
TREOFAN ITALY S.P.A.

ORGANISATION, MANAGEMENT AND CONTROL MODEL
PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

- GENERAL PART -

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Definitions

- “Sensitive Activities”: Company activities that involve the risk of one of the Crimes being committed as referred to in Italian Legislative Decree 231/01;
- “CCNL”: the applicable Italian "Contratto Collettivo Nazionale di Lavoro" (national collective bargaining contract);
- “Consultants”: anyone who acts in the name of and/or on behalf of the Company on the basis of a specific mandate or other consultancy or collaboration commitment;
- “Recipients”: everyone who works to achieve the Company's aims and objectives. Recipients of the Model include the Corporate Bodies, subjects involved in the Supervisory Body's functions, employees, collaborators, outside consultants;
- “Employees”: everyone employed by the Company, including managers;
- “Confindustria Guidelines”: the Guidelines for preparing organisation and management models which have been distributed by Confindustria and approved by the Italian Ministry of Justice, upon the completion of the control procedure performed on the guidelines pursuant to article 6, comma 3, of Italian Legislative Decree no 231/2001 and Italian Ministerial Decree 26 June 2003, no. 201;
- “Model”: the organisation, management and control model as provided for by Italian Legislative Decree 231/2001;
- “Corporate Bodies”: the members of the Company's Board of Directors and the Board of Statutory Auditors;
- “Supervisory Body/Control Committee”: supervisory body pursuant to Italian Legislative Decree no. 231/2001;
- “P.A.”: Public Administration including the relative functionaries in their roles as public officials or those providing a public service;
- “Partners”: counterparties to contracts with the Company, such as, for example, suppliers, both natural persons and legal persons, or subjects with which the Company reaches any form of regulated contractual collaboration (subjects with which the Company forms a temporary association of companies - "Associazione temporanea di imprese" (ATI) in Italian, joint ventures, consortia, etc.), and where the counterparty is to cooperate with the Company within the scope of its Sensitive Activities;
- “Crimes”: those offences provided for by Italian Legislative Decree 231/2001 and subsequent integrations;
- “Company”: Treofan Italy S.p.A.

1. Italian Legislative Decree no. 231/2001: outline

Italian Legislative Decree of 8 June 2001, no. 231, containing the “*Discipline of administrative liability of legal persons, of companies and of associations even if without a legal entity*”, was issued in implementation of the act referred to in article 11 of Italian Law of 29 September 2000, no. 300, as part of upgrading some internal regulations and some international conventions ⁽¹⁾.

Coming into force on 4 July 2001, the Decree introduced a new concept of liability into Italian law - known as “administrative liability” but characterised by extremely significant penalties ⁽²⁾ – against bodies, legal persons and companies, and deriving from committing or attempting to commit certain cases of crime in the interests, or for the advantage of, the same entity. This liability carries with it penal responsibility for the natural person who committed the offence.

This is a significant move since, up until the Decree came into effect, the general interpretation regarding the constitutional principle of criminal responsibility held legal persons harmless from the consequential penalties tied to committing certain offences, except for any compensation for damages - if and to the extent it exists - and the civil liability to pay fines or financial penalties imposed on natural persons being material authors of the deed, in the event of their insolvency (articles 196 and 197 of the Italian Penal Code ³⁾). The introduction of a new and autonomous type of “administrative liability”, however, allows the assets to be targeted of the corporation who cultivates interests in, or gains advantage from, having an offence be committed by a natural person - a material author of a criminally relevant offence – who “impersonates” the corporation or who operates, in any case, in the interests of the corporation.

The types of crime subject - based on the Decree - to establishing the corporation's administrative liability are only those expressly listed by the legislator, and specifically:

¹ The legal act of 29 September 2000, no. 300 ratifies and executes various international acts, drawn up on the basis of the EU Treaty, including:

- the Convention on the protection of the financial interests of the European Community (Brussels, 26 July 1995);
- the Convention relative to the fight against corruption in which functionaries from the European Community or Member States of the European Union are involved (Brussels, 26 May 1997);
- the OECD Convention on the fight against corruption of foreign public officials in international economic operations (Paris, 17 December 1997).

² The nature of the new type of liability introduced to our system by Italian Legislative Decree no. 231/2001 has been the object of ample debate: the painful nature of the penalties imposed on the corporation, the fact that such a liability comes from committing a crime and is ensured within the scope of criminal proceedings against the material author of the crime, reinforce the opinion of those who claim that it is a “semi-criminal” responsibility, or “*of a third category (tertium genus) that combines the essential traits of a criminal system to an administrative one in an attempt to moderate the reasons for effective prevention with those, even more unavoidable, of the maximum guarantee*” (Illustrative report).

³ Art. 196 of the Italian Penal Code: “Civil liability for fines and financial penalties imposed on an employee. *In crimes committed by those who are subject to superior authority, direction or supervision, the person holding the authority, or the task to manage or supervise, is required, in the event of the guilty party being insolvent, to pay a sum equal to the amount of the fine or the financial penalty imposed on the guilty party, if it concerns a breach of the provisions that this person was responsible for having observed and for which the person does not have criminal responsibility. If the appointed person is insolvent, the guilty party is subject to the provisions of article 136*”.

Art. 197 of the Italian Penal Code: “Civil liability for legal persons to pay fines and financial penalties. *Corporations provided with a legal person, except the State, regions, provinces and municipalities, if found guilty of a crime against those who represent the corporation, or administer it, or who works as an employee, and if it involves a crime that constitutes a breach of the obligations inherent to the quality held by the guilty part, or is committed in the interests of the legal person, are obliged to pay, in the event that the guilty party is insolvent, a sum equal to the amount of the fine or financial penalty imposed. If this liability cannot be fulfilled, the guilty party is subject to the provisions of article 136*”.

- crimes committed in dealings with the Public Administration and, in particular, crimes of corruption for an act of office (article 318 of the Italian Penal Code) or for an act that is counter to the duties of the office (article 319 of the Italian Penal Code), corruption in judicial acts (article 319-*ter* of the Italian Penal Code), instigation of corruption (article 322 of the Italian Penal Code), extortion (article 317 of the Italian Penal Code), misappropriation to the detriment of the State or to another public body (article 316-*bis* of the Italian Penal Code), illicit collection of contributions, financing or other grants from the State or from another public body or from the European Union (article 316-*ter* of the Italian Penal Code), fraud to the detriment of the State or to another public body or to the European Union (article 640, comma 1, no. 1, of the Italian Penal Code), aggravated fraud to achieve public grants (article 640-*bis* of the Italian Penal Code), electronic fraud to the detriment of the State or another public body (article 640-*ter* of the Italian Penal Code), as referred to in articles 24 and 25 of the Decree;
- electronic crimes and unlawful processing of data, as referred to in article 24-*bis* of the Decree ⁽⁴⁾;
- crimes of so-called “currency counterfeiting”, including crimes of counterfeiting money, legal tender and tax stamps (articles 453 - 461 of the Italian Penal Code), forgery, alteration or use of distinct marks or signs or patents, models or designs (article 473 of the Italian Penal Code), introducing into the State and marketing products with false marks (article 474 of the Italian Penal Code) as referred to in article 25-*bis* of the Decree ⁽⁵⁾;
- crimes against industry or commerce, including distressing industry or commerce (article 513 of the Italian Penal Code), fraud in commerce (article 515 of the Italian Penal Code), selling non-genuine food substances as genuine (article 516 of the Italian Penal Code), selling industrial products with untruthful marks (article 517 of the Italian Penal Code), manufacturing and marketing goods made by usurping industrial ownership rights (article 517-*ter* of the Italian Penal Code); forgery of geographic indications or product origin denominations of agri-food products (article 517-*quater* of the Italian Penal Code), unlawful competition with threats or violence (article 513-*bis* of the Italian Penal Code), fraud against state industries (article 514 of the Italian Penal Code), as referred to in article 25-*bis* no.1 of the Decree ⁽⁶⁾;
- offences of organised crime, including association to commit crime (article 416 of the Italian Penal Code, with the exception of the sixth comma); association to commit crime aimed at reducing people to or keeping people in slavery, human trafficking, purchasing or selling of slaves and crimes regarding violations of the provisions on illegal immigration as referred to in article 12 of Italian Legislative Decree 286/1998 (article 416, sixth comma, of the Italian Penal Code); Mafia-type association (article 416-*bis* of the Italian Penal Code); political-mafioso electoral exchange (article 416-*ter* of the Italian Penal Code); kidnapping for purposes of extortion (article 630 of the Italian Penal Code); association aimed at the illegal trafficking of narcotic or psychotropic substances (article 74 of Italian Presidential Decree of 9 October 1990, no. 309); illegal manufacture, introduction into the State, selling, transferring, possessing and carrying in a public place

⁴ Article added by article 7, Italian Law 18 March 2008, no. 48.

⁵ Article added by article 6, Italian Legislative Decree 25 September 2001, no. 350, modified by Law no. 99 of 23 July 2009.

