

**Arvedi** Tubi Acciaio S.p.A.



**Principles of the Organisational, Management  
and Control Model pursuant to Italian  
Legislative Decree 231/2001**

Synthesis of the latest version of the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001, approved by the Board of Directors on June 27, 2019

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# CHAPTER 1

## INTRODUCTION

Italian Legislative Decree no. 231 of 8th June 2001 (from now on, "lgs.d. no. 231/2001" or the "Decree"), implemented under the authority granted to the Government by Article 11 of Italian Law no. 300 of 29th September 2000, regulates the "liability of corporate bodies for administrative wrongdoing resulting from a crime."

According to the regulation introduced by the Decree, companies can be held "liable" for crimes which are committed or attempted, including those which are in the interest or to the advantage of the companies themselves, by members of senior management (so-called individuals in "senior positions" or simply "white-collar workers") and by those who are under the direction or supervision of the latter (Article 5, paragraph 1 of lgs.d. no. 231/2001).

This widening of responsibility aims to substantially involve the Company's assets in the punishment of proven crimes and, ultimately, the economic interests of the shareholders, who, up until the coming into force of this decree, did not suffer any direct consequences of crimes which had been committed, in the interests or to the advantage of the Company itself, by managers and/or employees.

The corporate body is exempt from administrative liability, however, if the Company has, inter alia, adopted and effectively implemented before the commission of the crime, organisation, management and control models designed to prevent the crimes themselves; these models may take the form of codes of conduct (guidelines) drawn up by trade/business associations of the companies, e.g. Confindustria, and communicated to the Ministry of Justice.

On 17 December 2012, the Board of Directors of Arvedi Tubi Acciaio S.p.A. approved the "Organisation, management and control model" pursuant to Legislative Decree no. 231 of 8 June 2001. This document "Principles of the Model" was prepared by Arvedi Tubi Acciaio S.p.a. based on the latest version of the approved Model.

## CHAPTER 2

### DESCRIPTION OF THE REGULATORY FRAMEWORK

#### 2.1 Offenders: persons in top positions and persons subject to the direction of others

According to Legislative Decree no. 231/2001, the Company is liable for crimes committed in its interest or to its advantage:

- by "persons who hold positions of representation, administration or management of the entity or of one its organisational units with financial and functional autonomy, as well as by persons who exercise, even de facto, the management and control of the entity itself" (the above-defined persons "in a top position" or "top management"; art. 5, paragraph 1, letter a), of Legislative Decree no. 231/2001);
- by individuals under the management or supervision of and individual in senior management (the so-called subjects under the management of others; art. 5, paragraph 1, letter b), of Legislative Decree no. 231/2001).

It is also appropriate to reiterate that the Company is not liable, by express legislative provision (art. 5, paragraph 2, of Legislative Decree no. 231/2001), if the individuals indicated above have acted in the exclusive interest of themselves or of third parties.

#### 2.2 Types of offence

According to lgs.d. no. 231/2001, the corporate body may only be held liable for the offences specified in Articles 24-25-*octies* of lgs.d. no. 231/2001, if they have been committed in their interest or to their advantage by individuals qualifying under Article 5, paragraph 1 of the Decree or in the case of specific legal provisions referencing the Decree, as in the case of Article 10 of Italian Law no. 146/2006.

The types of offence may be categorised, for ease of exposition, as follows:

1. **crimes against the Public Administration.** This is the first group of offences originally identified by lgs.d. no. 23/2001 (Articles 24 and 25);
2. **forgery of money, public credit cards, revenue stamps and instruments or signs of recognition,** these are crimes against the public faith and counterfeiting crimes provided for in Article 25-bis of Legislative Decree 231/2001, inserted by Decree Law of 25/09/2001 n. 350 art. 6 and converted, with amendments, by Law 23/07/2009 n. 99 art. 15;
3. **corporate offences.** Legislative Decree no. 61 of 11 April 2002, as part of the reform of company law, provide the extension of the administrative liability of entities to certain corporate crimes (such as false corporate communications, unlawful influence on the shareholders' meeting, referred to in Article 25-ter of Legislative Decree no. 231/2001, as amended by Law no. 69 of 27 May 2015) and by Legislative Decree 38/2017.
4. **crimes relating to terrorism and subversion of the democratic order** (referred to in Article 25-quater of Legislative Decree no. 231/2001, introduced by Article 3 of Law no. 7 of 14 January 2003). These are "crimes for the purpose of terrorism or subversion of the democratic order, provided for by the Penal Code and special laws", as well as crimes, other than those indicated above, "which have in any case been committed in violation of the

