise of company activities;
- negligent violation of the obligations to provide information to the Supervisory Body as provided for by the 231 Model;
- repetition, more than twice, of an infringement already sanctioned with a verbal warning;
- in general, offences punishable with a verbal warning, when, due to objective circumstances, specific consequences or recidivism, they have greater relevance;
- in general, minor non-compliance with the duties established by the internal procedures provided for in the 231 Model or adoption of a conduct that does not comply with the prescriptions of the 231 Model in performing an activity in an area at risk or with the instructions given by superiors.

#### **c) and d) Fine and suspension from work**

The fine (maximum amount up to three hours of normal pay) and the sanction of suspension from work and salary (in accordance with the CCNL) are applicable to the employee as a result of:

- infringements that are also relevant outside the company structure and organisation;
- in general, offences punishable with lower sanctions when, due to objective circumstances, specific consequences or recidivism, they have greater relevance;
- in general, non-compliance (repeated or of a certain gravity) with the duties established by the internal procedures provided for in the 231 Model or adoption of a conduct that does not comply with the prescriptions of the Model in performing an activity in an area at risk or with the instructions given by superiors.

#### **e) Dismissal without notice**

Any worker who, in the performance of an activity in one of the areas at risk, adopts a conduct that does not comply with the prescriptions of the 231 Model and aims unequivocally at committing one of the offences sanctioned by Legislative Decree 231/01, is therefore subject to the disciplinary sanction of dismissal in accordance with the CCNL.

In particular, the sanction applies where an employee has wilfully and negligently (only for the family of offences relating to health and safety at work) committed an offence of such significance to constitute, even in purely abstract terms, an offence within the meaning of Legislative Decree 231/01.

This is without prejudice to the Company's right to claim compensation for damages resulting from an employee's violation of the Model. Any damages claimed will be commensurate:

- to the level of responsibility and autonomy of the employee who committed the disciplinary offence;
- to the existence of any disciplinary record against them;
- to the degree of intentionality of their behaviour;
- to the seriousness of its effects, i.e. the level of risk to which the company reasonably believes it was exposed - pursuant to and for the purposes of the decree - as a result of the criticized conduct.

#### **MEASURES AGAINST MANAGERS**

In case of violation by Fincibec's managers of the provisions and procedures contained in the Model or in the Code of Conduct, or of adoption, in relation to the activities relevant to the areas at risk of commission of offences, of a behaviour not compliant with the provisions of the Model or of the Code of Conduct, the following measures will be taken against the managers, in compliance with the procedures provided for in art. 7 of the Workers' Statute:

- in the event of a non-serious violation of one or more procedural or behavioural rules provided for in the Model or in the Code of Conduct, the manager will be subject, after an initial verbal warning, to a written reminder to comply with the Model and the Code of Conduct, which is a necessary condition for maintaining a relationship of trust with Fincibec, especially considering the responsibilities entrusted to the manager;
- in case of serious violation of one or more provisions of the Model or of the Code of Conduct, or of repetition of one or more violations referred to in the preceding point, such as to configure - following the appropriate and necessary verifications by Fincibec - a significant default to be ascribed to gross negligence or wilful misconduct of the Manager, Fincibec will proceed with the dismissal of the Manager, with the recognition of the indemnity in lieu of notice;
- where the violation of one or more provisions of the Model or of the Code of Conduct is so serious to irreparably damage the relationship of trust, not allowing the continuation, even temporary, of the working relationship, Fincibec will proceed with the dismissal, without notice or relative compensation, of the manager in accordance with art. 2119 of the Italian Civil Code and with the rules of the CCNL applied.

Without prejudice to the above, Fincibec reserves the right to take action against the manager who has been subject to the above measures for compensation for damages suffered and/or those that the Company is required to pay to third parties.

## **DISCIPLINARY PROCEDURE**

The assessment of infringements, possibly following a report by the Supervisory Board and after hearing the opinion of the hierarchical superior of the author of the conduct reported, the management of disciplinary proceedings and the infliction of sanctions remain the responsibility of the company departments appointed and delegated for this purpose.