⁶ Article added by article 15, comma 6, Italian Law 23 July 2009, no. 99.

or a place open to the public, weapons of war, or types of war, or parts thereof, explosives, illegal weapons as well as the more common firearms (article 407, comma 2, letter a), number 5), of the Italian Criminal Procedure Code), as referred to in article 25-ter of the Decree (⁷);

- so-called “corporate” crimes, and specifically false corporate communications (article 2621 of the Italian Civil Code), false corporate communications to the detriment of shareholders or creditors (article 2622, commas 1 and 3, of the Italian Civil Code), falsehoods in prospectuses (173-bis of the Italian Consolidated Finance Law.⁸), falsehoods in dealings with or in communications to auditing firms (article 2624, commas 1 and 2, of the Italian Civil Code), impeding control (article 2625, comma 2, of the Italian Civil Code), fictitious capital formation (article 2632 of the Italian Civil Code), illicit restitution of contributions (article 2626 of the Italian Civil Code), illegal allocation of profit and reserves (article 2627 of the Italian Civil Code), illicit operations on shares or shareholdings or holdings of controlled companies (article 2628 of the Italian Civil Code), operations to the detriment of creditors (article 2629 of the Italian Civil Code), illicit allocation of company assets by liquidators (article 2633 of the Italian Civil Code), illicit influence on shareholders' meetings (article 2636 of the Italian Civil Code), market manipulation (article 2637 of the Italian Civil Code), hindering the public supervisory authorities from performing their functions (article 2638, commas 1 and 2, of the Italian Civil Code), in the provisions of new drafts, corruption between private parties (article 2635 of the Italian Civil Code)⁹ as referred to in article 25-ter of the Decree (¹⁰);
- crimes aimed at terrorism or subverting the democratic order as provided for by the Italian Penal Code and special laws, as referred to in article 25-quater of the Decree (¹¹);
- crimes of female genital mutilation as referred to in article 25-quater 1 of the Decree (¹²);
- crimes against the individual as provided for by section I of chapter XII of book II of the Italian Penal Code (reducing people into slavery – article 600 of the Italian Penal Code; prostitution of minors – article 600-bis of the Italian Penal Code; pornography involving minors – article 600-ter of the Italian Penal Code; possession of pornographic material – article 600-quater; tourist initiatives aimed at exploiting prostitution – article 600-quinquies of the Italian Penal Code; trafficking and being involved in the slave trade – article 601 of the Italian Penal Code.; selling and buying of slaves – article 602 of the Italian Penal Code), as referred to in article 25-quinquies of the Decree (¹³);

⁷ Article introduced by Italian Law 15 July 2009, no. 94, article 2, comma 29.

⁸ Article 34 of the latest Italian Law no. 262 of 2005 (the so-called law on savings) introduced the new crime of falsehoods in prospectuses, simultaneously abrogating art 2623 of the Italian Civil Code since article 25 ter, letters c) and d) make express reference to article 2623 of the Italian Civil Code which is the prerequisite of an administrative crime, the abrogation of the Civil Code regulation, which does not accompany the integration of article 25 ter with the reference to the new particular case of article 173 bis of the Consolidated Finance Law, should determine, as a consequence, the non-applicability of administrative penalties pursuant to Italian Legislative Decree 231 of 2001 to the new crime of falsehoods in prospectuses.

⁹ Article added by Italian Law 190 of 2012.

¹⁰ Article added by article 3, Italian Legislative Decree no. 61/2002.

¹¹ Article added by article 3, Italian Law 14 January 2003, no. 7.

¹² Article introduced by article 8 of Italian Law 9 January 2006, no. 7 and refers to the crime of female genital mutilation as referred to in article 583-bis of the Italian Penal Code.

¹³ Article added by article 5, Italian Law 11 August 2003, no. 228.

- crimes of abuse of privileged information and market manipulation as provided for by part V, title I-*bis*, chapter II, of the Consolidated Law as referred to in Italian Legislative Decree of 24 February 1998, no. 58, as referred to in article 25-*sexies* of the Decree ⁽¹⁴⁾;
- transnational crimes ⁽¹⁵⁾, introduced by Italian Law of 16 March 2006, no. 146;
- crimes of culpable homicide and serious or grave bodily harm, committed in violation of accident prevention and safeguarding hygiene and safety at work regulations, as provided for by the Italian Penal Code, articles 589 and 590 of the Italian Penal Code and referred to in article 25-*septies* of the Decree ⁽¹⁶⁾;
- crimes of receiving, laundering and using money, goods or services gained by illicit means, including money laundering¹⁷ as referred to in article 25-*octies* of the Decree ⁽¹⁸⁾;
- crimes regarding violations of copyright, as referred to in article 25-*novies* of the Decree ⁽¹⁹⁾;
- inducement to not make declarations or to make untruthful declarations to the judicial authorities (article 377-bis of the Italian Penal Code), as referred to in article 25-*novies* of the Decree ⁽²⁰⁾;
- environmental crimes as referred to in article 25 *undecies* of the Decree²¹;
- use or employment of citizens from third countries whose stay in Italy is irregular, as referred to in article 25 *duodecies* of the Decree²².

In 2008, two measures, respectively from the European Community and the European Union (Directive 2008/99/EC, 19 November 2008 and the EU's Official Gazette, Law no. 328, 6 December 2008), required Member States to issue, by 28 December 2010, regulations that provide for Companies to be held

¹⁴ Article added by article 9, Italian Law 18 April 2005, no. 62 (Community Law).

¹⁵ Italian Law 16 March 2006, no. 146, ratifies and implements the United Nations' Convention and Protocols against transnational organised crime, as adopted by the General Assembly on 15 November 2000 and 31 May 2001. This law has increased the number of crimes that carry the application of administrative penalties against the corporation involved, pursuant to Italian Legislative Decree no. 231/2001, where there exists a "transnational" nature to the criminal conduct. The new presumed-crimes, relevant for the purposes of the aforementioned responsibility are: association to commit crime (article 416 of the Italian Penal Code), association to commit Mafia-type crime (article 416-*bis* of the Italian Penal Code), association aimed at contraband of tobacco produced overseas (Italian Presidential Decree. 43/1973, 291-*quater*), association aimed at the illegal trafficking of narcotic or psychotropic substances (Italian Presidential Decree 309/1990, article 74), the trafficking of migrants (Italian Legislative Decree 286/1998, article 12, comma 3, 3-*bis* 3-*ter*, 5) and some crimes of obstructing justice, including the inducement to not make declarations or to make untruthful declarations to the Judicial Authorities (article 377-*bis* of the Italian Penal Code) and personal aiding and abetting (article 378 of the Italian Penal Code). The provision relative to crimes of money laundering and the use of money or goods obtained from illegal activities of a transnational nature was successively abrogated by article 64 of Italian Legislative Decree no. 231 of 21 November 2007.

¹⁶ Article added by article 9, Italian Law 3 August 2007 no. 123, replaced by article 300 of Italian Legislative Decree 9 April 2008, no. 81 (so-called Consolidated Safety Law).

¹⁷ Article referring to the particular case of crimes of money laundering added by article 3, comma 3 of Italian Law 186/2014.

¹⁸ Article added by article 63, Italian Legislative Decree 21 November 2007, no. 231.

¹⁹ Article added by Italian Law of 23 July 2009, no. 99.

²⁰ Article added by article 4 of Italian Law 116/09.

²¹ The environmental crimes were introduced by Italian Legislative Decree 121 of 2011. In addition, Italian Law 68 of 2015 introduced further environmental crimes, so-called "Eco-crimes".

²² The crime relative to the use of citizens from third parties whose stay in Italy is irregular was introduced by Italian Legislative Decree 109 of 2012.

criminally liable for committing, allowing or instigating environmental crimes ⁽²³⁾. Italy's Council of Ministers, in its session 135 of 7/04/2011, approved a Legislative Decree plan that was to include environmental crimes within the company's administrative liability as provided for by **decree 231/2001**. Italian Legislative Decree 7 July 2011, no. 121, containing "Implementation of directive 2008/99/EC on the criminal protection of the environment, as well as directive 2009/123/EC that modifies directive 2005/35/EC relative to pollution by ships and the introduction of penalties for breaches" that came into effect on 16 August 2011.

The penalties provided by law against corporations as a consequence of committing or attempting to commit one of the specific crimes mentioned above consist of:

- a pecuniary penalty of a maximum of 1,549,370.69 euro (and ordered for seizure as a precautionary move);
- interdiction penalties (also applicable as a precautionary measure) lasting not less than three months and not greater than two years, that can consist of:
 - interdiction of exercising the business;
 - suspension of revocation of authorisations, licences or concessions functional to committing the crime;
 - prohibition from contracting with the Public Administration;
 - exclusion from concessions, financing, contributions or subsidies and the revocation of any already granted;
 - prohibition from advertising goods or services;
- confiscation of the profits that the corporation has received as a result of the crime (and ordered for seizure, as a precautionary move);
- publication of the sentence judicial verdict (that can be arranged in the case of applying for interdiction penalties).

²³ The environmental crimes cited in the provisions are:

- a) the illegal unloading, emission or introduction of a quantity of ionizing substances or radiation into the air, soil or water that cause or could cause, death or serious injury to people or significant damage to the quality of the air, soil or water, or to fauna or flora;
- b) collecting, transporting, recovering or disposing of waste, including the supervision of such operations and the control of disposal sites after their closure as well as activities carried out in a commercial or intermediary role (waste management), that causes or could cause death or serious injury to people or significant damage to the quality of the air, soil or water, or to fauna or flora;
- c) shipping waste, where such an activities falls into the context of article 2, paragraph 335, of regulation (EC) no. 1013/2006 of the European Parliament and Council, of 14 June 2006, relative to shipping waste, and when carried out in quantities not insignificant and in one shipment or more shipments that are connected;
- d) the operation of a plant in which hazardous activities are performed or in which hazardous substances or preparations are stored or used that cause or could cause, outside of the plant, death or serious injury or significant damage to the quality of the air, soil or water, or to fauna or flora;
- e) the production, manufacture, treatment, use, conservation, storage, transport, import, export and the disposal of nuclear material or other hazardous radioactive substances that cause or could cause death or serious injury to people or significant damage to the quality of the air, soil or water, or to fauna or flora;
- f) the killing, destruction, possession or removal of examples of protected wild animals or plants, except in cases in which the action involves a negligible quantity of such examples and has a negligible impact on the conservation of the species;
- g) the marketing of examples of protected wild animals or plants or parts of them or products derived from them except in cases in which the action involves a negligible quantity of such examples and has a negligible impact on the conservation of the species;
- h) any action that causes significant deterioration of a habitat within a protected site;
- i) the production, import, export, putting onto the market or use of substances that reduce the ozone layer.

The pecuniary penalty is determined through an innovative system based on a number of "shares" not less than one hundred and not greater than one thousand and a variable amount between the minimum of 258.22 euro and a maximum of 1,549.37 euro. The judge determines the number of shares by considering the seriousness of the deed, the corporation's degree of responsibility as well as the activity carried out to eliminate or to attenuate the consequences of the deed and to prevent further crimes from being committed. The amount of the share is fixed on the basis of the corporation's economic conditions and assets, with the aim of ensuring the effectiveness of the penalty (article 11 of the Decree).