- provisions of Article 2 of the International Convention for the Suppression of the Financing of Terrorism done in New York on 9 December 1999");
5. **market abuse**, referred to in Article 25-sexies of the Decree, as introduced by Article 9 of Law No. 62 of 18 April 2005 ("Community Law 2004");
  6. **crimes against the individual**, provided for by art. 25-quinquies, introduced into the Decree by art. 5 of Law no. 228 of 11 August 2003, such as child prostitution, child pornography, trafficking in persons and the reduction and maintenance of slavery, illicit intermediation and exploitation of labour;
  7. **transnational crimes**. Article 10 of Law no. 146 of 16 March 2006 provides for the administrative liability of the company also with reference to the offences specified by the same law that present the characteristic of transnationality;
  8. **crimes against life and individual safety**. Art. 25-quater.1 of the Decree includes, among the crimes with reference to which the administrative responsibility of the company can be traced, the practices of mutilation of the female genital organs;
  9. **health and safety offences**. Article 25-septies provides for the administrative liability of the company in relation to the crimes referred to in Articles 589 and 590, third paragraph, of the Criminal Code (Manslaughter and grievous or very grievous bodily harm), committed in violation of the accident prevention and health and safety at work regulations;
  10. **offences of receiving stolen goods, money laundering and use of money, goods or benefits of illicit origin, as well as self-laundering**. Article 25-octies of the Decree establishes the extension of the entity's liability also with reference to the offences provided for in articles 648, 648-bis and 648-ter and 648-ter.1 of the Penal Code;
  11. **computer crimes and unlawful processing of data**. Article 24-bis of the Decree provides for the administrative liability of the company in relation to the offences referred to in articles 615-ter, 617-quater, 617-quinquies, 635-bis, 635-ter, 635-quater and 635-quinquies of the Penal Code;
  12. **organised crime offences**. Article 24-ter of the Decree establishes the extension of the entity's liability also with reference to the offences provided by articles 416, sixth paragraph, 416-bis, 416-ter and 630 of the Penal Code and the offences provided by article 74 of the consolidated text of Presidential Decree no. 309 of 9 October 1990. Reference is also made to Articles 600, 601, 601-bis, 602, 407 of the Italian Criminal Code, Article 2 of Law no. 110 of 18 April 1975 and Article 73 of Presidential Decree no. 309/1990;
  13. **crimes against industry and trade**. Article 25-bis of the Decree provides for the administrative liability of the company in relation to the offences referred to in Articles 513, 513-bis, 514, 515, 516, 517, 517-ter and 517-quater of the Penal Code;
  14. **copyright infringement offences**. Article 25-nonies of the Decree provides for the administrative liability of the company in relation to the offences referred to in articles 171, first paragraph, letter abis), and third paragraph, 171-bis, 171-ter and 171-septies, 171-octies of law no. 633 of 22 April 1941;
  15. **inducement not to make statements or to make false statements to the Judicial Authority** (Article 377-bis of the Criminal Code), referred to in Article 25-novies of the Decree.
  16. **environmental offences**. Article 25-undecies of the Decree provides for the administrative liability of the company in relation to the offences referred to in Articles 727-bis and 733-bis of the Criminal Code, some articles provided for by Legislative Decree no. 152/2006 (Consolidated Law on the Environment), some articles of Law no. 150/1992 to protect endangered animal and plant species and dangerous animals, art. 3, par. 6, of Law no. 549/1993 on the protection of stratospheric ozone and the environment and some articles of Legislative Decree no. 202/2007 on pollution caused by ships.
  17. **offences involving the employment of illegally staying third-country nationals**. Art. 25-duodecies of the Decree provides for the administrative liability of the company in relation

to the crimes of art. 2, c. 1 of Legislative Decree no. 109 of 16 July 2012, if foreign workers without a residence permit or even expired permit are used.

18. **crimes of racism and xenophobia.** Article 25-tredicies of the Decree provides for the administrative liability of the company in relation to the offences referred to in Article 3, paragraph 3 bis, of Law No. 654 of 13 October 1975.

The categories listed above are destined to increase further in the near future, also due to the legislative tendency to extend the scope of the Decree, also in compliance with obligations of an international and community nature.

## **2.3 Attempted crimes**

In the hypothesis of commission, in the form of attempt, of the crimes sanctioned on the basis of Legislative Decree no. 231/2001, the pecuniary sanctions (in terms of amount) and the disqualification sanctions (in terms of duration) are reduced by one third to one half.

The imposition of sanctions is excluded in cases in which the entity voluntarily prevents the execution of the action or the realization of the event (art. 26 of Legislative Decree no. 231/2001).

## **2.4 Offences committed abroad**

According to art. 4 of Legislative Decree no. 231/2001, the entity may be called to account in Italy in relation to crimes - covered by the same Legislative Decree no. 231/2001 - committed abroad. The Explanatory Report to Legislative Decree no. 231/2001 underlines the need not to leave out of sanction a frequently verified criminal situation, also in order to avoid easy circumvention of the entire regulatory framework in question.

The conditions on which the entity's liability for crimes committed abroad is based are:

1. the offence must be committed by a person functionally linked to the entity, pursuant to Article 5, paragraph 1, of Legislative Decree no. 231/2001;
2. the entity must have its head office in the territory of the Italian State;
3. the company can only be held liable in the cases and under the conditions provided for by articles 7, 8, 9, 10 of the Penal code (in cases where the law provides that the guilty party - a natural person - is punished at the request of the Ministry of Justice, proceedings are taken against the company only if the request is also made against the company itself) and, also in compliance with the principle of legality set out in article 2 of Legislative Decree no. 231/2001, only in respect of offences for which its liability is provided for by an ad hoc legislative provision;

## **2.5 Examination of suitability**

The company's liability is ascertained by means of:

- the verification of the existence of the crime which is a prerequisite for the company's liability;
- the review of suitability of the organisational models adopted.

The judge's review of the abstract suitability of the organisational model to prevent the offences referred to in Legislative Decree no. 231/2001 is conducted according to the criterion of the so-called "posthumous prognosis".

The judgement of suitability must be formulated according to an ex-ante criterion whereby the judge places himself, ideally, in the company reality at the time when the offence has been occurred to test the congruence of the model adopted.

In other words, the organisational model that, before the crime was committed, could eliminate or, at least, minimize, with reasonable certainty, the risk of the subsequent commission of the crime, should be considered "suitable for preventing the crimes".



## CHAPTER 3

# STRUCTURE OF THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL

### 3.1 The Organisational, Management and Control Model of Arvedi Tubi Acciaio

The construction by the Company of its own Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001 (hereinafter referred to as "Model") involved, therefore, an assessment of the existing organisational model to make it consistent with the principles of control introduced by Legislative Decree no. 231/2001 and, consequently, suitable for preventing the commission of the offences referred to the Decree itself.

In fact, Legislative Decree no. 231/2001, together with the occurrence of the other circumstances provided by Articles 6 and 7 of the Decree, attributes a waiver value to the adoption and effective implementation of organisational, management and control models to the extent that these are suitable for preventing, with reasonable certainty, the commission, or attempted commission, of the offences referred to in the decree.

In particular, pursuant to paragraph 2 of Article 6 of Legislative Decree no. 231/2001, an organisation and management model must meet the following requirements:

- identify the activities in the context of which crimes may be committed;
- provide for specific protocols aimed at planning the formation and implementation of the Company's decisions in relation to the offences to be prevented;
- identify ways of managing financial resources that are suitable for preventing the commission of offences;
- provide for obligations to inform the Supervisory Body responsible for supervising the functioning of and compliance with the Model;
- introduce a disciplinary system suitable for sanctioning non-compliance with the measures indicated in the Model.