In any case, the infliction of sanctions to employees and managers will be carried out on the basis of criteria of proportionality between the infringement committed and the sanction inflicted, according to the following increasing degree of relevance and seriousness:

- violation of internal procedures/directives provided for or referred to in this Model and in the Code of Conduct, non-execution of the relevant orders given by Fincibec both in written and verbal form, or adoption, in relation to the activities relevant to the areas at risk of commission of offences, of conduct that does not comply with the requirements of the Model, the Code of Conduct or the procedures referred to therein;
- violation of internal procedures/directives provided for or referred to by this Model or by the Code of Conduct or adoption, in relation to the activities relevant to the areas at risk of commission of offences, of behaviours that do not comply with the requirements of the Model or the Code of Conduct or the procedures referred to therein that expose Fincibec to an objective situation of risk of commission of one of the offences;
- adoption, in relation to the activities relevant to the areas at risk of commission of offences, of behaviours that do not comply with the provisions of this Model or the Code of Conduct or the procedures referred to therein and that are unequivocally directed towards the commission of one or more offences;
- adoption, in relation to the activities relevant to the areas at risk of commission of offences, of behaviours that are clearly in breach of the provisions of this Model or of the Code of Conduct or of the procedures referred to therein, such as to determine the concrete application against the Company of the sanctions provided for in the Decree.

The disciplinary sanctions (in the case of employees) and contractual measures (in the case of managers) will be commensurate to the level of responsibility and autonomy of the employee and/or manager, the possible existence of previous situations of violation against them, the intentionality of their conduct and the seriousness of the same, with this meaning the level of risk to which the Company can reasonably be considered exposed - pursuant to and for the purposes of the Model - as a result of the criticized conduct.

The provisions of art. 7 of Law 300/1970 and of the applicable CCNL on the subject of sanctioning procedures remain valid and are hereby fully referred to. Specifically:

- no disciplinary measure will be taken without first notifying the worker of the charge and hearing their defence;
- disciplinary measures that are more serious than a verbal warning will not be applied until five days have elapsed since the worker has been notified in writing of the fact that gave rise to them, during which time the worker may present their justifications, possibly with the assistance of a union representative;
- if the disciplinary measure is not taken within six days of the presentation of such justifications, these shall be deemed accepted;
- the sanction must be applied by means of a written and reasoned decision;
- in the event that the claimed infringement is such as to entail dismissal, the worker may be suspended from work as a precautionary measure until dismissal is applied, without prejudice to the right to remuneration;

- disciplinary measures shall not be taken into account for the purposes of recidivism more than two years after their application.

#### **MEASURES AGAINST DIRECTORS**

In the event of violation of the provisions contained in the Model and in the Code of Conduct by one or more members of the Board of Directors, the other members of the Board of Directors and/or the Board of Auditors and/or the Supervisory Board must inform, without delay and in writing, the entire Board of Directors in the person of the Chairman and the Board of Auditors, who will take all the appropriate measures permitted by current legislation, including, for example, calling a Shareholders' Meeting in order to adopt the most suitable measures.

In any case, this is without prejudice to the Company's right to propose liability and compensation measures.

#### **MEASURES AGAINST STATUTORY AUDITORS**

In the event of violation of the provisions contained in the Model and in the Code of Conduct by one or more members of the Board of Auditors, the Board of Directors and/or the Supervisory Body must inform, without delay and in writing, the entire Board of Auditors in the person of the Chairman so that all the appropriate measures permitted by current legislation are adopted, including the revocation of the appointment.

In cases considered more serious, the Board of Directors, having consulted the Board of Auditors, will convene the Shareholders' Meeting to take the appropriate measures.

In any case, this is without prejudice to the Fincibec's right to exercise liability and compensation measures.

#### **MEASURES AGAINST COLLABORATORS AND BUSINESS PARTNERS**

Consultancy or collaboration agreements with subjects external to Fincibec make express reference, in addition to the contractual obligations, to the observance of the principles contained in the Code of Conduct and, as far as applicable, in the Model.