Interdiction penalties only apply in relation to crimes which have been expressly provided for when at least one of the following conditions is true:

- the corporation has realised a significant profit from the crime and the crime was committed by subjects in senior positions or subjects under instructions from superiors when, in the latter case, the crime committed was determined or facilitated by serious organisational shortcomings;
- in the event that crimes are repeated.

The interdiction penalties on running the business, prohibiting contracts with the Public Administration and prohibiting advertising goods or services can be applied - in the most serious cases - permanently.

According to the dictates of the Decree, the corporation is liable for crimes committed in its interests or to its advantage:

- by “persons who perform functions of representation, administration or management of the corporation or of one of its organisational units equipped with financial and functional autonomy, as well as by persons who exercise, even de facto, management and control over the same” (the so-called “subjects in senior positions”; article 5, comma 1, letter a) of the Decree);
- by persons under the direction or the supervision of subjects in senior positions (so-called “subjects under instructions from superiors”, article 5, comma 1, letter b) of the Decree).

By express legislative provision (article 5, comma 2 of the Decree) the corporation is not liable if the persons involved acted in their own exclusive interests or those of third parties.

In the event of a crime committed by a subject in a senior positions, the corporation is not liable if it can demonstrate that (article 6, comma 1 of the Decree):

- a) the managing body has adopted and effectively implemented, before the crime was committed, suitable organisation and management models to prevent crimes of the type from happening;
- b) the task of supervising the functioning, the effectiveness and the observance of the models, as well as the task of updating them, has been entrusted to an internal organisation equipped with autonomous powers of initiative and control;
- c) the natural persons who committed the crime did so by fraudulently evading the organisation and management models;
- d) there was no omission or insufficient supervision by the organisation as referred to in the preceding letter b).

The Decree outlines the contents of the organisation and management models, providing for the same to meet - in relation to the extension of the powers delegated and to the risk of committing crimes - the following requirements:

- a) to identify the activities in whose scope Crimes could be committed;
- b) to establish specific protocols directed at scheduling the formation and implementation of the corporation's decisions in relation to the crimes to be prevented;
- c) to identify appropriate means to manage the financial resources and to prevent such Crimes from being committed;
- d) to define obligations of information in relation to that part of the organisation delegated to supervise the functioning and the observance of the organisation model;
- e) to introduce a suitable disciplinary system to penalise the lack of respect for the measures indicated in the organisation model.

In the event of a crime being committed by a subject under instructions from superiors, the corporation is not liable if it can demonstrate that the non-observance of the management or supervision obligations did not contribute to the crime being committed. In any event, the corporation is exonerated if, before the Crime was committed, it had adopted and effectively implemented an organisation, management and control model suitable to prevent crimes of the type from happening.

2. Confindustria Guidelines

Article 6, comma 3, of Italian Legislative Decree 231/2001 provides that the *“organisation and management models can be adopted, guaranteeing the requirements as referred to in comma 2, on the basis of the codes of conduct drafted by representative associations of corporations, communicated to the Italian Ministry of Justice that, in concert with the competent Ministries, can formulate, within thirty days, an opinion on the suitability of the models to prevent crime.”*

Confindustria has defined Guidelines to construct models of organisation, management and control (hereinafter the “Confindustria Guidelines”) providing, amongst other things, methodological indications to identify areas of risk (sector/activity as part of which crimes could be committed), the design of a system of control (the so-called protocols for scheduling the formation and implementation of the corporation's decisions) and the contents of the organisation, management and control model.

Specifically, the Confindustria Guidelines suggest that associated companies use the processes of risk assessment and risk management and to provide for the following phases for the definition of the model:

- identification of risks and protocols;
- adoption of some general instruments among which the main ones are the Code of Ethics and a disciplinary system;
- identification of the criteria to choose the supervisory body, indicating its requisites, tasks and powers and obligations of information.

The Confindustria Guidelines were sent, before they were distributed, to the Italian Ministry of Justice, pursuant to article. 6, comma 3, of Italian Legislative Decree 231/2001, so that the Ministry could express its opinion within thirty days, as provided for by article 6, comma 3, of Italian Legislative Decree 231/2001, as referred to above. The latest version was published on 31 March 2008.

3. Elements of the governance model and the Company's general organisational structure

3.1 Treofan Italy S.p.A.

Treofan Italy S.p.A., a company with sole shareholder, subject to direction and coordination by Treofan Germany GmbH & Co. KG, manufactures and markets chemical products in general including derivatives of polypropylene, for itself and on behalf of third parties. The Company operates two production facilities, one at Terni and one at Battipaglia.

3.2 Governance model

Shareholders' Meeting

The Shareholders' Meeting, regularly assembled, represents all the shareholders. The resolutions taken, in accordance with the law and articles of association, commit the same shareholders, even if they did not participate or were dissenting.

The ordinary shareholders' meeting resolves matters reserved to it by law and the following matters established by the articles of association: approval of the financial statements; appointing and removing executives; appointing auditors and the chairman of the Board of Statutory Auditors and, where provided for, the subject to whom accounting control is referred.

The extraordinary shareholders' meeting resolves matters reserved to it by law and by the articles of association, except some matters delegated expressly to the administrative body by the articles of association. The extraordinary shareholders' meeting resolves modifications to the articles of association.

Administration of the Company

Managing the company is the responsibility of the executives who carry out the necessary operations to implement the company's mission. The Company is administered by a sole executive and by a Board of Directors made up of from three to fifteen members, include the Chairman, who hold office for no more than three years and who may be re-elected. It is up to the ordinary shareholders' meeting to determine the number of members making up the Board. The administrative body may appoint General Directors, determining their powers.

In the event that the sole executive steps down or all the executives step down, ordinary administration is carried out by the Board of Statutory Auditors until a shareholders' meeting can be called which will replace the missing executives.

The Board of Directors i) may delegate, within the limits of article 2381 of the Italian Civil Code, some of its powers to one or more of its members, determining their powers; ii) may arrange for an Executive Committee to be established made up of the directors, the Chairman and directors equipped with proxy. The Board of Directors however has the power to control and assign itself operations covered by the

proxy, beyond the power to revoke proxies. The delegated bodies cannot be assigned the authority as referred to in article 2381 of the Italian Civil Code, comma 4. The delegated bodies are required to refer to the Board of Directors and to the corporate control body.

Representing the Company in dealings with third parties is the responsibility of the sole executive or the Chairman of the Board of Directors; it is, furthermore, the responsibility of the directors holding a proxy. In addition to the General Manager, the administrative body/each executive who is responsible for representing the Company, within the limits attributed, may appoint agents or proxies for certain deeds or categories of deed. When the appointed subject is not part of the Board of Directors, attributing the power to represent the Company is governed by regulations regarding proxies.

The powers of the Directors was conferred by resolution by the Board of Directors on 19 May 2016.

Board of Statutory Auditors

The Board of Statutory Auditors is elected by the shareholders' meeting and is made up of three regular auditors, one in the role of Chairman, and two alternate auditors. The Board holds office for three years and the term expires on the date of the shareholders' meeting to approve the financial statements relative to the third year of the auditors' term.

The Board of Statutory Auditors supervises the observance of the law and the articles of association, the respect for the principles of correct administration and the suitability and operation of the Company's accounting and administrative structures.

The Board of Statutory Auditors i) approves by resolution the replacement of executives lost during the course of the period, provided that the majority is always made up of executives that have been appointed by the shareholders' meeting; ii) in the event that the sole executive steps down, or all the executives step down, calls a shareholders' meeting to appoint their replacements and, in the meantime, may carry out acts of ordinary administration.

Accounting control

Except as otherwise provided for by statutory provisions, it is the responsibility of the ordinary shareholders' meeting to choose whether to entrust accounting control to the Board of Statutory Auditors or to an accountant of an accounting firm.

Furthermore, the Company has a set of tools to govern the organisation that guarantees the Company's functioning and that can be summarised as follows:

Articles of association: in accordance with the statutory regulations in effect, these articles contain various provisions relative to corporate government aimed at ensuring that the management activities are properly and correctly carried out.

A power of attorney and proxy system: that establishes, through assigning specific powers of attorney, the powers to represent or commit the company and, through the system of proxies, the responsibility for that regarding the aspects of environmental quality and safety. Updating the system of proxies and powers of attorney occurs whenever the organisational structure is reviewed/modified.

Direction and Coordination by the Parent Company: Treofan Germany GmbH & Co. KG, has identified and described the sphere within which to carry out the activities of Direction and Coordination, performed in its role as Parent Company, in order to regulate the powers of Treofan Italy S.p.A.'s Board of Directors

and its members. Specifically, resolutions and actions have been defined for which Treofan Italy S.p.A.'s Board of Directors is expected to seek the Parent Company's prior consent; these resolutions and actions regard the company structure, exercising the rights of shareholders, defining strategy, financial operations, the Company's contractual relationships, human resources and disputes.

Procedural Regulatory System: includes the set of normative documents (guidelines, manuals, procedures and operational instructions) that regulates the responsibilities and the methods of performing the activities and phases that make up the corporate processes.

Code of Ethics: describes the ethical and professional principles that the Company acknowledges as its own and which the Company requires everyone who works towards achieving the Company's objectives to observe.

4. ORGANISATION, MANAGEMENT AND CONTROL MODEL

4.1 The Project to define the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001

In order to adapt its control system to the needs expressed by Italian Legislative Decree 231/2001, Treofan Italy considers it appropriate to initiate a special project aimed at creating a system of prevention and risk management that takes as a basis the provisions of Italian Legislative Decree 231/2001 as well as the principles already rooted in the governance culture including the indications contained in the Confindustria Guidelines (hereinafter the “Project”).

Through the Project, Treofan Italy has prepared and adopted its own “Organisation, Management and Control Model” pursuant to Italian Legislative Decree 231/2001 and adopted a procedural system for the areas at risk of crime. Following this approach, the Company has adopted an Organisation, Management and Control Model that is already supported by a procedural system that takes into consideration the best practices of reference, the directional choices made by the decision-making bodies and the alignment with the control system currently used by the Company.