According to above considerations, the Company has prepared a Model that, based on the indications provided by the Confindustria Guidelines, it would take into account its particular corporate reality, in line with its system of governance and capable of enhancing the existing controls and bodies.

The adoption of the Model, pursuant to the Decree, does not constitute an obligation.

The Company has, however, deemed this adoption to be in line with its own corporate policies in order to:

- establishing and/or reinforcing controls which allow the Company to either prevent or react promptly to obstruct the commission of offences by senior management or individuals under the direction or supervision of the former for which the Company may be held administratively liable;
- raising the awareness, with the same goals, of all individuals who collaborate, for various reasons, with the Company (outside associates, suppliers, etc.), requiring them, within the limits of the activities they carry out in the interests of the Company, to adapt their conduct so as not to run the risk of committing offences;
- assuring its own integrity by complying with Article 6 of the Decree;
- improving the efficacy and transparency of the management of the Company's activities;

- ensuring that potential offenders are fully aware that the commission of an offence is strongly condemned by the Company and is against its interests even when it may seem to gain some advantage from it.

The Model, therefore, represents a coherent set of principles, procedures and provisions that: i) affect the internal functioning of the Company and the ways in which it relates to the outside world and ii) regulate the management of the system of control of sensitive activities, aimed at preventing the commission, or attempted commission, of the offences referred to in Legislative Decree no. 231/2001.

The Model, as approved by the Board of Directors of the Company, includes the following constituent elements:

- a process to identify company activities within which the offences referred to in lgs.d. 231/2001 may be committed;
- preparation of control protocols (or standards) in relation to the identified sensitive activities;
- a process to identify methods of financial resources management adequate to prevent the commission of offences;
- a supervisory body;
- information flows from and to the supervisory body and specific obligations to inform the supervisory body;
- a disciplinary system designed to sanction non-compliance with the measures set forth in the Model;
- a training and communication plan for employees and other personnel who interact with the Company;
- criteria for updating and upgrading the Model;
- a Code of Ethics.

The above constituent elements are set out in the following documents:

- Organisational, management and control model pursuant to Legislative Decree 231/01 (contained in this document);
- Code of Ethics.

The document "Organisational, management and control model pursuant to Legislative Decree 231/01" contains:

(i) in the General Part, a description of:

- the regulatory framework;
- the corporate reality, the governance system and the organisational structure of the Company;
- the characteristics of the Company's supervisory body, with specification of powers, tasks and information flows concerning it;
- the function of the disciplinary system and the related system of sanctions;
- the training and communication plan to be adopted in order to guarantee knowledge of the measures and provisions of the Model;
- the criteria for updating and adapting the Model.

(ii) in the Special Part, a description of:

- the types of offences referred to in Legislative Decree no. 231/2001 that the Company has decided to take into consideration based on the characteristics of its activities;
- sensitive processes/activities and related control standards.

The document includes as an integral part of the Model and an essential element of the control system the Code of Ethics, approved by resolution of the Board of Directors.

The Code of Ethics collects the ethical principles and values which are the corporate culture, and those must inspire the conduct and behavior of those who work in the interest of the Company both within and outside the corporate organisation, in order to prevent the commission of the crimes for which the administrative liability of the Company is assumed.

The approval of the Code of Ethics creates a coherent and effective internal regulatory framework, with the aim of preventing misconduct or conduct that is not in line with the Company's directives and is fully integrated with the Company's Model.

### **3.2 Model's Recipients**

All those who work to achieve the purpose and objectives of Arvedi Tubi Acciaio S.p.a. are recipients of the Model.

The recipients of the Model are obliged to comply with the utmost correctness and diligence all the provisions and protocols contained therein, as well as all the procedures for the implementation of it.

## CHAPTER 4

### THE SUPERVISORY BODY OF TARVEDI TUBI ACCIAIO S.P.A.

#### 4.1 Members

Based on the provisions of Legislative Decree 231/2001 (art. 6, first paragraph, lett. b), the person to whom the governing body must entrust the task of verifying the functioning and compliance of the model and of taking care of its updating must be “a body of the institution endowed with autonomous powers of Initiative and Control” (hereinafter, “Supervisory Body”).

The Supervisory Body is equipped in accordance with art. 6, paragraph 1, lett. b), of Legislative Decree no. 231/2001 of "autonomous powers of initiative and control."

The necessary autonomy of the supervisory body is ensured, because of the position recognized to the functions mentioned in the context of the Company organisation chart and of the carrying-over lines attributed to it.

In order to assist the definition and conduct of the activities of competence and to allow maximum adherence to the requirements and duties of law, the Supervisory Body may avail itself of specialized resources existing within the Company and of external resources.

#### 4.2 General principles on the establishment, appointment and replacement of the Supervisory Body

The Company's Supervisory Body is established by resolution of the Board of Directors and remains in office for the period established at the time of its appointment.

The appointment as a member of the Supervisory Body is subject to the presence of subjective eligibility requirements.

In the selection of members, the only relevant criteria are those that relate to the specific professionalism and competence required for the performance of the functions of the Body, the honorability and absolute autonomy and independence from the same; the Board of Directors, once nominated, must disclosure about the principles of independency, autonomy, honorability and professionalism of its members.

In particular, after the Model is approved, or if new members are designated, on appointment the person designated as Supervisory Body member must provide a statement to attest that the following reasons for ineligibility do not exist:

- family or marriage relationships, or kinship up to the 4th degree, with any member of the Board of Directors, the eventual members of the Company Board of Statutory Auditors and auditors from the auditing company;
- actual or potential conflict of interest with the Company, which might affect the independence required for the Supervisory Body's role and tasks;

- direct or indirect ownership of shareholdings, which enable that person to exercise significant influence over the Company;
- an administrative role – in the three financial years preceding appointment as a member of the Supervisory Body or at the establishment of a consultancy/collaboration relationship with the same Body – in businesses subject to bankruptcy, forced liquidation or other insolvency proceedings;
- conviction, whether final or not, or judgment of sentencing on request (known as plea bargaining), in Italy or abroad, for the offences under Legislative Decree no. 231/2001, or other offences that however affect professional morality and honorability;
- conviction, whether final or not, establishing a permanent or temporary ban from holding public offices, or a temporary ban from holding management positions at legal entities and companies;
- pending proceedings for the application of a prevention measure under Law no. 1423 of 27 December 1956 and Law no. 575 of 31 May 1965, or issuing of a seizure order under Article 2-bis of Law no. 575/1965, or an order to apply a personal or collateral prevention measure;
- lack of the subjective honorability requirements under Ministerial Decree no. 162 of 30 March 2000 for the members of the Board of Statutory Auditors of listed companies, as adopted pursuant to Article 148, paragraph 4 of Legislative Decree no. 58 of 24<sup>th</sup> February 1998 (“TUF”).