Therefore, in the event of violation by collaborators, suppliers or business partners of the provisions of the Model or of the Code of Conduct, the Board of Directors, together with the Supervisory Body and, where appropriate, the Board of Auditors, will assess whether to terminate the existing contractual relationship and will apply any sanction provided for in the contract itself by virtue of specific clauses contained therein. These clauses may provide, in particular, the right to terminate the contract and/or the payment of penalties, without prejudice, in any case, to the Company's right to compensation for damages.

### **8. SUPERVISORY BODY**



## **APPOINTMENT AND TERM OF OFFICE**

In order to implement the Model, the task of supervising its operation and compliance, as well as of keeping it updated, must be entrusted to a body with autonomous powers of initiative and control. The Board of Directors of Fincibec, therefore, establishes the Supervisory Body as per the SB Statute (Annex "C").

## **TASKS**

The Supervisory Board has the following powers:

- supervision of the effectiveness of the Model by verifying the consistency between the concrete behaviours and those envisaged by the Model and by monitoring the areas at risk of offence identified in the special parts. In order to fulfil these duties, the Body can establish control activities at every operational level, equipping itself with the necessary tools to promptly report anomalies and inefficiencies of the Model by verifying the control procedures. Any operation considered to be at specific risk must be reported to the Body by the internal managers. This will make it possible to carry out, at any time, the controls that describe the characteristics and purposes of the procedure and identify who authorized, recorded and verified the procedure. The Body shall activate the control procedures considering the need for company operativeness and the fact that the primary responsibility for the management of the activities is in any case delegated to the managers of the Departments and/or to the top management and to the corporate bodies appointed for this purpose.
- Periodical verification of the adequacy of the Model, i.e. the suitability to prevent the behaviours it intends to exclude and contrast, the maintenance over time of the requirements of solidity and functionality of the same, through constant monitoring of the system of controls, protocols and governance as a whole.
- Proposal of the Model updating to the Board of Directors if the controls carried out make corrections and adjustments necessary. In particular, the Body must:
  - ensure that the Model is kept up-to-date in accordance with the evolution of law and as a result of changes to the internal organisation and company activities;
  - collaborate in the preparation and integration of internal regulations (codes of conduct, operating instructions, protocols, control procedures, etc.) dedicated to risk prevention;
  - promote initiatives aimed at disseminating knowledge of the Model among Fincibec's bodies and employees, providing any necessary instructions and clarifications, as well as collaborating with the roles responsible for Human Resources in setting up specific training seminars;
  - cooperate with the other company functions for a better control of the activities and for everything concerning the concrete implementation of the Model;
  - order extraordinary checks and/or targeted investigations with the possibility of direct access to the relevant documentation where inefficiencies of the Model are identified or where offences subject to the prevention activities have been committed.

## **COMPOSITION**

The Decree does not provide for the composition of the Body but limits itself to providing a brief definition of the same, i.e. "a body of the entity endowed with autonomous powers of initiative and control".

Pursuant to paragraph 4 bis of art. 6, Legislative Decree 231/01,<sup>3</sup> in joint-stock companies, the functions of the Supervisory Board may also be performed by the Board of Auditors.

The Legislator refers all decisions regarding the composition of the Supervisory Body to the individual entities that intend to comply with the provisions of the Decree, a choice that must be appropriate to the specific company situation.

The jurisprudence and the current practice have elaborated different and heterogeneous solutions regarding the possible architecture and composition of the Supervisory Body, also in consideration of the dimensional characteristics of the entity, the relative rules of Corporate Governance and the necessity of achieving a fair balance between costs and benefits.

In this regard, the Board of Directors has analysed the solutions proposed by trade associations and its consultants, in order to identify and compare the strengths with any weaknesses of the various solutions proposed.

#### **THE REQUIREMENT OF PROFESSIONALISM**

Compliance with this requirement must be guaranteed by the personal experience of the individual members of the Body, who must have the technical and specialist skills to ensure the timely and correct performance of the functions assigned to the Body by law.

In particular, the skills referred to can be identified as follows:

- criminal law skills: excellent ability to interpret the legal provisions with specific qualifications in the analysis of the types of offences identifiable in the company's operations and in the identification of possible punishable behaviours;
- organisational skills: specific qualifications in the analysis of company organisational processes and analysis of procedures; knowledge of the general principles of compliance legislation and related controls;
- analysis and control skills: experience in internal control systems acquired in a corporate environment;
- expertise in controlling financial flows.