The methodology chosen for the Project, in terms of organisation, definition of the operating methods, phased structuring, assignment of the responsibilities between the various corporate functions, was defined in order to guarantee the quality and the authoritativeness of the results.

The methodology followed and the criteria adopted in implementing the Project are given below.

PHASE 1 - Identification of the corporate processes that are at risk of crime

Article 6, comma 2, letter a) of Italian Legislative Decree 231/2001 indicates, among the requirements for the Model, the identification of the processes and activities in whose scope crimes, expressly referred to by the same decree, could be committed. It involves, in other words, those company activities and processes which are commonly referred to as “sensitive” (hereinafter, “Sensitive Activities” and “Sensitive Processes”). The aim of this phase was to identify the areas of the company for preliminary intervention and identification of the sensitive processes and activities. This phase provided for the following activities:

- Analysis of Treofan Italy's business model (analysis of the model of primary and secondary processes) and analysis of the current control model (*Corporate Governance* and *Control Governance*) for the purposes of better understanding the areas of the company under analysis;
- Analysis of the organisation and the powers of attorney/proxies conferred by the Company and by corporate documentation, for an initial identification of the sensitive processes/activities and a preliminary identification of the functions responsible for these processes/activities.
- Preliminary identification and mapping of the potential areas at risk relative to the categories of crime provided for by Italian Legislative Decree 231/2001 and subsequent integrations and modifications;

- Identification of the *Key officers*, or the corporate subjects who, based on their function and responsibility, have a deep understanding of the sensitive areas, as well as the current control mechanisms.

PHASE 2 - Analysis of the internal control system

The aim of this phase was to assess the existing control system in order to evaluate conformity to the Decree's provisions. This phase provided for the following activities:

- Performing structured interviews with the *Key officers* identified to analyse the system of controls to protect against the risks identified through a detailed study of the main components of the control system, in terms of: (i) existence of formalised procedures; (ii) division (fragmentation) of tasks; (iii) suitability of traceability and verifiability *ex-post* of transactions through suitable supporting documentation/information; (iv) suitability of the system of proxies, power of attorneys and assigned organisational responsibilities;
- Comparative analysis between the existing Model (“*as is*”) and the Model aimed for (“*to be*”) with particular regard to the organisational structure and the system of procedures.
- Identification of the actions to improve the internal control system (processes and procedures) and the organisational requisites that are essential to the definition of a “specific” Model pursuant to the regulations.

PHASE 3 – Organisation, Management and Control Model design, pursuant to Italian Legislative Decree 231/2001

The aim of this phase was to define Treofan Italy's Organisation, Management and Control Model, pursuant to Italian Legislative Decree 231/2001, broken down into all its components. The implementation of the phase was supported both by the results from the previous phases as well as the direction from the Company's decision-making bodies. This phase provided for the following activities:

- Drafting the principles of reference for the Model (**General Part**) aligned with the needs expressed in Italian Legislative Decree no. 231/2001, relative to the following aspects: (i) regulatory system of Italian Legislative Decree no. 231/2001; (ii) the organisational model and methodology followed for its preparation; (iii) the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001; (iv) the disciplinary system; (v) the training and communication plan; (vi) adopting and updating the Model.
- Drafting the principles of reference for the Model (**Special Part**) relative to:
 - Crimes in dealings with the Public Administration (as referred to in articles 24 and 25, Italian Legislative Decree no. 231/2001);
 - Corporate Crimes and corruption between private parties (as referred to in article 25-*ter*, Italian Legislative Decree no. 231/2001);
 - Crimes and offences committed in breach of accident prevention and safeguarding hygiene and safety at work regulations (as referred to in article 25-*septies*, Italian Legislative Decree no. 231/2001);
 - Counterfeiting money, legal tender, and tax stamps and in distinguishing instruments or marks (as referred to in article 25 - bis, Italian Legislative Decree no. 231/2001);

- Crimes against industry or commerce (as referred to in article 25 – bis.1, Italian Legislative Decree no. 231/2001);
- Crimes of receiving, laundering and using money, goods or services gained by illicit means, including money laundering (as referred to in article 25- octies, Italian Legislative Decree. no. 231/2001);
- Crimes regarding violations of copyright (as referred to in article 25 -novies, Italian Legislative Decree no. 231/2001);
- Crimes of inducement to not make declarations or to make untruthful declarations to the judicial authorities (as referred to in article 25 - decies, Italian Legislative Decree no. 231/2001);
- Environmental crimes (as referred to in article 25- undicies, Italian Legislative Decree no. 231/2001);
- Use or employment of citizens from third countries whose stay in Italy is irregular (as referred to in article 25 duodecies, Italian Legislative Decree no. 231/2001);
- Electronic crimes and unlawful processing of data (as referred to in article 24 - bis, Italian Legislative Decree no. 231/2001);
- Offences of organised crime (as referred to in article 24 - ter, Italian Legislative Decree no. 231/2001);
- Crimes aimed at terrorism or subverting the democratic order (as referred to in article 25- quater, Italian Legislative Decree no. 231/2001);
- Crimes against the individual (as referred to in article 25- quinquies, Italian Legislative Decree no. 231/2001);
- Crimes of abuse of privileged information and market manipulation (as referred to in article 25- sexies, Italian Legislative Decree no. 231/2001);
- Transnational crimes (Italian Law 16 March 2006, no. 146).

PHASE 4 - Procedural system design

The aim of this phase was to prepare the procedural system, to support the Organisation, Management and Control Model, that takes into account best practices of reference, the choices of direction from the decision-making bodies with a view to implementing a single and integrated corporate procedural system with the other management and operational procedures already existing.

Specifically, in the course of this phase, the following activities were carried out:

- analysis of the open contracts, organisational and administrative directives;
- design of the administrative processes;
- preparation of the supporting corporate procedural system for the Model in which the following was highlighted:
 - the competences and responsibilities entrusted to each organisational structure;
 - the operating phases, the activities and the implementation times;
 - the description of the controls to carry out with evidence of all the necessary information on the type and method of performing them, which constitutes the basis for demonstrating the effectiveness of the controls included in the operating procedures.

4.2 The elements making up the Organisation, Management and Control Model

The formulation by the Company of its own Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 has led to, therefore, an activity to create the organisational system in order to render it consistent with the control principles introduced with Italian Legislative Decree 231/2001 and, consequently, to render it appropriate to preventing crimes, as referred to in the same Decree, from being committed.

Considering that:

- Italian Legislative Decree 231/2001, attributes, together with the other circumstances provided for by articles 6 and 7 of the Decree, a discerning value to the adoption and effective implementation of an organisational and management model to the extent that these are suitable in being able to prevent, with reasonable confidence, crimes, as referred to in the Decree, from being committed or from being attempted.
- pursuant to comma 2 of article 6 of the Decree an organisational and management model must meet the following requirements:
 - a) to identify the activities in whose scope crimes could be committed;
 - b) to establish specific protocols directed at scheduling the formation and implementation of the corporation's decisions in relation to the crimes to be prevented;
 - c) to identify appropriate means to manage the financial resources and to prevent crimes from being committed;
 - d) to establish obligations of information in relation to that part of the organisation delegated to supervise the functioning and the observance of the models;
 - e) to introduce a suitable disciplinary system to penalise the lack of respect for the measures indicated in the model.

The Company intended to set up an Organisation, Management and Control Model that, on the basis of the indications given by the codes of conduct drawn up by various associations representing companies, took into account its own particular peculiarities, in accordance with its own governance model.

The Model, therefore, represents and is a demonstration of the coherent set of principles and the regulatory procedural system that: i) affects the internal functioning of the Company and the ways with which the Company conducts itself with outside bodies and ii) governs the diligent management of a control system for the sensitive activities, aimed at preventing crimes from being committed, or attempted, as referred to in Italian Legislative Decree 231/2001.

The Model includes the following constituent elements:

- a process to identify the Company activities in whose scope crimes could be committed as referred to in Italian Legislative Decree 231/2001;
- the provision of a control standard in relation to the sensitive activities identified;

- a process of identifying the appropriate means to manage the financial resources and to prevent crimes from being committed;
- the Supervisory Body;
- information flows from and to the Supervisory Body and specific obligations of information in dealings with the Supervisory Body;
- general principles for adopting periodic checks on the sensitive activities on the relative control standard;
- a suitable disciplinary system to penalise breaches of the provisions contained in the Model;
- general principles for adopting the training and communication plan for employees and other subjects that interact with the Company;
- criteria for updating and adjusting the Model.

The principles, upon which some of the Model's protocols have been founded, are described below. The protocols have common characteristics in relation to all the particular cases of crime provided for by the Decree whilst - without prejudice to that prescribed in this paragraph and to the description of the elements of the governance model as referred to in paragraph 3.2 - reference should be made to the Special Parts for that regarding the control standards that have specific characteristics for each type of crime.

Regarding the Supervisory Body, the disciplinary system and the personnel training and communication system, reference should be made to the following specifically dedicated chapters of the Model.

Organisational system

All the Sensitive Activities must be carried out in accordance with the laws in force, in line with the Company's values and policies and according to the rules contained in the Model.

In general terms, the Company's organisational system must respect the fundamental requisites of formalisation and clarity, communication and separation of roles, in particular those concerning the assignment of responsibility, representation, definition of hierarchical lines and operational activities.

The Company must be equipped with organisational instruments (organisation charts, service orders, procedures, etc.) based on the general principles of:

- clear description of the reporting lines;
- knowledge, transparency and publicity of the powers assigned (within the Company and in dealings with interested third parties);
- clear and formal delimitation of roles, with a complete description of the tasks for each function, the relative powers and responsibilities.

System of proxies and powers of attorney

The system of proxies and powers of attorney must feature elements of “certainty” for the purposes of preventing crime and to allow the efficient management of the Company's activities.

The term “proxy” is taken to mean that internal act of assigning functions and tasks, reflected in the system of organisational communication. The term “power of attorney” is taken to mean the unilateral juristic act with which the Company assigns, to a single subject, the power to act as a representative of the Company.