Where any of these reasons for ineligibility exists for an appointed person, as verified with the Board of Directors resolution, that person will be removed from office immediately.

When performing its tasks, the Supervisory Body may be assisted - under its direct supervision and responsibility - by any functions and structures within the Company, or by external consultants, benefiting from their expertise and professionalism. This support will enable the Supervisory Body to ensure a high professional level and the necessary continuous action.

The reasons for ineligibility described above must also be considered for any external consultants involved in the activity and the performance of the Supervisory Body's tasks.

In particular, on their designation, the external consultant must provide a special statement to attest:

- the absence of these reasons for ineligibility or reasons that prevent them from accepting the assignment (such as conflict of interest, family relationships with any member of the Board of Directors or eventual members of Board of Statutory Auditors, Top Management in general and the auditors in charge in the case of auditing company’s appointment, etc.);
- that they are aware of the provisions and rules of conduct established in the Model.

The revocation of the Supervisory Body’s powers and the granting of these powers to someone else can only occur for cause (including a reorganisation within the Company) with special Board of Directors resolution and the approval of eventual Board of Statutory Auditors.

In this respect, “the causes” of any revocation of the powers granted to a Supervisory Body member include but are not limited to:

- gross negligence in performing the tasks resulting from their office, such as failure to prepare the half-year information report or the annual summary report on the activity performed by the Supervisory Body, or failure to develop the supervision plan;
- “failure or inadequate supervision” by the Supervisory Body – pursuant to Article 6, paragraph 1, letter d), Legislative Decree no. 231/2001 – in accordance with a conviction,

- whether final or not, which was issued against the Company pursuant to Legislative Decree no. 231/2001, or judgment of sentencing on request (known as plea bargaining);
- for internal members, the assignment of operational functions and responsibilities within the organisation which are incompatible with the “autonomy and independence” and “continuous action” requirements to be met by the Supervisory Body. In any case, any organisational measure that involves this person (such as termination of employment, assignment to another position, dismissal, disciplinary actions, appointment of a new manager) must be submitted to the Board of Directors for acknowledgement;
  - for external members, serious and proven reasons for incompatibility which affect their independence and autonomy;
  - lack of any eligibility requirements.

The Board of Directors is the only body responsible for any decision involving individual members or the entire Supervisory Body and concerning their removal, replacement or suspension.

### **4.3 Supervisory Body’s functions and powers**

The activities performed by the Supervisory Body cannot be questioned by anybody or function within the Company. The verification and control role performed by the Supervisory Body is closely related to the effective implementation of the Model and cannot subrogate or replace the Company’s institutional control functions.

The Supervisory Body has the necessary powers of initiative and control to ensure the effective and efficient supervision of the effectiveness of and compliance with the Model pursuant to Article 6 of Legislative Decree no. 231/2001.

The Supervisory Body has autonomous powers of initiative, action and control, which extend to all areas and functions within the Company. These powers must be exercised to effectively and promptly carry out the functions established in the Model and in the rules implementing the Model.

More specifically, the Supervisory Body has the following tasks and powers to carry out its functions:

- regulating its operation also by introducing its own regulation, including: scheduling activities, setting out the timing for controls, identifying analysis criteria and procedures, regulating information flows coming from corporate structures;
- monitoring the effectiveness of the Model with respect to the prevention of the offences under Legislative Decree no. 231/2001, and to the ability to detect any unlawful conduct;
- performing periodic inspections and controls - with the frequency and methods established in the supervisory activity Plan - and spot checks, considering the areas of operation or the types of activity and their criticalities, in order to verify whether the Model is efficient and effective;
- unrestricted access to any Company Department and Unit - without needing any prior consent - to request and acquire information, documentation and data, as deemed necessary to perform the tasks under Legislative Decree no. 231/2001, from all employees and executive staff. If access to documentation is denied and adequate reasons are provided, the Supervisory Body will draw up a report addressed to the Board of Directors if it does not agree with the reasons provided;
- requesting significant information or the submission of documents, including electronic documents, concerning risk activities, to the Board of Directors, audit bodies, auditing companies, collaborators, consultants and, in general, anyone who has to comply with the

Model. Their obligation to comply with the Supervisory Body's request must be included in their individual contracts;

- dealing with, developing and promoting the continuous updating of the Model, submitting any necessary proposal to the Board of Directors for any update and adjustment to make with any necessary amendments and/or additions as a result of: i) significant breaches of the Model prescriptions; ii) significant changes in the Company's internal structure and/or in how the Company conducts business; iii) legislative changes;
- assessing compliance with the procedures under the Model, and identify any improper conduct found during the analysis of information flows or reported by Function Managers based on their reporting obligation, and act in accordance with the Model;
- ensuring regular updating of the system to identify sensitive areas, mapping and classification of sensitive areas;
- liaising with, and ensuring flows of information to, the Board of Directors, as well as the Board of Statutory Auditors;
- promoting information and training initiatives on the content of Legislative Decree no. 231/2001 and of the Model, the impacts of legislation on the Company's business, and rules of conduct, including controls on the frequency of these initiatives. In this respect, the information and training program should be differentiated, with a focus on those who operate in sensitive activities;
- assessing that an effective internal communication system is established to report important news for the purposes of Legislative Decree no. 231/2001, guaranteeing protection and confidentiality to the reporting person;
- ensuring that everyone is aware of the conduct to report and of how it should be reported;
- providing clarifications on the meaning and application of the Model provisions;
- formulating and submitting a budget to the Board of Directors for approval, with estimated costs to properly perform the assigned tasks with full independence. The budget must guarantee the full and proper performance of activities, and it must be approved by the Board of Directors. The Supervisory Body may allocate resources above its spending powers at its discretion, if these resources are needed to deal with extraordinary and urgent circumstances. In this case, the Supervisory Body must inform the Board of Directors at its next meeting;
- promptly report to the Board of Directors any proven breach of the Model which might lead to the Company's liability, so that the Board of Directors can take any appropriate action;
- verifying and assessing the suitability of the disciplinary system pursuant to and for the purposes of Legislative Decree no. 231/2001;
- as part of the activity of supervising the application of the Model by subsidiaries, the Supervisory Body of the Company is assigned the right to acquire, without any form of intermediation, relevant documentation and information and to carry out periodic controls and targeted checks on individual activities at risk of crime.