#### **THE REQUIREMENT OF INDEPENDENCE**

If the Supervisory Body consists of a single member, the requirement of independence is guaranteed if there are no ongoing collaboration or consultancy tasks between the subject and the Company. If the Supervisory Body consists of a panel of members, the requirement of independence is guaranteed if the Supervisory Body is composed mainly of external persons who do not have ongoing collaboration or consultancy contracts with the Company. The internal member cannot be a director of Fincibec and, as far as the performance of the functions as a member of the Supervisory Board is concerned, is free from the ordinary lines of hierarchical dependence.

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<sup>3</sup> Paragraph added by paragraph 12 of art. 14, law no. 183 of 12 November 2011, with effect from 1 January 2012, pursuant to the provisions of paragraph 1 of art. 36 of the same law no. 183/2011.

## **EFFECTIVENESS AND CONTINUITY OF ACTION**

This requirement is necessary to ensure that the Body is fully aware of the company's activities, the operational processes in force and the changes that may occur during the life of the company. The Body must meet collectively at least every two months to carry out its verification activities. Failure of a member to attend two meetings of the Supervisory Board during the office, without a justified reason, is considered just cause for disqualification from the office.

## **REPORT LINES**

The Supervisory Board will report to the Chairman of the Board of Directors. The Supervisory Body will send to the Board of Directors, unless specifically required, at least one annual report on the Organisation and Management Model, containing:

- its own opinions on the effectiveness and efficacy of the Model, with an indication of any additions and/or changes considered necessary;
- any recommendation to update the Model following changes in legislation or in the corporate and organisational structure;
- a summary of the findings made and the corrective/preventive actions to be taken.

The Supervisory Board may ask the Board of Directors to be heard whenever it deems it necessary.

## **INFORMATION OBLIGATIONS TOWARDS THE SUPERVISORY BODY**

Art. 6 provides that the Model adopted must include obligations to inform the Supervisory Body. These obligations, incumbent on the corporate functions at risk of offences, will be implemented as a means of facilitating their supervisory activities and will concern the anomalies found within their functions.

In particular, in order to facilitate the supervisory activity on the effectiveness of the Model adopted by the Company, all Addressees are required to bring to the attention of the Supervisory Board any information and reports, of any kind, also from third parties, concerning the implementation of the Model and all the principles of conduct and procedures referred to therein.

The Supervisory Body, in the exercise of its function as a supervisory body, always has the right to request from the Addressees data and information relating to the company's activities, the application of and compliance with the rules of conduct and company procedures as set out in the Model, and to check any documents required for this purpose both on a sample basis and systematically. The Addressees will be required to cooperate with the Supervisory Body and provide it with any data and information it may request from them.

Failure to comply with the obligation to provide information must be considered a specific disciplinary offence. Therefore, Addressees who do not correctly fulfil their obligation to inform the Supervisory Board in the terms and manners outlined herein may be subject to disciplinary sanctions.

The following information must be communicated to the Supervisory Body by the corporate bodies and/or by the managers of departments:

- information relating to organisational changes (for example, changes in the company organisation chart, revisions of existing procedures or adoption of new procedures or policies, etc.);

- updates and changes to the system of proxies and powers;
- significant and/or atypical procedures involving the areas at risk of committing offences identified in the preliminary analyses for the purposes of adopting the Model;
- changes in risky or potentially risky situations;
- any communications from the auditor concerning matters that may indicate weaknesses in the system of internal controls;
- copies of the minutes of the meetings of the Board of Directors and the Board of Auditors;
- copy of any communications made to the Supervisory Authority (e.g. Competition and Market Supervisory Authority, Personal Data Supervisory Authority, etc.);
- copy of the periodic reports on environmental and occupational health and safety matters (including the minutes of the periodic meetings of the Employer, Health & Safety Manager, Doctor and Workers' Safety Representative pursuant to art. 35 SA and the review minutes of the "Top Management").