The essential requisites of the system of proxies and powers of attorney are:

- all those who maintain dealings with the Public Administration on behalf of the Company must be equipped with a formal proxy to that effect and - where necessary - also a power of attorney;
- there must be an internal proxy, describing the power of management, that corresponds to each power of attorney who holds the power to represent the Company in dealing with third parties;
- the proxies must combine each power to the relative responsibility and to an appropriate position in the organisation chart;
- each proxy must define, in a specific and unequivocal way:
 - the powers of the proxy, specifying their limits;
 - the subject (a body or an individual) to whom the proxy reports hierarchically;
 - the proxy must have adequate spending powers for the functions conferred.

An internal regulation must be formalised that provides for:

- explicitly in the event of the powers conferred being removed (revoked, transfer to other duties which are incompatible with those for which the power of attorney has been conferred, termination of employment, etc.);
- timely updates to the proxies and powers of attorney in the event of organisational changes (transfer to other duties, termination of employment, etc.);
- timely communication of the updated powers of attorney to the Chamber of Commerce;
- identification of a subject responsible for updating the system of proxies and powers of attorney.

The competent structures periodically verify the current system of proxies and powers of attorney and their consistency with the entire organisational system, recommending any modifications in the event in which the power of management and/or the qualifications do not correspond to the powers of representation conferred to the proxy or in the event that there are other anomalies.

Regulatory procedural system in the areas at risk

The regulatory procedural system (procedures, provisions and operational instructions) is characterised by the following elements:

- **division of tasks:** that consists of distributing activities amongst those who authorise, those who execute and those who check (perform controls);
- **traceability:** traceability and verifiability ex post of the transactions through appropriate supporting documentation/electronic media;
- **training:** adequate level of training within the Company;
- **communication:** adequate level of information distribution and communication within the Company.

Management of financial resources

Management of financial resources is defined, in general terms, on the basis of the principles of a substantial division of functions, in order to guarantee that every outlay is requested, carried out and controlled by independent functions or subjects for as far as possible separate, to which, furthermore, no other responsibilities are assigned that might create a potential conflict of interest.

4.3 Document structure

The document regarding the Model is made up of a General Part and by individual Special Parts relative to the particular cases of crime referred to in Italian Legislative Decree 231/2001 and that the Company has decided to take into consideration based on the characteristics of the Company's business (crimes in dealings with the Public Administration, corporate crime, crimes and offences committed in breach of accident prevention and safeguarding hygiene and safety at work regulations).

The document regarding the Model contains:

- i) in the General Part, a description of:
 - the regulatory framework of reference;
 - the reality of the Company, the system of governance and the organisational structure;
 - the methodology adopted;
 - the identification and the appointment of the Supervisory Body, specifying the powers, tasks and information flows that refer to it;
 - the function of the disciplinary system and the relative penalty apparatus;
 - the training and communication plan to adopt in order to guarantee knowledge of the Model's measures and provisions;
 - the criteria for updating and adjusting the Model;

- ii) in the Special Parts, a description of:
 - the particular cases of crime referred to in Italian Legislative Decree 231/2001 and that the Company has decided to take into consideration based on the characteristics of the Company's business;
 - the sensitive activities and the relative control standard.

4.4 Relationship between the Organisation, Management and Control Model and the Code of Ethics

With the integration of the control tools provided for in the scope of the cited Italian Legislative Decree 231/2001, the Company has equipped itself with a Code of Ethics, an expression of a context where the primary objective is to satisfy, in the best way possible, the needs and expectations of the stakeholders (e.g. employees, consultants, suppliers).

The Code of Ethics aims, amongst other things, to encourage and promote a high standard of professionalism and to avoid behavioural practices that are out of keeping with the Company's interests or that diverge from the respect of law, including behaviour that is contrary to the values that the Company intends to promote.

The Code of Ethics is aimed at corporate bodies, every employee at every level and grade, and anyone who, permanently or temporarily, interacts with the Company.

The Code of Ethics must, therefore, be considered a fundamental part of the Model, since together they constitute a systemic *corpus* of internal regulations aimed at spreading a culture of ethics and transparency and is an essential element in the control system; the rules in them regarding behaviour integrate even if the two documents have differing goals.

5. THE SUPERVISORY BODY PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

5.1 The Supervisory Body

According to the provisions of Italian Legislative Decree 231/2001 – article 6, comma 1, letters a) and b) – the corporation may be exonerated from responsibility following a crime committed by qualified subjects pursuant to article 5 of Italian Legislative Decree 231/2001, if the management body has, amongst other things:

- adopted and effectively implemented organisational, management and control models suitable to prevent the crimes considered;
- entrusted the task of supervising the functioning and the observance of the Model and of handling the updates to it to a corporate body equipped with autonomous powers of initiative and control ⁽²⁴⁾.

²⁴ The illustrative Report to Italian Legislative Decree 231/2001 states, in this regard: “The corporation (...) shall, furthermore, monitor the effective operation of the models, and, therefore, the observance of the same: to this end, to guarantee the system's maximum effectiveness, the corporation is to make use of an organisation that shall be established internally (so as to avoid simple moves aimed at pre-constructing an air of legitimacy regarding the operation of the company through recourse to accommodating bodies, and above all to create a true and real corporate offence), equipped with autonomous power and specifically appointed to these tasks (...) of particular importance is the provision of a burden of information in dealings with the cited internal control body, capable of guaranteeing its own operating ability (...)”. Iannini, *The organisational measures of prevention, by act of the convention on Corporate Codes of Conduct between public and private law*, Milan, 16 June 2003, 4 ss. highlights that confirmed by the Director General of criminal justice at the Italian Ministry of Justice:

- “the organisation must find in it a hierarchical position as high as possible (it must be located at the level of the COO, the CEO, the board of directors as a whole, the Board of Statutory Auditors)”;
- “it must not participate in any operational decision”;
- “it must be made up of special professional skills in order to carry out the assigned activity, both in the preventative phase (with the additional contribution of investigative or technical-legal skills) as well as any successive analysis of the reasons motivating the crime committed, despite the adoption of the preventative models”;
- “... Each company will have to assess whether to rely on already existing control structures, including, for example, Internal Auditing that, appropriately integrated, could satisfy the needs indicated by law”. According to the Association of Italian Joint Stock Companies (Assonime), the solutions that can be adopted by companies in relation to establishing a Supervisory Body could be diversified, considering, as an alternative use of - where existing - the internal control “function”, or other options. Based on this opinion, though, a sole, ideal model for a Supervisory Body would not be verifiable. The Legislative, indeed, would not have intended to supply precise indications on the issue but, using generic terms, he would have preferred to refer the definition of the Supervisory Body to the individual, concrete company organisational choices, suitable for identifying the more efficient solution and, at the same time, effective in terms of each operating reality (see Assonime Circular, cit., 9, according to which “Due to the characteristics of operational efficiency, which the supervisory body must have in relation to the tasks entrusted to it, and of the necessity for the supervisory body to be established within the corporation, it is not considered possible that the supervisory body can be within the Board of Directors nor the Board of Statutory Auditors.”).

The Confindustria Guidelines indicate other possible options for the corporation, when determining and configuring the Supervisory Body:

- assigning the role of the supervisory body to the committee for internal control, where it exists, since it is composed exclusively of non-executive or independent executives;
- assigning the role of supervisory body to the internal auditing function, where it exists;
- creating an ad hoc body, a single-person or multi-person composition, made up of, in the latter case, subjects in the corporation (e.g. the internal audit manager, the legal function, etc., and/or non-executive and/or independent executive and/or auditor) and/or external subjects (e.g. Consultants, experts, etc.);
- for small-sized businesses, it would be possible to assign the role of supervisory body to a management body.

Confindustria, Guidelines, cit., in the definitive version updated as of 31 March 2008, 39.

The assignment of the aforementioned tasks to a body equipped with autonomous powers of initiative and control, together with correctly and effectively delivering the same, represent, therefore, indispensable prerequisites to exonerate the liability provided for by Italian Legislative Decree 231/2001.

The Confindustria Guidelines identify in the Supervisory Body's main requisites, autonomy and independence, professionalism and the continuity of action.

Specifically, according to Confindustria i) the requisites of autonomy and independence require: the creation of the Supervisory Body “as a staff unit at the highest possible hierarchical level”, the provision of a “reporting line” from the Supervisory Body to the highest operational level in the Company, the absence, within the Supervisory Body, of operational tasks that - by making them participants in operational decisions and activities - would jeopardise the objectivity of judgement; ii) the trait of professionalism must be referred to the “baggage of tools and techniques” ⁽²⁵⁾ necessary to effectively carry out the Supervisory Body's activity; iii) the continuity of action, that guarantees an effective and constant implementation of the organisational model pursuant to Italian Legislative Decree 231/2001, particularly structured and complex in large and mid-sized companies, is advanced by the presence of a structure exclusively dedicated, full time, to supervising the model and “free or operating duties that might lead it to take decisions having economic-financial effects”.

Italian Legislative Decree 231/2001 does not provide indications on the composition of the Supervisory Body ⁽²⁶⁾. In the absence of such indications, the Company has opted for a solution that, taking account of the goals pursued by the law, is able to ensure, in relation to the company's size and its organisational complexity, the effectiveness of the controls appointed to the Supervisory Body.

In compliance with that established by article 6, comma 1, letter b) of Italian Legislative Decree 231/2001 and in light of the indications presented by Confindustria, the Control Committee has identified its Supervisory Body (hereinafter the “Supervisory Body” or “OdV” or “Control Committee”) in a multi-person body, appointed by resolution by the Board of Directors, composed of four members, one of whom will have the role of Chairman.

The members of the Supervisory Body are appointed by resolution by the Board of Directors.

The Supervisory Body is placed at a level alongside the Board of Directors.

²⁵ This involves specialist techniques for whoever performs an “inspection” activity, but also advisory in analysing control systems and legal type systems and, more specifically, penalty systems”. Confindustria, Guidelines, cit., in the definitive version updated as of 31 March 2008, 36. Specifically, this involves techniques that can be used:

- in a preventative way, to adopt - when designing the organisational model and the successive modifications - the most suitable measures to prevent, with reasonable certainty, those crimes in question from being committed;
- currently, to verify that daily behaviour effectively respects that codified;
- retroactively, to ascertain how it was able to verify a crime of the species in question and who committed it.