When performing its activities, the Supervisory Body may be supported by Company Functions based on their expertise.

#### **4.4 Information flows from and to Supervisory Body**

The Supervisory Body must be promptly informed, with a special reporting system, of any act, conduct or event that might lead to a breach of the Model or, more in general, is significant for the purposes of Legislative Decree no. 231/2001.

The obligation to report any conduct contrary to the Model provisions is part of the broader duty of care and loyalty obligation of any worker.

The Company Functions and any Committee operating in sensitive activities must provide the Supervisory Body with information on: i) the findings of the periodic controls performed by them in compliance with the Model, also on request (summary reports of activities, etc.); ii) any anomalies or atypical activities identified in the information available.

This information includes but is not limited to:

- operations that qualify as sensitive activities (for example accident reporting, information on contracts awarded by public entities, etc.);
- measures and/or information from police authorities, or any other authority, showing that investigations are being conducted, including investigations on persons unknown, for any of the offences under Legislative Decree no. 231/2001 and which might involve the Company;
- requests for legal aid made by employees if legal proceedings are started against them in connection with any of the offences under Legislative Decree no. 231/2001, unless this is expressly prohibited by judicial authorities;
- reports prepared by the Managers of other Company Functions, as part of their control activities, which might identify critical facts, acts, events or omissions in terms of compliance with the Model rules and provisions;
- information on any disciplinary procedures performed and sanctions imposed (including measures adopted against employees), or the closing of these procedures with adequate reasons;
- any other information that, although not included in the above list, is significant for the purposes of the proper and complete monitoring of and update to the Model.

Partners, consultants, external collaborators, suppliers, etc. have an immediate reporting obligation under their respective contracts if they are asked, either directly or indirectly, by an employee/representative of the Company to engage in conduct that might lead to a breach of the Model.

## **4.5 Whistleblowing**

Pursuant to Article 6, paragraph 2-bis of this Decree, specific reporting channels are made available to the recipients of this Model 231 in order to highlight unlawful conduct based on precise and consistent factual elements.

This can affect possible violations with respect to what is expected:

- from Legislative Decree no. 231/01;
- from this Model;
- from the Group's Code of Ethics;
- from the internal documents adopted by the Company in implementation thereof (e.g. procedures and policies).

The following general requirements apply in this respect:



- any reports relating to: i) the commission, or reasonable risk of commission, of offences referred to in Legislative Decree no. 231/2001; ii) conduct not in line with the rules of conduct issued by the Company; iii) conduct that, in any case, may result in a violation of the Model must be collected;
- an employee who becomes aware of a violation, attempt or suspected violation of the Model may contact his or her direct superior or, if the report is unsuccessful or the employee feels uncomfortable in contacting his or her direct superior to make the report, report directly to the Supervisory Body;
- partners, consultants, external collaborators, with regard to the relationships and activities carried out with the Company, may directly report directly to the Supervisory Body any situations in which they receive, directly or indirectly, from an employee/representative of the Company a request for conduct that could lead to a violation of the Model;
- in order to effectively collect the reports described above, the Supervisory Body will promptly and extensively inform all interested parties of the ways and means of carrying them out;
- the Supervisory Body evaluates, at its own discretion and under its own responsibility, the reports received and the cases in which it is necessary to take action;
- reasons must be given in writing for the determination of the outcome of the assessment.

The warnings will be collected through the following channels:

- through the electronic mail box dedicated to the Supervisory Body ([odv@ata.arvedi.it](mailto:odv@ata.arvedi.it));
- in printed and confidential form, by ordinary mail addressing them to the kind attention of the Supervisory Body, Dott. Andrea Pedroni, Via Grado 26, CAP 26100, Cremona (CR) – with the warning don't open the letter;
- through the portal for the reports that is being implemented at all companies of the Group Finarvedi, linking to the information portal that will be communicated through confidentiality of the Whistleblowing

The alerts will be managed in line with respect to the provisions of the internal organisational provisions adopted by the Company in the field of Whistleblowing,

The Company adopts suitable and effective measures to ensure that confidentiality is always guaranteed regarding the identity of those who transmit useful information to the Body to identify behaviors that differ from the provisions of the Model, the procedures established for its implementation and the procedures established by the internal control system, without prejudice to legal obligations and the protection of the rights of the Company or of persons accused erroneously and/or in bad faith.

The Company guarantees the confidentiality of the identity of the reporter under Law no. 179/2017.

It is also prohibited to retaliate or discriminate, whether direct or indirect, against the informer reasons connected, directly or indirectly, to the reporting.

It is also pointed out that, under art. 6, paragraph 2-bis, letter d), of Legislative Decree no. 231/01, in addition to the provisions of Chapter 5 “Elements of the Structure of the Disciplinary System”, there are additional sanctions “against those who violate the measures of protection of the whistleblower, as well as those who carry out with malicious or guilty reports that are found to be unfounded.”

## **4.6 Reporting by the Supervisory Body to the corporate bodies**

The Supervisory Body reports the implementation of the Model, any criticality identified, and any necessary change. There are many guidelines of reporting from the Supervisory Body:

- on an ongoing basis, reports to the Board of Directors, in the person of the Managing Director;
- on a regular basis, at least every six months, submits a report to the Board of Directors, in the presence of the Board of Statutory Auditors.

Meetings with the corporate bodies to which the Supervisory Body refers must be documented. The Supervisory Body is responsible for archiving the relative documentation.