Information and reports to the Supervisory Board must be sent to the following e-mail address:

**odv@fincibec.it**

or, by post, to the Supervisory Body at the Company's registered office at Via Valle D'Aosta, 47, 41049 Sassuolo (MO)

writing "PERSONAL AND STRICTLY CONFIDENTIAL" on the envelope.

Without prejudice to the foregoing, reports addressed to or, in any case, brought to the attention of the Supervisory Board, will also be examined, provided they are sufficiently precise and detailed.

The electronic mailbox of the Supervisory Body can be accessed only by its members. In this regard, the Supervisory Body is bound by the obligation of confidentiality in relation to the information and reports it receives during its activities. The Supervisory Body acts in such a way as to guarantee the authors of the information and reports against any form of retaliation, discrimination, penalisation or any consequence deriving from the same, ensuring their confidentiality and anonymity with regard to their identity. This is without prejudice, however, to legal obligations and the protection of the rights of the Company or of the persons wrongly accused and/or in bad faith.

As Data Controller pursuant to European Regulation 2016/979 and Legislative Decree 196/2003, Fincibec will process the personal data acquired through information flows for purposes related to compliance with the obligations arising from Decree 231/01 and the Organization Model. The data may be processed both in paper form and through the use of electronic instruments. The data subject can exercise their rights under Art. 7 of Legislative Decree no. 196/2003 by contacting the Data Controller/Data Processor.

#### **REPORTS OF UNLAWFUL CONDUCT PURSUANT TO LAW 179 OF 2017 ON "WHISTLEBLOWING"**

Law No. 179 of 30 November 2017 on "Provisions for the protection of persons that report offences or irregularities of which they have become aware in the context of a public or private employment relationship" introduced, also in the private sector, the institution of the so-called "whistleblowing", aimed at regulating the process of reporting unlawful conduct by employees.

Article 2 of the aforementioned law amended Article 6 of Legislative Decree 231/01 by inserting three new paragraphs, 2-bis, 2-ter and 2-quater, thus outlining the organisational measures and sanctions that the organisational model must provide for in relation to the system of reporting offences.

Following the legislative change, now the companies with an organisational model must implement the reporting system already in force for the Addressees of the Model by setting up an alternative communication channel, specifically dedicated to circumstantial reports of unlawful conduct relevant under the Legislative Decree 231/2001 and based on precise and consistent facts, and of violations of Fincibec's Organization and Management Model, of which the whistleblower has become aware in performing the Company's duties (hereinafter "Offences"). At the same time, the new legislation expressly establishes new instruments of protection for workers who report unlawful acts of which they become aware during their work activities.

In accordance with the provisions of Article 6, paragraph 2-bis, of Legislative Decree 231/2001 and the outlines of the "Illustrative Note" of Confindustria of January 2018, the Company has identified the SB as the addressee of the aforementioned reports, which will be required to:

- verify that all communication channels are active and usable by all Addressees;
- receive and process the report;
- keep the content of the reports confidential;
- interact with the other functions of the Company, in compliance with the confidentiality established by the regulation.
- In order to be taken into consideration, the reports must be circumstantial, i.e., based on precise and consistent facts concerning the commission or the suspicion of the commission of offences.

It is therefore appropriate that each report, in order to be considered circumstantial, is accompanied by the following elements:

- i. a clear and complete description of the facts that are the subject of the report;
- ii. an indication of the circumstantial elements of time and place concerning the facts reported;
- iii. the identity of the reported person, if known, or other suitable elements to identify the reported person;
- iv. the possible indication of other subjects who can confirm the facts subject of the report or add other essential elements to it;
- v. documents that may corroborate and/or confirm the validity of the facts reported;
- vi. any other essential information and/or element that may provide useful evidence of the facts reported.

The reports must be brought to the attention of the Supervisory Body through one of the following channels:

- by means of a **registered letter** sent to the Supervisory Body, domiciled for the office at Fincibec's registered office. In case of a paper report, the following must be indicated on the sealed envelope: "**Private - Confidential**";
- by sending them to the confidential e-mail address managed by the Supervisory Body (**fincibec-whistleblowing@studiopascercini.com**).

In making the report, the Whistleblower shall provide their personal details or, in any case, elements that allow their identification.