By way of example, the Confindustria Guidelines mention the following techniques:

- statistically sampling;
- risk analysis and assessment techniques and measures to contain the risks (authorised procedures; mechanisms for contrasting tasks);
- flow-charting procedures and processes to identify points of weakness;
- interviewing techniques and preparing questionnaires;
- elements of psychology;
- methods to identify fraud.

See, once more, Confindustria, Guidelines, cit., in the definitive version updated as of 31 March 2008, 36.

²⁶ The Confindustria Guidelines stipulate that the discipline dictated by Italian Legislative Decree 231/2001 “does not provide indications on the composition of the Supervisory Body (Odv). That allows for opting for a single-person or a multi-person composition. In the multi-person composition, members from within the corporation as well as from outside the corporation can be called to be part of the Supervisory Body (...). Whilst in principle, the legislator would seem to be indifferent to the composition, nevertheless, the choice of one solution or another must take into account the objective pursued by the law and, therefore, must ensure the effectiveness of the controls in relation to the size and the organisational complexity of the corporation”. Confindustria, Guidelines, cit., in the definitive version updated as of 31 March 2008, 32 s.

5.1.1 General principles in terms of establishing, appointing and replacing the Supervisory Body

The Supervisory Body (or Control Committee) is established by resolution by the Board of Directors which expires on the date on which the mandate assigned to the Board of Directors, who appointed the Supervisory Body, expires. The Supervisory Body, however, still continues to perform its functions until new appointments are made.

Appointment to the Supervisory Body is conditioned on the presence of the subjective requisites of honesty, integrity, respectability, as well as the absence of reasons of incompatibility with the appointment such as family ties with exponents of the Corporate Bodies or senior management and potential conflicts of interest with the role and the tasks that will be performed ⁽²⁷⁾.

Specifically, when conferring the engagement, the person appointed to fulfil the role of member of the Supervisory Body must release a declaration in which he/she certifies the absence of grounds for incompatibility such as, merely by way of example:

- family ties, ties by marriage or relationship up to the fourth degree with members of the Board of Directors, senior figures in general, the Company's auditors, partners and auditors employed by the auditing firm, where appointed;
- conflicts of interest, even potential ones, with the Company and with the Company's sole shareholder that might prejudice the independence required by the Supervisory Body's role and tasks;
- ownership, direct or indirect, of equity holdings of an entity that permits notable influence to be exercised over the Company;
- to have performed, in the three financial years preceding being assigned the engagement, functions of administration and control of the Company or the Company's sole shareholder;
- functions of administration – in the three financial years preceding the appointment to the Supervisory Body or preceding the establishment of a relationship of consultant/collaboration with the same Body – in companies subjected to bankruptcy, compulsory administrative liquidation or other insolvency proceedings;
- public service record in central or local government in the three years preceding the appointment to the Supervisory Body or preceding the establishment of a relationship of consultant/collaboration with the same Body;
- sentence, with definitive verdict passed, or verdict on the application of penalties requested (the so-called plea bargain), in Italy or overseas, for the crimes referred to in Italian Legislative Decree 231/2001 or the crimes attributable to them (specifically, crimes against property, crimes against public order, tax offences, bankruptcy offences, financial offences, etc.);

²⁷ “In order to ensure the effective existence of the described requisites, both in the case of a Supervisory Body composed of one or more internal resources as well as in the event in which it is composed, exclusively or otherwise, by more outside figures, it will be opportune for the members to have, in addition to the described professional competences, the formal subjective requisites that guarantee further autonomy and independence as required by the task (e.g. honesty, no conflict of interest, and no family ties with the corporate bodies or senior management, etc.). The requisites of autonomy, honesty and professionalism can also be defined to refer to that provided for by other sectors of corporate law. This is valid, in particular, when a multi-person composition is chosen for the Supervisory Body and when all the various professional competences, that contribute to corporate management control in the traditional model of corporate governance, are concentrated (e.g. a non-executive or independent executive member of the committee for internal control; a member of the Board of Statutory Auditors; the internal control appointee). In these cases, the existence of the required requisites are already assured, even in the absence of further indications, by the personal and professional characteristics required by the regulations for independent executives, auditors and appointees to internal controls”. Confindustria, Guidelines, cit., in the definitive version updated as of 31 March 2008, 37 s.

- sentence, with definitive verdict passed, or following criminal proceedings concluded through a so-called “plea bargain” of a penalty that carries the disqualification, even temporarily, from public office, or temporary disqualification from executive offices of legal persons and companies;
- to be subject to preventative measures organised by the Judicial Authority, save for the effects of rehabilitation.

In order to guarantee the necessary stability of the Supervisory Body, the methods to revoke the powers connected to this engagement are given below.

Revoking the Supervisory Body's powers and assigning these powers to another subject, may only happen for just cause, including reasons tied to the Company carrying out organisational restructuring, through a special resolution by the Board of Directors and with the Board of Statutory Auditors' approval.

In this regard, “just cause” to revoke the powers connected to an engagement on the Supervisory Body, can be taken to include, merely by way of example:

- the loss of the subjective requisites of honesty, integrity, respectability and independence present at the appointment;
- the unexpected arrival of a reason for incompatibility;
- grave negligence in carrying out the tasks connected with the engagement such as (merely by way of example): not providing a six-monthly or annual information report on the activities performed to the Board of Directors and the Board of Statutory Auditors as referred to below in paragraph 5.3.2; not drafting a supervisory programme as referred to below in paragraph 8.1;
- the “lack of or insufficient supervision” by the Supervisory Body – in accordance with article 6, comma 1, letter d), Italian Legislative Decree 231/2001 – resulting from a definitive verdict passed, issued against the Company pursuant to Italian Legislative Decree 231/2001 or a verdict on the application of penalties requested (the so-called plea bargain);
- the assignment of operational functions and responsibility within the organisation that are incompatible with the Supervisory Body's requisites of “autonomy and independence” and “continuity of action”.
- the conclusion of the member's relationship of collaboration, both subordinate as well as autonomous, with the Company.

In particularly serious cases, the Board of Directors can arrange for - after seeking the Board of Statutory Auditors' opinion – the suspension of the Supervisory Body's powers and may appoint another Body *ad interim*.

In the event that a situation arises that impedes, in a temporary way, a member of the Supervisory Body from carrying out his/her functions or carrying out his/her functions with the necessary autonomy and independence of judgement, the member is expected to declare the existence of legitimate impediment and, if this is due to a potential conflict of interest, the reason for which the member must abstain from participating in sessions held by the Body or in specific resolutions taken by it which regard the conflict, until such a time that the aforementioned impediment no longer persists or is removed.

By way of example, sickness and accident may constitute temporary impediments if they last for more than three months and prevent attendance and/or participation at Supervisory Body meetings.

In the event of a temporary impediment or any other event that prevents one or more of the members from attending and/or participating in meetings, the Body will operate with a reduced composition, as long as

there are at least three remaining members (who do not find themselves in one of the situations mentioned above).

If, however, there are fewer than three members, the Board of Directors arranges for the temporary integration of the Supervisory Body, appointing one or more members whose engagement will last for as long as the impediment exists.

Without prejudice to the option available to the Board of Directors in the event that the impediment lasts for a period greater than six months, extendible for a further six months no more than twice, and which is to remove the member, or members, who find themselves with such an impediment from the Supervisory Body.

5.2 The Supervisory Body's functions and powers

The activities carried out by the Supervisory Body (or the Control Committee) may not be inspected by any other Company body or structure, without prejudice, however, to the fact that the managing body is, in any case, required to perform a supervisory activity on the adequacy of its operation, in so much as the managing body has the ultimate responsibility for the operation and effectiveness of the Model.

The powers of initiative and control, necessary to ensure an effective and efficient supervision of the operation and the observance of the Model, are conferred on the Supervisory Body, in accordance with that established by article 6 of Italian Legislative Decree 231/2001.

Specifically, the Supervisory Body is entrusted with the following tasks and powers to fulfil and exercise its functions:

- to verify the efficiency and effectiveness of the Model including in terms of correspondence between the operational means adopted in practice and the procedures formally provided for by the same Model;
- to verify the durability over time of the Model's requisites of efficiency and effectiveness;
- to manage, develop and promote the constant updating of the Model, formulating, where necessary, proposals to the managing body regarding any updates or adjustments, through modifications and/or integrations, that might be necessary following: i) significant breaches of the Model's provisions; ii) significant modifications to the Company's internal organisation and/or the means of carrying out the Company's business; iii) regulatory modifications;
- to ensure periodic updates to the system of identifying, mapping and classifying sensitive activities;
- to detect any behavioural deviations that might arise from analysing information flows and reports and which the managers of the various functions are expected to respect;
- to report promptly to the managing body, through the appropriate steps, any confirmed breaches of the Model that might lead to the Company being held accountable;
- to manage relationships and ensure the necessary flows of information to the Board of Directors as well as to the Board of Statutory Auditors;
- to govern its own operation including through the introduction of a regulation of its activities that involves: scheduling activities, determining the timing and frequency of controls, identifying analysis criteria and analysis procedures, minuting meetings, governing information flows from structures;

- promote and define initiatives to spread knowledge and understanding of the Model, as well as training for personnel and sensitising them to the observance of the principles contained in the Model;
- to promote and to implement communication and training initiatives on the contents of Italian Legislative Decree 231/2001, on the impacts of the legislation on the Company and on the regulations regarding behaviour;
- to provide clarifications on the meaning and the application of the provisions contained in the Model;
- to set up an effective internal communication system that allows relevant information and notices to be sent for the purposes of Italian Legislative Decree 231/2001 guaranteeing the protection and confidentiality of the person sending any information;
- to formulate and to submit, for the managing body's approval, the estimate of the expenses necessary to properly carry out the assigned tasks. This expense estimate must be, in any case, the broadest possible in order to guarantee that the activities are fully and properly carried out;
- to freely access any function in the Company – without having to seek any prior approval – to request or obtain information, documentation or data deemed necessary to carrying out the tasks as provided for by Italian Legislative Decree 231/2001, from any member of staff, whether employee or manager;
- to request relevant information from collaborators, consultants or representatives who are external to the Company;
- to promote the implementation of any disciplinary procedures and to propose any penalties as referred to in chapter 6 of this Model;
- to verify and to assess the suitability of the disciplinary system pursuant to and for the effects of Italian Legislative Decree. 231/2001.