The Supervisory Body draws up:

1. a periodic report (at least every six months) on its activities, to submit to the Board of Directors and, in case of appointment, also to the Board of Statutory Auditor;
2. regular written reports on individual and specific aspects of its activities which are deemed to be particularly important and significant for prevention and control purposes, to submit to the Board of Directors;
3. a communication as soon as extraordinary circumstances arise (such as significant breaches of the principles established in the Model, new legislative provisions on entities' administrative liability, significant changes in the Company's organisational structure, etc.) and, if it receives information to report urgently, to submit to the Directors.

The periodic reports written by the Supervisory Body are also drawn up to enable the Board of Directors to make any necessary assessment and update the Model. These reports must cover at least:

- any issue arisen in the implementation of the procedures established by the Model or adopted to implement or comply with the Model;
- a description of any information reported by anyone inside and outside the Company on the Model and the Group Code of Ethics;
- disciplinary procedures and any sanction or ban imposed on the Company, only with reference to activities at risk;
- an overall assessment of the effectiveness of the Model, with any guidance on additions, corrections or amendments.

## **CHAPTER 5**

### **STRUCTURAL ELEMENTS OF THE DISCIPLINARY SYSTEM**

#### **5.1 Functions of the disciplinary system**

Article 6, paragraph 2, letter e) and Article 7, paragraph 4, letter b) of Legislative Decree no. 231/2001 indicate, as a condition for the effective implementation of the organisational, management and control model, the introduction of a disciplinary system suitable to sanction the failure to comply with the measures indicated in the Model itself. Therefore, the definition of an adequate disciplinary system is an essential prerequisite of the Model's relieving value with respect to the administrative liability of entities.

The adoption of disciplinary measures in the event of violations of the provisions contained in the Model does not depend on the commission of an offence and on the course and outcome of any criminal proceedings instituted by the judicial authorities.

Compliance with the prescriptions contained in the Model adopted by the Company must be considered an essential part of the contractual obligations of the "Recipients" defined below.

Violation of the provisions of the Model damages the relationship of trust established with the Company and may lead to disciplinary, legal or criminal action. In the most serious cases, the violation may lead to the termination of the employment relationship, if carried out by an employee, or to the interruption of the relationship, if carried out by a third party.

For this reason, each Recipient is required to be familiar with the rules contained in the Company's Model, in addition to the reference rules governing the activities carried out within the scope of his/her function.

This system of sanctions, adopted pursuant to art. 6, paragraph 2, letter e) of Legislative Decree no. 231/2001, must be considered complementary and not alternative to the disciplinary system established by the C.C.N.L. in force and applicable to the various categories of employees of the Company.

The imposition of disciplinary sanctions for violations of the Model does not depend on whether criminal proceedings are instituted for the commission of one of the offences provided for by the Decree. The system of sanctions and its application are constantly monitored by the Supervisory Body.

No disciplinary procedure may be closed, nor may any disciplinary sanction be imposed, for violation of the Model, without prior information and opinion of the Supervisory Body.

#### **5.2 Sanctions against Employees**

The Code of Ethics and the Model constitute a set of rules which the employees of a company must comply with also pursuant to the provisions of Articles 2104 and 2106 of the Italian Civil Code and the National Collective Labour Agreements ("CCNL") on the subject of behavioural rules and disciplinary sanctions. Therefore, all conduct by employees in violation of the provisions of the Code of Ethics, the Model and its implementation procedures, constitute a breach of the primary obligations of the employment relationship and, consequently, breaches, leading to the possibility of establishing a disciplinary procedure and the consequent application of the related penalties.

Furthermore, pursuant to art. 6, paragraph 2-bis, the employee who, in violating the internal procedures provided for by the Model regarding Whistleblowing, or by adopting a conduct that does not comply with the provisions of the Model, performs acts of retaliation or discrimination, direct or indirect, against the reporter for reasons connected, directly or indirectly, to the report, or makes reports with intent or gross negligence that prove to be unfounded, is punished.

The provisions of articles 8, 9, 10 and 11 of the National Collective Labour Agreement for employees in the metalworking and plant installation industry apply to employees with the status of worker, clerk and middle manager, in compliance with the procedures set out in art. 7 of Law no. 300 of 20 May 1970 (Workers' Statute).

These measures are those provided for by the disciplinary rules, and precisely, depending on the seriousness of the violations, the following disciplinary measures are provided for:

- verbal reminder;
- written warning;
- a fine not exceeding three hours' hourly earnings calculated on the basis of the minimum scale;
- suspension from work and pay for a maximum of three days;
- dismissal for failure to comply with Art. 10 of the National Collective Labour Agreement.

The employer may not take any disciplinary action against the worker without having previously challenged the charge and without having heard in his defense. Except for verbal reprimand, the complaint must be made in writing and disciplinary measures may not be committed before 5 days have elapsed, during which time the worker may present his justifications. If the measure is not imposed within 6 days after these justifications, they will be deemed accepted (art. 8 of the CCNL).

On the basis of the above principles and criteria:

- a) In accordance with Article 9 of the CCNL (National Collective Labour Agreement), is subject to a written warning, fine or suspension the worker who:
- does not present himself at work or leave his job without good reason or does not justify his absence within the day following the day on which the absence began, except in the case of a justified impediment;
  - without justified reason, delays the commencement of work or suspends or brings forward the termination of work;
  - makes slight insubordination to superiors;
  - negligently or deliberately slows down the work entrusted to him;
  - by carelessness or negligence, damages the material of the plant or the material being processed;
  - is found in a state of manifest drunkenness, during working hours;
  - outside the Company carries out, on behalf of third parties, work pertaining to the Company itself;
  - contravenes the ban on smoking, where this exists and is indicated with a sign;
  - carries out minor work within the Company's workshop on its own behalf or on behalf of third parties, outside working hours and without theft of Company materials, using Company equipment;
  - otherwise violates the observance of the present Contract or commits any failure that damages the discipline, morals, hygiene and safety of the plant.

b) the measure of dismissal with notice (art. 10 letter A) of the CCNL) will be applied when the worker commits the following offences:

- insubordination with superior;
- significant negligent damage to plant material or processing material;
- execution without permission of minor own-account or third-party work in the Company without the use of Company materials;
- brawl in the factory outside the processing departments;
- abandonment of the workplace by personnel specifically entrusted with surveillance, custody and control tasks;
- unjustified absences lasting more than 4 consecutive days or absences repeated three times in a year on the day following public holidays or holidays;
- sentence of imprisonment imposed on the worker, with a sentence that has become final, for an action committed not in connection with the performance of the employment relationship, which damages the moral figure of the worker;
- recidivism in any of the offences referred to in point a).

c) the measure of dismissal without notice (art. 10 letter B) of the CCNL) will be applied if the worker causes moral or material damage to the Company or that, in connection with the performance of the employment relationship, he performs actions that constitute an offence under the law.