Both channels have been set up with the specific aim of guaranteeing the confidentiality of the identity of the whistleblower; the e-mail box has been specifically created outside the circuit of the Company's server and can be accessed exclusively by the Supervisory Body.

Fincibec has also adopted a specific internal protocol ("Reporting of unlawful conduct") aimed at defining the terms and methods by which Fincibec employees may report unlawful conduct, at illustrating to the personnel the correct use of the reporting system in force and at defining the stages of the reporting process.

The Supervisory Body acts in such a way as to guarantee the whistleblower against any form of retaliation, discrimination, penalisation or any consequence deriving from the same, ensuring their confidentiality and anonymity with regard to their identity. This is without prejudice, however, to legal obligations and the protection of the rights of the Company or of the persons wrongly accused and/or in bad faith.

It should also be noted that, pursuant to Article 6, paragraph 2-ter of Legislative Decree no. 231/01, Addressees who violate the protection measures of the whistleblower, as well as whistleblowers who make reports that turn out to be unfounded with malice or gross negligence may be subject to disciplinary sanctions.

#### **FINANCIAL AUTONOMY**

In order to guarantee the necessary financial autonomy to the Supervisory Body, the Board of Directors approves the annual expenditure budget on the basis of a simple request from the Supervisory Body.

The budget allocated must be sufficient to guarantee the performance of the activities of control, verification and updating of the Model, including, if necessary, the acquisition of consultancy services. For expenses exceeding the defined budget and for extraordinary expenses, the Body shall, from time to time, request in writing the expenditure authorisation from the Board of Directors. The Board of Directors undertakes to provide, on the motivated request of the Supervisory Body, the financial means necessary to carry out its function in the best possible way.

#### **SUPERVISORY BODY STATUTE**

The Board of Directors establishes and sets the operating principles of the Supervisory Body by means of a specific Statute (Annex "C").

The Supervisory Body may adopt operating regulations to govern its activities, provided that such regulations do not conflict with the Model.

#### **THE CHOICE MADE BY FINCIBEC S.P.A.**

The Board of Directors of Fincibec, having carefully evaluated the provision of paragraph 12 of Article 14, Law No. 183 of 12/11/2011, has opted to adopt a single-member Body composed of an external professional with previous specific experience in the sector, not coinciding with the members of the Board of Auditors in office. This choice responds also to the need to protect the Company through the coexistence of distinct and independent control bodies that guarantee with specific technical skills and mutual control the most correct and transparent fulfilment of their respective objectives and responsibilities.

The above option represents the best way of promoting the independence requirement of the Supervisory Body from the crucial point of view of the necessary distinction between controlling and controlled entities, also in view of an effective and efficient prevention of corporate crimes.

If it deems it necessary, the Supervisory Body may be assisted by auxiliary staff expert in specific sectors in order to carry out its activities in the best possible way.

## **9. PERIODIC CHECKS AND UPDATING OF THE MODEL**

The Decree expressly provides for the need to update the Model in order to adapt it to the specific needs of the Company and its concrete operations. The interventions to adapt and/or update the Model must be carried out essentially on the occasion of:

- regulatory innovations;
- violations of the Model and/or findings that emerged during checks of its effectiveness (which may also be inferred from experiences concerning other companies);
- changes in the Company's organisational structure, including those resulting from extraordinary financial transactions or changes in business strategy resulting from new fields of activity undertaken.

In particular, the updating of the Model and, therefore, its integration and/or modification, is the responsibility of the same management body to which the legislator has delegated the task of adopting the Model itself. In this context, the Supervisory Body, in coordination with the managers of the functions concerned from time to time, will:

- check the procedures and the protocols. To this end, it will periodically verify the effectiveness and implementation of the protocols and the procedures of this Model;
- check the level of knowledge of the Model, also through the analysis of the requests for clarification or the reports received;
- notify the administrative body of the need to update the Model and/or the risk assessment activity aimed at reviewing the map of the activities potentially at risk, where the above-mentioned conditions apply (and in particular in the event of substantial changes in the organisation or business of the company, high turnover of the personnel and additions or amendments to the Decree).

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