The Board of Directors will arrange for the Supervisory Body's tasks and powers to be appropriately communicated to the various structures.

5.3 Obligations of information in dealings with the Supervisory Body - Information flows

The Supervisory Body (or the Control Committee) must be promptly informed, through a special internal communication system, of the deeds, behaviour or events that might determine a breach of the Model or that, more in general, are relevant to the purposes of Italian Legislative Decree. 231/2001.

The obligations of information regarding any behaviour that runs counter to the provisions contained in the Model fall under the employee's widest duty of diligence and obligation of loyalty as referred to in articles 2104 and 2105 of the Italian Civil Code ⁽²⁸⁾.

²⁸ These regulations establish, respectively: “[1] The employee must use the diligence required by the nature of the service due, by the interests of the company and by the greater interests of domestic production. [2] He must, furthermore, observe the provisions for the execution and for the regulation of the work issued by the entrepreneur or by the entrepreneur's collaborators to whom he hierarchically depends” (article 2104 of the Italian Civil Code) and “the employee must not run a business, for his own account or for third parties, in competition with the entrepreneur, nor disclose information about the organisation or the company's production methods, or make use of it in a way the could be prejudicial to it.” (article 2105 of the Italian Civil Code).

Correctly fulfilling the obligation of information cannot give rise to any disciplinary action against the employee ⁽²⁹⁾.

In this regard, the following provisions, of a general nature, apply:

- every report must be collected that is relative to: i) the commission, or the reasonable danger of the commission, of one of the crimes referred to in Italian Legislative Decree 231/2001; ii) “practices” that are not in line with the regulations on behaviour that have been issued by the Company; iii) behaviour that, in any event, might result in a breach of the Model;
- the employee who intends to report a breach (or an assumed breach) of the Model may contact his/her direct supervisor or, if the report has no outcome or if the employee feels uncomfortable going to a direct supervisor, the report may be made directly to the Supervisory Body;
- consultants, outside collaborators, so-called “para-subordinate” workers in general, in regard to relationships and activities carried out in dealings with the Company, may report any situation directly to the Supervisory Body in which they receive, directly or indirectly, a request from an employee/representative of the Company to behave in a way that could determine a breach of the Model;
- in order to effectively collect reports as described above, the Supervisory Body will proceed to communicate, promptly and widely, to every subject involved, the ways and forms to make such reports;
- the Supervisory Body has the discretion and as part of its responsibility to assess the reports received and, in the cases in which it is necessary, to pursue them.

Whoever makes a report in good faith is guaranteed to be protected from any form of retaliation, discrimination or penalisation and, in any case, the identity of the person making the report is kept strictly confidential, without prejudice to statutory obligations and to protecting the Company's rights or those of anyone erroneously accused and/or accused in bad faith.

In addition to the reports regarding breaches of a general nature, as described above, the company Areas/Functions that operate within the scope of the sensitive activities must send the Supervisory Body certain information regarding the activities: i) the periodic results of the control activity on the sensitive activities, put in place as part of the implementation of the Model (summary reports on the activity performed, the monitoring activities, performance indicators, etc.); ii) any anomalous or atypical aspects within the scope of the information available (a non-relevant fact, if considered individually, might take on a different aspect if found to be repeated or occurring in a wider sphere).

This information could refer to, merely by way of example:

- operations perceived as being “at risk” (for example: inspections by the competent Authorities);
- the provisions and/or notices from judicial police bodies or any other Authority that can order investigations to be carried out, even against unknown persons, for those crimes considered by Italian Legislative Decree 231/2001 and that might involve the Company;

²⁹ “By regulating the methods to fulfil the obligation of information, it is not taken to mean encouraging the phenomenon of reporting so-called internal rumours (whistleblowing), but, rather, to create a system of reporting real facts and/or behaviour that does not follow hierarchical lines and that allows personnel to refer cases where regulations have been breached by others within the corporation, without fear of retaliation. In this sense, the Organisation comes to assume the characteristics of the Ethics Officer, without - however - assigning him/her with disciplinary powers that will be better allocated to a special committee or, finally, in the most delicate cases, to the Board of Directors”. Confindustria, Guidelines, cit., in the definitive version updated as of 31 March 2008, 46.

- requests for legal assistance forwarded by executives, managers and/or other employees in the event that legal proceedings are opened against them and in relation to the crimes as referred to in Italian Legislative Decree 231/2001, unless expressly prohibited by the judicial authorities;
- the reports prepared by managers of other functions, as part of their control activity, and from which facts, deeds, events or omissions emerge that indicate failings in observing the Model's regulations and provisions;
- the notices relative to the disciplinary proceedings carried out and any penalties issued (including the measures taken against executives, managers and other employees) or the measures for filing such proceedings with the relative reasoning;
- any other piece of information that, although it may not be found in the list above, is, however, relevant for the purposes of correctly and completely carrying out a supervisory activity and for updating the Model.

5.3.1 Collecting and conserving information

In order to facilitate the flow of reports and information to the Supervisory Body, and in order to allow this Body to manage the reports, a “dedicated information channel” will be created.

Every piece of information, report, account provided for in the Model is to be kept by the Supervisory Body in a special archive (electronic or paper).

Reporting by the Supervisory Body to the corporate bodies

The Supervisory Body reports on the implementation of the Model, on any negative issues that might arise, on the need for any changes. Two distinct lines of reports are provided for:

- the first, on a continuous basis, directly to the Chairman/CEO;
- the second, on a periodic basis of at least every six months, to the Board of Directors and the Board of Statutory Auditors.

Meetings with the corporate bodies to which the Supervisory Body reports must be documented. The Supervisory Body arranges for the relative documentation to be filed.

The Supervisory Body:

- on a six-monthly basis, prepares a written report for the Board of Directors and the Board of Statutory Auditors in which it describes the activities carried out;
- on an annual basis, prepares a written report for the Board of Directors and the Board of Statutory Auditors in which it describes the activities carried out in the current year and gives a plan for the activities planned for the following year;
- immediately, upon verifying an extraordinary situation (for example: significant breaches of the principles contained in the Model, new legislation regarding administrative liability for corporations, significant changes to the Company's organisational structure, etc.) and in the case of reports received that are urgent in nature, informs the CEO and the Board of Directors.

6. DISCIPLINARY SYSTEM

6.1 The function of the disciplinary system

Article 6, comma 2, letter e) and article 7, comma 4, letter b) of Italian Legislative Decree 231/2001 specify, as a condition for an effective implementation of the organisation, management and control model, introducing a suitable disciplinary system to penalise the lack of respect for the measures indicated in the Model and in the supporting procedural system.

Therefore, the definition of an appropriate disciplinary system constitutes an essential prerequisite for the organisation, management and control model's discerning value pursuant to Italian Legislative Decree 231/2001 with respect to the administrative liability of corporations.

The penalties provided for by the disciplinary system will be applied by the Company in full autonomy for every breach of the provisions contained in the Model, irrespective of the progress or outcome of any criminal proceedings that may be initiated by the Judicial Authority, in the case in which the punishable behaviour incorporates details of a particular case of the relevant crimes pursuant to Italian Legislative Decree 231/2001.

6.2 Measures regarding Employees

Observing the provisions and rules regarding behaviour as provided for by the Model constitutes fulfilment by employees of their obligations as provided for by article 2104, comma 2, of the Italian Civil Code; obligations of which the contents of the same Model represent a substantial and integral part.

A breach by an employee of an individual provision or rule regarding behaviour, as referred to in the Model, always constitutes professional misconduct.

It is noted that, regarding employees, those not categorised as managers are subject to Italy's national collective bargaining contract (Contratto Collettivo Nazionale di Lavoro, CCNL) for the chemistry industry.

The measures indicated in the Model, which will incur penalties if not respected, are communicated via internal circulars to every employee, affixed in places that are accessible by everyone and binding for every member of staff at the Company.

The penalties that can be applied are those provided for in the company's disciplinary code (respecting the procedures provided for by article 7 of Italian Law 30 March 1970, no. 300 "Workers' Statute") and those provided for by disciplinary regulations as referred to in article 50 and subsequent modifications of the aforementioned national collective bargaining contract (CCNL). More precisely, based on the seriousness of the infractions, the penalties are:

- a) Verbal warning or reprimand;
- b) Written reprimand (with specific indication of the facts making up the infraction);

- c) Fine (with the amount not exceeding three hours of wages);
- d) Suspension of service and salary;
- e) Transfer as punishment or dismissal with compensation in lieu of notice;
- f) Dismissal without notice and with severance pay.
- g) Dismissal without compensation in lieu of notice.

Every notification of a breach of the Model will initiate a disciplinary action to verify the breach. Specifically, when assessing the notification, the employee will be advised of the charge in advance and will be guaranteed an appropriate amount time in which to prepare his/her response. Once the breach has been definitively ascertained, a disciplinary penalty, proportionate to the seriousness of the breach committed, will be imposed on the perpetrator; communication of the measure will be done in writing.

It remains understood that the procedures, provisions and guarantees will be respected, as provided for by article 7 of the Worker's Statute and non-managerial employees will also be expected to respect those disciplinary procedures as provided for by the national collective bargaining contract (CCNL).

As regards ascertaining infractions, the disciplinary procedures and the communication of penalties, the powers conferred, within the limits of the respective proxies and competences, by the Board of Directors and the CEO, remain valid.

6.2.1 Breaches of the Model and the relative penalties

In accordance with that established by the regulation relevant to and in accordance with the principles of the nature of breaches and penalties, the Company intends to bring to the attention of its employees the behaviour provisions and rules contained in the Model, the breach of which constitutes professional misconduct, as well as the penalty measures that can be applied, based on the seriousness of the infractions.