In the event of dismissal without notice, the Company may order the non-disciplinary precautionary suspension of the worker with immediate effect, for a maximum period of 6 days. If the dismissal is applied, it will take effect from the moment of the ordered suspension. (art. 11 of the CCNL).

### **5.3 Sanctions against Executives**

The management relationship is characterised by its eminently fiduciary nature. The conduct of the Manager not only reflects within the Company, constituting a model and example for all those who work there, but also has an impact on the external image of the same. Therefore, compliance by the Company's managers with the provisions of the Code of Ethics, the Model and the related implementation procedures is an essential element of the executive employment relationship.

With regard to Executives who have committed a violation of the Code of Ethics, of the Model or of the procedures established in its implementation, the function holding the disciplinary power shall initiate the relevant procedures to carry out the relative disputes and apply the most suitable sanctioning measures, in compliance with the provisions of the National Collective Labour Agreement for Executives and, where necessary, with the observance of the procedures set out in art. 7 of Law no. 300 of 30 May 1970. The penalties shall be applied in accordance with the principles of gradualness and proportionality in relation to the seriousness of the act and of fault or wilful misconduct, if any. Among other things, with the objection, the revocation of any powers of attorney entrusted to the person concerned may be cautiously ordered, up to the possible termination of the relationship in the presence of violations so serious as to terminate the relationship of trust with the Company.

## **5.4 Sanctions against Directors**

In the event of violations of the provisions contained in the Model by one or more Directors, the Board of Directors and the Board of Statutory Auditors will be informed so that the appropriate measures can be taken in accordance with the regulations or the provisions adopted by the Company. It should be noted that pursuant to Article 2392 of the Italian Civil Code, the directors are liable to the company for not having fulfilled the duties imposed by law with due diligence. Therefore, in relation to the damage caused by specific prejudicial events strictly attributable to the failure to exercise due diligence, the exercise of a social responsibility action pursuant to art. 2393 of the Italian Civil Code and following may be related in the opinion of the Shareholders' Meeting.

In order to guarantee the full exercise of the right of defence, a time limit must be set within which the interested party may submit justifications and/or defensive writings and may be heard.

## **5.5 Sanctions against Statutory Auditors**

Upon notification of a violation of the provisions and rules of conduct of the Model by one or more auditors, the Supervisory Body must promptly inform the entire Board of Statutory Auditors and the Board of Directors of the event.

The recipients of the Supervisory Body's information may, in accordance with the provisions of the Articles of Association, take the appropriate measures, including, for example, calling a shareholders' meeting, in order to adopt the measures deemed most appropriate.

In order to guarantee the full exercise of the right of defence, a deadline must be set within which the interested party may submit justifications and/or defensive writings and may be heard.

## **5.6 Sanctions against collaborators and external subjects operating on behalf of the Company**

With regard to collaborators or external subjects who work on behalf of the Company, the sanctions and application methods for violations of the Code of Ethics, the Model and the related implementation procedures are preliminarily determined.

These measures may provide for the termination of the relationship in the case of more serious violations, and in any case when such violations are such as to damage the Company's trust in the person responsible for the violation. In the event of a violation by these individuals, the Supervisory Body shall inform the Managing Director in writing.

## **5.7 Measures against the Supervisory Body**

In the event of negligence and/or inexperience on the part of the Supervisory Body in overseeing the correct application of the Model and its observance, and in failing to identify cases of violation of the Model and eliminate them, the Board of Directors, in agreement with the Board of Statutory Auditors, will take the appropriate measures in accordance with the procedures provided for by current legislation, including the revocation of the appointment and without prejudice to the claim for compensation.

In order to guarantee the full exercise of the right of defence, a time limit must be set within which the interested party may submit justifications and/or defensive writings and may be heard.

In the event of alleged unlawful conduct on the part of members of the Supervisory Body, the Board of Directors, once it has received the report, investigates the actual offence and then determines the relative penalty to be applied.

## CHAPTER 6

### CONTROL SYSTEM

The system for the prevention of offences perfected by the Company, based on the indications provided by Confindustria's guidelines and international best practices, has been implemented by applying to each sensitive activity:

- general control standards, applicable to all sensitive activities considered;
- specific control standards applicable to each of the sensitive activities for which they are identified.

The general control protocols based on the tools and methodologies used to structure the specific control principals can be summarised as follows:

- **Segregation of duties:** the system must ensure the application of the principle of separation of functions, whereby the authorization to perform an operation must be under the responsibility of a person other than the one who accounts, executes operatively or controls the operation. Furthermore, it is necessary that: i) to no one be attributed unlimited powers; ii) powers and responsibilities are clearly defined and known within the organisation; iii) the licensing and signing powers are consistent with the organisational responsibilities assigned. This segregation is ensured by the intervention, within the same macro-business process, of several subjects to guarantee independence and objectivity of the processes. The separation of functions is also implemented using computer systems that enable certain operations only to identified and authorized persons. Segregation is assessed by considering the sensitive activity in the context of the specific membership process and considering the complexity of the same activity.
- **Traceability:** for each operation there must be an adequate documentary support on which we can proceed at any time to carry out checks that attest to the characteristics and motivations of the operation and identify those who have authorized, effected, recorded, verified the operation itself and, in any case, are governed with detail the cases and modalities of possible possibility of cancellation or destruction of the recordings made. The safeguarding of data and procedures in the computer field can be ensured by adopting the security measures already provided for by Legislative Decree no. 196/2003 (Code on the protection of personal data) for all data processing carried out with Electronic instruments.
- **Proxies and powers of attorney:** the authorization and signature powers assigned must be: i) consistent with the organisational and managerial responsibilities assigned, providing, where required, indication of the thresholds for approving expenditure; ii) clearly defined and known within the Company. Corporate roles are defined to which the power to bind the Company in certain expenses is assigned, specifying the limits and the nature of the expenses. The attributive act to functions must comply with the specific requirements required by law (e.g. delegation in the field of health and safety of workers). In addition to the adoption of general and specific proxies, proxies are adopted between the companies of the Group to carry out specific centralized activities regulated by service contracts.

- **Regulation:** the existence of business provisions suitable to provide principles of conduct, operational modalities for the performance of sensitive activities and methods of archiving relevant documentation (such as procedures, policies, guidelines and internal regulations as well as organisational provisions and service orders).
  
- **Monitoring activities:** it is aimed at the periodic/timely updating of proxies, delegations of functions and of the control system, in coherence with the decision-making system and with the whole structure of the organisational facility. Finally, the protocol provides for the existence of process controls.



# CHAPTER 7

## TRAINING AND COMMUNICATION PLAN

### 7.1 Introduction

In order to effectively implement the Model, the Company intends to ensure the correct dissemination of its contents and principles within and outside its organisation.

In particular, the Company's objective is to communicate the contents and principles of the Model not only to its own employees but also to subjects who, although not formally qualified as employees, operate - even occasionally - for the achievement of the Company's objectives by virtue of contractual relations. In fact, the Model is intended for both persons who hold representative, administrative or management positions in the Company, and persons subject to the management or supervision of one of the aforesaid persons (pursuant to art. 5 of Legislative Decree no. 231/2001), but also, more generally, all those who work for the achievement of the Company's purpose and objectives. The recipients of the Model therefore include the members of the corporate bodies, the persons involved in the functions of the Supervisory Body, employees, collaborators, agents, traders, external consultants and commercial and/or industrial and/or financial partners.

The Company, in fact, means to:

- determine, in all those who work in his name and on his behalf in the "sensitive areas", the awareness of being able to incur, in the event of a violation of the provisions contained therein, in an offence punishable by penalties;
- inform all those who operate for any reason in its name, on its behalf or in its interest that the violation of the provisions contained in the Model will result in the application of appropriate sanctions or the termination of the contractual relationship;
- reaffirm that the Company does not tolerate unlawful conduct of any kind and for any purpose whatsoever, since such conduct (even if the Company is apparently in a position to benefit from it) is, in any case, contrary to the ethical principles with which the Company intends to comply.

Communication and training activities vary according to the recipients to whom they are addressed, but are, in any case, based on the principles of completeness, clarity, accessibility and continuity in order to allow the various recipients to be fully aware of those Company provisions that they are required to comply with and of the ethical rules that must inspire their conduct.

These recipients are required to comply punctually with all the provisions of the Model, also in fulfillment of the duties of loyalty, correctness and diligence that arise from the legal relationships established by the Company.

Communication and training activities are supervised by the Supervisory Body, which is assigned, among other things, the tasks of "promoting and defining initiatives for the dissemination of knowledge and understanding of the Model, as well as for the training of personnel and raising their awareness of compliance with the principles contained in the Model" and "promoting and developing

communication and training measures on the contents of Legislative Decree no. 231/2001, on the impact of legislation on the Company's activities and on rules of conduct".

## **7.2 Employee**

Each employee is required to: i) acquire awareness of the principles and contents of the Model and the Code of Ethics; ii) know the operating methods with which their activities must be carried out; iii) actively contribute, in relation to their role and responsibilities, to the effective implementation of the Model, reporting any shortcomings found in it.

In order to ensure effective and rational communication activities, the Company promotes knowledge of the contents and principles of the Model, with different levels of detail depending on the position and role held.

Employees and new employees are given a copy of the Model and the Code of Ethics or are guaranteed the opportunity to consult them directly on the Company Intranet in a dedicated area; they are required to sign a declaration of knowledge of and compliance with the principles of the Model and the Code of Ethics described therein.

In any case, for employees who do not have access to the Intranet, this documentation must be made available to them by alternative means, such as attaching a pay slip or posting it on Company notice Boards.

Communication and training on the principles and contents of the Model and the Code of Ethics are guaranteed by the heads of the individual functions who, as indicated and planned by the Supervisory Body, identify the best way to use these services.

Training initiatives may also be carried out remotely through the use of information systems (e.g.: video conference, e-learning, staff meeting, etc.).

At the end of the training event, participants must complete a questionnaire, certifying that they have received and attended the course.

The completion and sending of the questionnaire will serve as a declaration of knowledge and observance of the contents of the Model.

Appropriate communication tools will be adopted to update the addressees of this paragraph about any changes made to the Model, as well as any significant procedural, regulatory or organisational changes.

## **7.3 Members of the executive bodies and persons with representative functions of the Company**

Members of the Company's governing bodies and individuals with representative functions of the Company will be provided with a paper copy of the Model at the time of acceptance of the office conferred on them and will be required to sign a declaration of compliance with the principles of the Model itself and the Code of Ethics. Appropriate communication and training tools will be adopted to update them on any changes made to the Model, as well as any significant procedural, regulatory or organisational changes.

## **7.4 Supervisory Body**

Specific training or information (e.g. on any organisational and/or business changes in the Company) is provided to the members of the Supervisory Body and/or to the persons it makes use of in the performance of its functions.

## **7.5 Other recipients**

The activity of communicating the contents and principles of the Model must also be addressed to third parties who have contractually regulated collaboration relationships with the Company (for example: commercial/industrial partners, agents, traders, consultants and other independent collaborators) with particular reference to those who operate in the context of activities considered sensitive pursuant to Legislative Decree no. 231/2001.

To this end, the Company will provide third parties with an extract of the reference Principles of the Model and the Code of Ethics and will assess the opportunity to organise ad hoc training sessions if it deems it necessary.

Training initiatives may also take place at a distance through the use of computer systems (e.g. video conference, e-learning).