Without prejudice to the Company's obligations deriving from the Worker's Statute, the types of behaviour that constitute breaches of the Model, together with the relative penalties, are:

1) The measures of "Verbal warning or written reprimand" apply to the employee who breaches the internal procedures provided for by this Model (for example, not observing the prescribed procedures, omitting to communicate the prescribed information to the Supervisory Body, omitting to carry out controls, etc.) or who adopts, in performing an activity in an area at risk, behaviour that does not conform to the Model's provisions, recognisable as "*non observance of the provisions made known by the Corporation with service orders or other suitable means*".

2) The measure of "Fine" applies to the employee who breaches the internal procedures provided for by this Model or who adopts, in performing an activity in an area at risk, repeated behaviour that does not conform to the Model's provisions, even before these failings have been individually ascertained and charged, recognisable as the repeated failure of "*non observance of the provisions made known by the Corporation with service orders or other suitable means*" even before the same has been individually ascertained and charged.

3) The measure of “Suspension of service and salary” applies to the employee who in breaching the internal procedures provided for by this Model or in adopting, when performing an activity in an area at risk, behaviour that does not conform to the Model's provisions, as well as being acts contrary to the interests of the Company, causes damage to the same or exposes it to an objective situation of endangering the company's assets, recognisable as causing damage to or creating a dangerous situation with regard to the Company's assets or the realisation of acts contrary to the Company's interests likewise deriving from the “*non observance of the provisions made known by the Corporation with service orders or other suitable means*”.

4) The measures of “Transfer as punishment or dismissal with compensation in lieu of notice” apply to the employee who adopts, in performing an activity in an area at risk, behaviour that does not conform to the Model's provisions and which is focused, in an unequivocal way, on committing a crime punishable by the Decree, recognisable as causing notable damage or a situation of notable jeopardy.

5) The measure of “Dismissal without notice and with severance pay” applies to the employee who adopts, in performing an activity in an area at risk, behaviour clearly in breach of this Model's provisions and such to determine the material application, by the Company, of the measures provided for by the Decree, recognisable as causing “*acts such to render the Corporation's trust in the employee less than absolute*”, or the occurrence of failings referred to in the preceding points with the determination of serious jeopardy for the Company.

The type and extent of each of the penalties mentioned above will be applied by taking into account:

- the wilfulness of the behaviour or the degree of negligence, imprudence or incompetence also taking into account how well the event could have been foreseen;
- the employee's overall behaviour with particular regard to the existence or otherwise of previous disciplinary procedures, within the limits permitted by law;
- the worker's duties;
- the functional positions of the people involved in the events constituting the offence;
- other particular circumstances that might accompany the professional misconduct.

This is without prejudice to the Company's prerogative to claim compensation for damages caused as a result of a breach of the Model by the employee. Any claim for compensation for damages will be commensurate with:

- the employee's level of responsibility and autonomy, being the perpetrator of the professional misconduct;
- the existence of any previous disciplinary procedures against the same;
- the level of wilfulness in the behaviour;
- the seriousness of the effects of the same, taken to mean the level of risk to which the Company reasonably believes it has been exposed - pursuant to and for the effects of Italian Legislative Decree 231/2001 - as a result of the punishable behaviour.

As far as ascertaining the aforementioned infractions, the disciplinary procedures and the application of penalties are concerned, the Company Management team's existing powers remain unchanged, within the limits of their respective competence. The disciplinary system is constantly monitored by the Control Committee and by the Director of Human Resources.

Ultimate responsibility for the material application of the disciplinary measures described above is held by the Company Management team in the person of the CEO who administers penalties on any report by the Supervisory Body after consulting with the Human Resources management team and, also, the opinion of the supervisor of the perpetrator of the punishable behaviour. The task to verify and assess the suitability of the disciplinary system is, though, attributed to the Supervisory Body in collaboration with those subjects appointed by the Company, pursuant to and for the effects of Italian Legislative Decree 231/2001.

6.3 Measures regarding Managers

In the event that a manager breaches one of the internal procedures provided for by this Model or adopts, in performing an activity in an area at risk, behaviour that does not conform to the Model's provisions, the most appropriate measures, in accordance with that provided for by the national collective bargaining contract for industry managers will be applied against the manager.

6.4 Measures regarding Executives

Upon notification of a breach of the Model's provisions and rules on behaviour by a member of the Board of Directors, the Supervisory Body shall promptly inform the Board of Statutory Auditors and the entire Board of Directors of the incident in order to adopt the actions provided for by current regulations.

6.5 Measures regarding Statutory Auditors

Upon notification of a breach of the Model's provisions and rules on behaviour by one or more auditors, the Supervisory Body shall promptly inform the entire Board of Statutory Auditors and the Board of Directors of the incident.

6.6 Measures regarding outside Consultants and Collaborators

If a consultant, outside collaborator or any other subject who has a contractual relationship with the Company breaches one of the Model's applicable provisions and rules on behaviour, or commits one of the crimes considered by Italian Legislative Decree 231/2001, the perpetrator will be penalised in accordance with that provided for in the specific contractual clauses that will be part of the relative contracts.

These clauses, making explicit reference to the respect for the Model's provisions and rules on behaviour, will be able to provide for, for example, the obligation, by these third-party subjects, to not resort to acts and not to accept behaviour such to determine a breach of the Model by the Company. In the event that this obligation is breached, the termination of the contract shall be provided for.

This is obviously without prejudice to the Company's prerogative to claim compensation for damages caused as a result of a breach of the Model's provisions and rules on behaviour by the aforementioned third-party subjects.

7. TRAINING AND COMMUNICATION PLAN

7.1 Introduction

The Company, for the purposes of an effective implementation of the Model, plans to ensure the correct dissemination of the Model's contents and principles within its organisation and outside of it.

Specifically, the Company aims to extend communication of the Model's contents and principles not only to its employees but also to subjects who, even if they may not be considered to be an employee, operate - even occasionally - to achieve the Company's objectives as a results of contractual relationships.

The communication and training activity will be broad-based, depending on the audience, but it shall be, in any case, based on the principles of completeness, clarity, accessibility and continuity in order to allow the various recipients to fully understand and appreciate the provisions that they are expected to respect and the ethical regulations that must inform their behaviour.

Communication and training on the Model's principles and contents are guaranteed by the managers of the competent functions who, in accordance with that indicated and planned by the Supervisory Body, identify the best way of using these services (for example: training programmes, staff meetings, etc.).

The communication and training activity is supervised and integrated by the Supervisory Body which has been assigned, among other things, the tasks to “promote and define initiatives to spread knowledge and understanding of the Model, as well as training for personnel and sensitising them to the observance of the principles contained in the Model” and to “promote and to implement communication and training initiatives on the contents of Italian Legislative Decree 231/2001, on the impacts of the legislation on the Company and on the regulations regarding behaviour”.

7.2 Recipients

Each recipient is expected: i) to acquire knowledge of the Model's principles and contents; ii) to understand the operating means with which his/her activities must be done; iii) to actively contribute, in relation to his/her role and his/her responsibility, to the Model's effective implementation, reporting any shortcoming that might arise in the same.

In order to guarantee an effective and rational communication activity, the Company plans to promote and facilitate the understanding of the Model's principles and contents by employees, with varying degrees of depth based on each employee's position and role.

Employees and new hires will be sent copies of the Model and the Code of Ethics. Access to electronic versions of them will also be available via the Company's website.

Paper copies of the complete version of the Model will be made available to Corporate Bodies, executive personnel and personnel who have functions of representing the Company, by way of formative seminars. Consistent with that provided for employees, new managers and new members of the Corporate Bodies will be given a complete version of the Model upon acceptance of the task conferred on them and access to an electronic version will also be available via the Company's website.

Appropriate communication tools will be adopted in order to update Recipients on any changes made to the Model, as well as any relevant procedural, regulatory or organisational change (for example: email updates, internal informational notices, bulletins on company noticeboards).

7.3 Other recipients

The activity to communicate the Model's contents and principles shall also be addressed to third-party subjects who have contractually regulated collaboration relationships with the Company (for example: consultants and other collaborators).

The Company, taking account of the purposes of the Model, will assess the opportunity of communicating the Model's contents and principles to third parties as well as the contractual clauses normally used about the Company.

8. ADOPTION OF THE MODEL - CRITERIA FOR UPDATING AND ADJUSTING THE MODEL

8.1 Verifications and checks on the Model

Each year, the Supervisory Body shall prepare a verification programme through which it plans, in a general way, its activities, providing for: a schedule of the activities to carry out in the course of the year, the determination of the timing and frequency of controls, the identification of analysis criteria and analysis procedures, the opportunity of carrying out unscheduled checks and controls.

In carrying out its activity, the Supervisory Body may make use of support from functions and structures within the Company that have specific skills in the sectors which are, from time to time, the subject of a control, as well as, with reference to performing the technical operations necessary to carry out the function of control, outside consultants who will be selected by taking account of the internal procedures adopted by the Company.

In this case, the consultants shall always report the results of their work to the Supervisory Body.

The Supervisory Body is recognised with having, in the course of verifications and inspections, the widest powers in order to effectively perform the tasks assigned to it.

8.2 Updates and adjustments to the Model

The Board of Directors resolves on updates to the Model and adjustments to it in relation to modifications and/or integrations that might be rendered necessary as a consequence of: i) breaches of the Model's provisions; ii) modifications to the Company's internal structure and/or the means of executing the Company's business; iii) regulatory modifications; iv) results from controls.

Once the modifications and/or integrations have been approved, they are communicated to the Supervisory Body who, in turn, will provide for, without delay, promoting the operational modifications and the proper communication of the contents both within the Company and outside of it.

The Supervisory Body will also provide for informing the Board of Directors of the outcome of the activity undertaken in compliance with the resolution that orders the Model to be updated and/or adjusted.

The Supervisory Body retains, in any event, precise tasks and powers regarding the management, development and advancement of the Model's constant updating. To this end, it formulates observations and proposals, pertinent to the control organisation and control system, to the structures appointed to them, or in cases of particular relevance, to the Board of Directors.

The Model will be, in any event, subject to periodic review procedures every three years as ordered by resolution by the Board of Directors.